TN Tennessee State Government

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2025

Bill Lee, Governor

World War II Memorial Bicentennial Mall
2023-2024 Tennessee Blue Book, Jenn Brady

Tennessee Annual Comprehensive Financial Report For the Fiscal Year Ended June 30, 2025

BILL LEE, Governor

DEPARTMENT OF FINANCE AND ADMINISTRATION
JIM BRYSON, Commissioner
Division of Accounts
MICHELLE E. HERNANDEZ, Chief of Accounts

Front Cover: Bicentennial Mall WWII Memorial
Photograph obtained from *2023-2024 Tennessee Blue Book*, Jenn Brady

State of Tennessee
Annual Comprehensive Financial Report
For the Year Ended June 30, 2025

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INTRODUCTORY SECTION

December 30, 2025

To the Citizens, Governor, and Members of the Legislature of the State of Tennessee:

Pursuant to Tennessee Code Annotated 4-3-1007, which requires maintaining a system of general accounts embracing all the financial transactions of state government, the Department of Finance and Administration is pleased to submit the Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2025. This report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) applicable to governments, as prescribed by the Governmental Accounting Standards Board (GASB). Its objective is to present a clear, complete, and transparent picture of the State of Tennessee's financial position as a single comprehensive reporting entity.

Management assumes full responsibility for the accuracy, completeness, and fairness of the data presented in this report, including all disclosures necessary to provide readers with a thorough understanding of the state's financial condition. This responsibility is supported by a comprehensive framework of internal control that provides reasonable, rather than absolute, assurance that the financial statements are free from material misstatement. The concept of reasonable assurance recognizes that the cost of a system of internal and operational control should not exceed the benefits derived and recognizes that the evaluation of these factors necessarily requires estimates and judgements by management.

The Tennessee Comptroller of the Treasury, Division of State Audit, considered by federal and state government to be the independent auditor for state government, has examined the accompanying financial statements and issued an unmodified ("clean") opinion for the fiscal year ended June 30, 2025. The auditor's report appears at the beginning of the financial section of this document.

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

The Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report, providing an objective overview of financial activities and trends. This letter of transmittal is intended to complement the MD&A, and both should be read in conjunction.

Profile of the State of Tennessee

Tennessee's history, cultural heritage, and economic diversity continue to define its identity. From the Appalachian Mountains in the east to the Mississippi River in the west, Tennessee remains a hub of creativity, innovation, and growth. The state's population reached 7.2 million in 2025, reflecting steady growth fueled by in-migration, job creation, and favorable business conditions.

The Tennessee Constitution divides state powers among three co-equal branches—legislative, executive, and judicial. The General Assembly enacts laws and appropriations; the Governor and executive agencies execute those laws; and the Judiciary ensures accountability through interpretation and oversight.

For financial reporting purposes, the state's reporting entity consists of (1) the primary government, (2) component unit organizations for which the primary government is financially accountable, and (3) other component unit organizations for which the nature and significance of their relationship with the primary

government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The funds and accounts of all agencies, boards, commissions, foundations, and authorities that have been identified as part of the primary government or a component unit have been included. Additional information about the state's reporting entity can be found in Note 1A. to the financial statements.

Budget preparation follows statutory requirements for a balanced budget, as mandated since 1937. The 2025 fiscal year maintained this standard through prudent revenue management, disciplined expenditure control, and strategic use of reserves.

Preparation of the governor's annual budget for the State of Tennessee is the responsibility of the Commissioner of Finance and Administration, who is the state budget director. The law directs the Commissioner of Finance and Administration to prepare the budget in accordance with the Governor's directives. Within the Department of Finance and Administration, the Division of Budget is responsible for budget development using the modified accrual basis of accounting. Budgetary control is maintained at the program level by the individual departments and agencies, acting in conjunction with the Department of Finance and Administration. The latter has a Division of Budget and a Division of Accounts to execute budgetary controls.

The law requires the Governor to submit the Budget to the General Assembly prior to February 1, except at the beginning of a gubernatorial term, when the deadline is prior to March 1; unless, in either case, the General Assembly by joint resolution authorizes a later date.

Information Useful in Assessing Tennessee's Economic Condition

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

Economic growth in Tennessee has been mixed through the first half of 2025, with volatility primarily driven by changes to federal trade policy, particularly surrounding tariffs (i.e. fees levied on goods imported into the U.S.). Tennessee inflation-adjusted gross domestic product (real GDP) advanced by only 0.3 percent in the first quarter of 2025 before rebounding to 3.1 percent growth in the second quarter. This volatile pattern of growth was driven by tariff-induced changes in spending patterns, as businesses and households front loaded their purchases of foreign goods in an effort to get ahead of tariff-driven price increases. That is, they purchased more foreign goods in the first quarter and fewer in the second quarter, leading to slower GDP growth in Q1 and stronger growth in Q2.

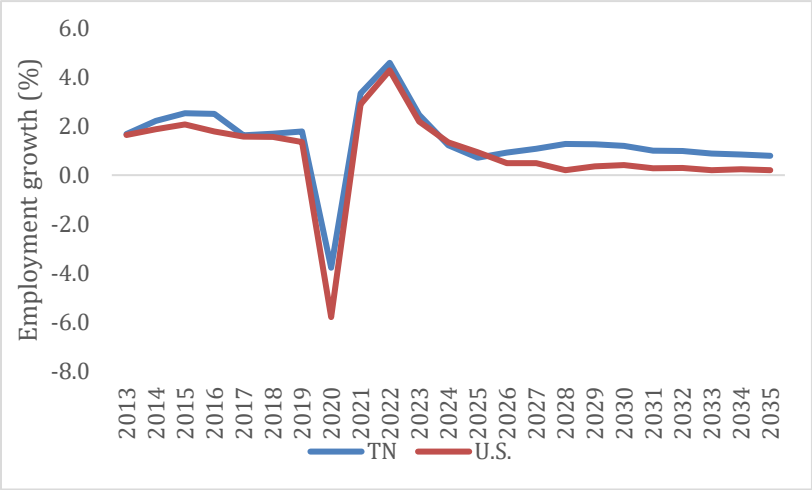
Expectations are for Tennessee real GDP to grow by 1.7 percent for the 2025 year as a whole, and then a slightly faster 2.0 percent rate of growth in 2026. These would represent slower rates of growth than seen in 2024, when the state economy expanded by 2.7 percent. Slower expected growth in the near term is partially due to timing. As we get deeper into the current growth cycle, the economy generally settles into a slower growth pattern. However, lower GDP growth projections are also driven by economic uncertainty due to federal policy changes that continue to change and evolve particularly surrounding tariffs and immigration but also changes in federal funding decisions and cuts to the federal workforce. Economic uncertainty can, by itself, lead to slower economic growth as businesses hold off on making large investments or hiring new workers, and consumers think twice about making major purchases. Nonetheless, expectations are for economic growth to remain positive over the next two years.

The labor market in Tennessee has also shown signs of weakening, with modest job gains in most of 2025. Over the first nine months of 2025, the state added an average of 2,900 jobs per month, but this was largely driven by the 9,500 jobs added in the August jobs report. Prior to the August report, average gains were only 1,800 per month. In either case, these increases are much lower than pre-pandemic levels. For comparison, the state added an average of 5,000 jobs per month in the first nine months of 2019. Importantly, however, slow job growth in

2025 is just a continuation of slower growth in 2024, as the state added only 1,400 jobs per month through the first nine months of 2024. Expectations are for Tennessee nonfarm employment to expand by a mere 0.7 percent for the 2025 year as a whole, representing an increase of roughly 24,000 workers for the year. By comparison, the state added over 80,000 workers to payrolls in 2023, and more than 40,000 workers in 2024. Employment growth will be slightly faster in 2026, increasing by 0.9 percent, representing a net addition of 31,400 workers, which would outpace the national projection of just 0.5 percent employment growth in 2026.

The state unemployment rate currently sits at 3.6 percent as of September 2025, and averaged 3.6 percent for the third quarter of 2025. By comparison, the U.S. rate is currently 4.4 percent as of September. As economic growth softens, we expect the state unemployment rate to slowly drift upwards over the next two years, reaching 3.8 percent in 2026 and 3.9 percent in 2027.

Nonfarm Employment Growth Outlook



Sources: Boyd CBER UT, Bureau of Labor Statistics, S&P Global

Economic development incentives (grants, tax exemptions/credits and abatements)
(*Prepared by Tennessee Departments of Revenue and Economic and Community Development*)

Tennessee's incentives for companies expanding within the state or relocating to the state include a combination of tax credits, job training reimbursement grants and public infrastructure development around a project site. The amount and duration of the incentives depends on the type of company, number of jobs created, and the amount of capital invested. These incentive programs and tax credits are developed and administered by the Tennessee Department of Economic and Community Development (TNECD) and the Tennessee Department of Revenue (TDOR).

The vision (and the goal of Tennessee's governor) is to improve the economic success of all Tennesseans by assisting in the creation of job opportunities throughout the state, and Tennessee's job growth and economic development success speak to the effectiveness of state incentives in achieving this vision. Between 2019 and the third quarter of 2025, TNECD secured more than 107,300 new job commitments and $45.4 billion in capital investment from companies locating or expanding across the state. Job creation is taking place across Tennessee with over 45,900 new job commitments in rural counties since the beginning of 2019.

One way TNECD aims to support net new job creation and capital investment is through its FastTrack grant programs. FastTrack assists companies with relocation and training of new employees as well as helps communities develop public infrastructure to assist expanding or relocating companies. There are three FastTrack programs: FastTrack Job Training Assistance, FastTrack Infrastructure Development and the FastTrack Economic Development Fund. During the first three quarters of 2025, TNECD located 43 projects that received a FastTrack grant commitment to expand or relocate in Tennessee. The department forecasts that over the next ten years, these projects will increase Tennessee's gross domestic product by $ 20.6 billion, as well as generate 16,269 new job opportunities and $ 7.3 billion in new salaries across the state. These jobs include 4,907 directly created by the company expansion and recruitment activity as well as 11,362 indirect and induced jobs from across the supplier network and other industries because of expanded economic growth.

The state's investments in projects during the first three quarters of 2025 have a projected annual rate of return of 59.1 percent. The costs of incentives are projected to be returned to the state in 0.7 years because of additional revenues the projects will generate. (These return on investment figures take into consideration additional costs of providing state services as well as tax credits companies may be eligible for.)

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

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

In addition, state law requires Tennessee's annual budget document to include a schedule of exemptions from state taxes. To the extent practicable, all exemptions from state taxes are to be identified, along with an estimate of the amount of revenue that would have been collected by the state in the ensuing fiscal year, if the exemptions were not to exist. Because the state does not collect the data necessary to estimate the amount of revenue lost for each of the tax exemptions found in the Tennessee Code Annotated, only those that can be estimated with a reasonable degree of accuracy are presented in the budget document. In addition, the estimates of revenue loss do not consider the impact of a change in a tax provision on taxpayer behavior that may impact other taxes (i.e. secondary or feedback effects). State budget publications can be found at https://www.tn.gov/finance/fa/fa-budget-information/fa-budget-archive/fiscal-year-2024-2025-budget-publications.html.

Long-Term Financial Planning

Tennessee's commitment to conservative fiscal management remains a hallmark of its financial reputation. The Rainy-Day Fund reached an estimated $2.2 billion in 2025, its highest historical level. This cushion ensures the ability to maintain essential services during economic slowdowns.

The state continues to hold AAA bond ratings from all major credit agencies, reflecting its pay-as-you-go approach to transportation, robust revenue forecasting, and long-standing prohibition on deficit spending.

Tennessee's fiscal strength is matched by strategic investments in innovation, resilience, and people, reinforcing the themes of stability and forward-thinking leadership. The close of the 2025 legislative session included the

passage of a $59.5 billion budget that invests in innovative approaches to serving Tennesseans. Strategic legislative and budget measures were passed to improve infrastructure, invest in education, strengthen our workforce, and solidify Tennessee's position as a leader in next-generation nuclear energy.

The Governor's agenda included passage of the Farmland Preservation Act to support Tennessee's agriculture industry and ensure that family farms can be preserved well into the future. Notably, a total of 14 new Tennessee State Parks have now been funded under Gov. Lee's leadership, setting the Tennessee record for the most state parks created by one administration. In addition, $1 billion to the Tennessee Department of Transportation was appropriated to address the state's infrastructure needs, including expediting existing road projects and funding new projects across rural and urban Tennessee and $60 million for maintenance projects at Tennessee's commercial and general aviation airports.

Tennessee has strong roots in the nuclear sector, dating back to the era of the Manhattan Project. Today, Tennesseans rely on nuclear power for a significant share of their baseload electricity generation. Nuclear related research and other activities, from nuclear medicine to legacy site cleanup and waste remediation, represent important assets of the East Tennessee economy. Tennessee has more than 229 nuclear companies operating in the state, and a university system that produces graduates for this field. Complementing Tennessee's leadership in national energy innovation and its link to job creation, the Governor established the Nuclear Energy Advisory Council through Executive Order 101 to build on Tennessee's rich nuclear legacy and position the state as a leader in next-generation energy innovation. This initiative complements the General Assembly's creation of a $50 million Nuclear Energy Fund, designed to strengthen Tennessee's nuclear research, development, and manufacturing ecosystem. The fund received an additional $10 million appropriation in Fiscal Year 2025 and another $10 million in Fiscal Year 2026, underscoring the state's ongoing commitment to this strategic sector.

The General Assembly, under *T.C.A. § 49-3-102.1*, determines the level of funding for K–12 education each year through the state's annual budget process. Once appropriated, these funds are allocated to local school districts through the Tennessee Investment in Student Achievement (TISA) formula and distributed by the Tennessee Department of Education (TDOE). The TISA is the state's updated funding formula that allocates resources to each district based on the individual needs of its students. TISA addresses this gap by providing additional "weights"—or increased funding—for students with greater needs, including those from low-income households, English learners, and students with disabilities. A 2025 National Assessment of Educational Progress (NAEP) report showed that Tennessee's 4th and 8th grade math scores outpaced the nation, with notable increases for English learners and male students. For TISA's second year (2024-25), an additional $261 million was appropriated through the K-12 funding formula for a total of $6.8 billion, equivalent to a 4 percent budget increase.

Relevant Financial Policies

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

State law specifies the manner in which tax revenue estimates are prepared and transmitted to the General Assembly in the annual budget document.

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

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

The State Treasurer is responsible for the management of the State Pooled Investment Fund (SPIF) (which includes the state's cash, various dedicated reserves and trust funds of the state, and a local government investment pool). The primary investment objective for the SPIF is safety of principal, followed by liquidity and yield. No investments may be purchased with a remaining maturity of greater than 397 calendar days, the weighted average maturity cannot exceed 60 days, and the weighted average life cannot exceed 120 days.

In addition to the funds in the SPIF, certain funds (such as pension and other employee benefit trust funds) are authorized by statutes to invest in long-term investments, including bonds, debentures, preferred stock and common stock, real estate, and other good and solvent securities subject to the approval of the applicable boards of trustees.

The state is authorized to issue general obligation tax revenue anticipation notes (TRANS) in anticipation of the receipt of tax revenues in the then current fiscal year of the state. The state constitution prohibits, however, the issuance of debt for operating purposes maturing beyond the end of a fiscal year. Accordingly, any TRANS issued in a fiscal year must be repaid by the end of the same fiscal year. The state has not heretofore issued TRANS and has no current intent to do so.

In March 2000, the state instituted a commercial paper program for authorized capital projects. Commercial paper has been and will be issued in a principal amount outstanding at any one time not to exceed $350,000,000. Commercial paper constitutes bond anticipation notes and is a direct general obligation of the state for the payment of which, as to both principal and interest, the full faith and credit of the state, but no specific taxes, are pledged.

Independent of the appropriation act process discussed earlier in this letter, pursuant to state law, there is a continuing appropriation of a sum sufficient for payment of debt service on outstanding bonds and other debt obligations from any funds held in the state treasury not otherwise legally restricted.

The state, by statute, covenants with the persons who now or may hereafter hold any state general obligation bonds that no general obligation bonds shall be issued after July 1, 2013, unless the amount necessary to pay the maximum annual debt service payable in the then current or any future fiscal year is not greater than 10 percent of the amount of total sales state tax revenue allocated to the general fund, to the debt service fund, and to the highway fund for the immediately preceding fiscal year.

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

Tennessee's commitment to conservative and prudent debt management is widely recognized by the nation's leading debt-rating agencies. Current ratings on the state's general obligation long-term debt are the highest available.

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

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

The Tennessee Governmental Accountability Act of 2013 requires that a system of strategic planning, program performance measures and performance audits be used to measure the effectiveness and efficiency of governmental services. The information generated by this system is intended to inform the public and assist the General Assembly in making meaningful decisions about the allocation of scarce resources in meeting vital needs. In addition, the state established an Office of Evidence and Impact (OEI) in 2019 to foster a culture of data and evidence-based policy making and budgeting. OEI uses data to inform decision makers and help ensure that investments are made in programs that work. Part of these efforts have included the implementation of evidence-based budgeting that facilitates the use of research and evidence to inform programmatic funding decisions in a way that improves outcomes for Tennessee citizens, and a statewide initiative (Tennessee Data Analytics for Transparency and Accountability, or TN DATA) to promote and facilitate data sharing among departments to gather deeper insights about program outcomes, identify gaps in the state's service, and inform intelligent policy design.

The governor may affect spending reductions to offset unforeseen revenue shortfalls or unanticipated expenditure requirements for particular programs. These spending reductions can take the form of deferred equipment purchases, hiring freezes, and similar cutbacks. The governor may also call special sessions of the General Assembly at any time to address financial or other emergencies.

Agencies may not expand programs or implement new programs on the agencies' own authority. Expansion requests for new federally or other funded programs, expansions of existing federally or other funded programs, or redirected funds after the beginning of the fiscal year, are reviewed by the Department of Finance and Administration, Division of Budget, and then sent to the General Assembly's Finance, Ways and Means committees for approval. This expansion procedure is not used to increase allotments funded from state tax revenue sources. No appropriations from state tax sources may be increased except pursuant to appropriations made by law.

During the fiscal year closing process, agencies may request to carry forward unexpended state appropriations for the specified purpose, provided the agencies have the authority in statute or the appropriations act to do so. State statute gives the Commissioner of Finance and Administration authority to deny certain carry forwards and to transfer these funds to the general fund for the purpose of meeting the requirements of funding the operations of state government subject to specific provisions in the appropriations act. These transfers are known as reserve taking to close the fiscal year.

TN Department of Finance & Administration

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

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the State of Tennessee for its fiscal year 2024 ACFR—marking the 45th consecutive year of this distinction. We believe the 2025 report continues to meet GFOA standards and has been submitted for consideration of the next certificate. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

We extend appreciation to the Division of Accounts, departmental controllers, and fiscal officers statewide for their dedication to transparency and excellence. We also acknowledge the Comptroller of the Treasury's Division of State Audit for its professionalism and collaboration.

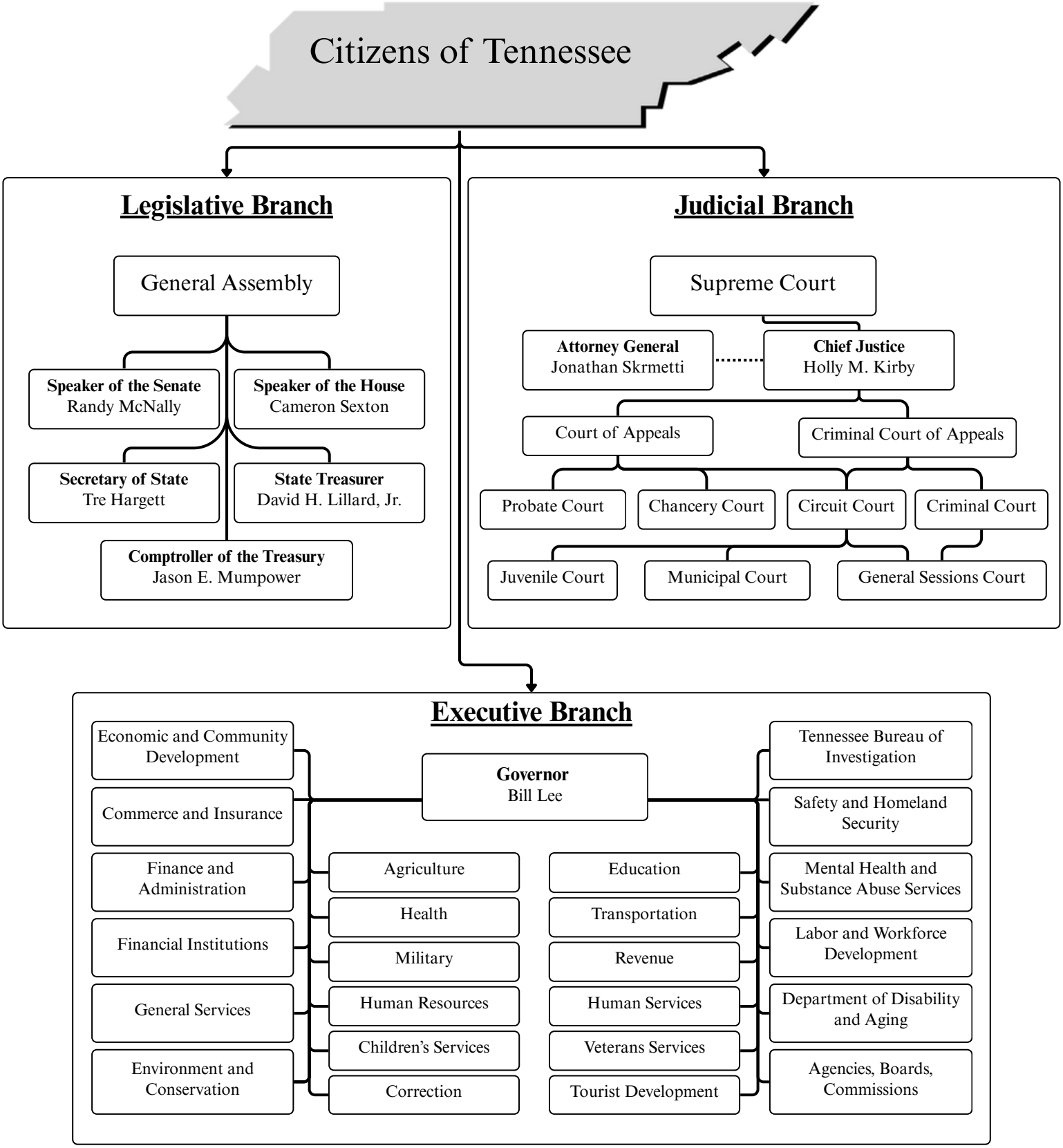
Respectfully submitted,

James E. Bryson
Commissioner

Michelle Earhart Hernandez
Chief of Accounts

State of Tennessee

Organization Chart
As of June 30, 2025



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Tennessee

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morrill

Executive Director/CEO

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FINANCIAL SECTION

Jason E. Mumpower
Comptroller

Independent Auditor's Report

Members of the General Assembly
The Honorable Bill Lee, Governor

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Tennessee, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the State of Tennessee's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Tennessee as of June 30, 2025, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the University of Chattanooga Foundation, Inc., the University of Tennessee Foundation, Inc., and the University of Tennessee Research Foundation, Inc., discretely presented component units of the University of Tennessee which represent 6.5%, 9.4%, and 4.3%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units as of June 30, 2025; the University of Memphis Foundation, the University of Memphis Research Foundation, and the Memphis Athletic Foundation, discretely presented component units of the University of Memphis which represent 2.4%, 4.0%, and 3.1%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units as of June 30, 2025; the East Tennessee State University Foundation a discretely presented component unit of East Tennessee State University which represents 0.8%, 1.3%, and 0.3%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units as of June 30, 2025. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for these entities, are based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State of Tennessee and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury. Those responsibilities include serving as a member of the board of directors of the Board of Claims, Chairs of Excellence Endowment Fund Board of Trustees, K–12 Mental Health

Endowment Fund, Local Education Insurance Committee, Local Government Insurance Committee, Pension Stabilization Reserve Trust, State Building Commission, State Funding Board, State Insurance Committee, Tennessee College Savings Trust, Tennessee Consolidated Retirement System, Tennessee Higher Education Commission, Tennessee Housing Development Agency, Tennessee Local Development Authority, Tennessee Promise Scholarship Endowment Fund, Tennessee State School Bond Authority, Tennessee Student Assistance Corporation, and Tennessee Transportation Financing Authority. We do not believe that the Comptroller's service in this capacity affected our ability to conduct an independent audit of the State of Tennessee.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State of Tennessee's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Emphasis of Matters

As discussed in Note 3, the state implemented the Governmental Accounting Standards Board's (GASB) Statement 101, *Compensated Absences*, during the year ended June 30, 2025. Our opinion is not modified with respect to this matter.

As discussed in Note 4, the Tennessee Retiree Group Trust investment pool has investments valued at $23.5 billion, whose fair values have been estimated by management in the absence of readily determinable fair values. These investments make up 0.5% of the fund balance of the general fund, 25.5% of the net position of the pension and other employee benefit trust funds, 30.6% of the net position of the investment trust funds, and 0.2% of the net position of the component units. In addition, the financial statements of the University of Tennessee, a discretely presented component unit, include investments valued at $743.6 million (4.9% of total component unit net position), whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Tennessee's basic financial statements. The supplementary information and supplementary schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the *Annual Comprehensive Financial Report.* The other information comprises the introductory section and statistical section listed in the

accompanying table of contents, but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2025, on our consideration of the State of Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters in the *Tennessee Single Audit Report*. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Tennessee's internal control over financial reporting and compliance.

Katherine J. Stickel, CPA, CGFM, Director
Division of State Audit
December 30, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our management discussion and analysis (MD&A) of the State of Tennessee's (the state's) financial performance provides an overview of the state's financial activities for the year ended June 30, 2025. Please read it as a narrative introduction to the financial statements that follow. The information included here should be considered along with the transmittal letter which can be found on pages 2-9 of this report. MD&A includes a description of the basic financial statements for government, condensed financial information along with analyses of balances and financial position, descriptions of significant asset and debt activity, discussions of budgetary matters and significant issues affecting financial position.

FINANCIAL HIGHLIGHTS

- **Government-wide**

  Net Position–The assets and deferred outflows of resources of the state exceeded its liabilities and deferred inflows of resources at June 30, 2025, by $64.3 billion (net position). Of this amount, $23.5 billion represents unrestricted net position, which may be used to meet the state's ongoing obligations to citizens and creditors while $36.4 billion represents net investment in capital assets.

  Changes in Net Position– The state's net position increased by $2.3 billion. The majority of this increase is reflected in the increases in receivables and capital assets of $4.6 billion which is partially offset by a $1.4 billion increase in account payable and other current liabilities and $657.7 million decrease in deferred outflows.

  Component units–Component units reported total net position of $15.1 billion, an increase of $1.7 billion.

- **Fund Level**

  At June 30, 2025, the state's governmental funds reported combined ending fund balances of $26.1 billion, an increase of $800.1 million (see discussion on page 23) compared to the prior year. Of the combined fund balance, approximately $21.6 billion is unrestricted (committed, assigned or unassigned) fund balance and is available for spending at the government's discretion or upon legislative approval; however, $2.2 billion of this amount is set aside in a revenue fluctuation account (rainy day fund).

- **Long-Term Debt**

  The state's total general obligation bonds and commercial paper debt decreased by $207.1 million during the fiscal year to a total of $1.7 billion. This change is primarily due to debt service payments made during the year with only $2.4 million in commercial paper issued.

  The state's total other long-term debt increased by $109.7 million during the fiscal year for a total of $1.3 billion. This increase was primarily due to an increase in right-to-use SBITA liabilities of $77.3 million and right-to-use lease liabilities of $31.9 million.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (on pages 31-33) provide information about the activities of the state as a whole (government-wide statements) and present a longer-term view of the state's finances. Fund financial statements start on page 36. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the state's operations in more detail than the government-wide statements by providing information about the state's most significant funds. The remaining statements provide financial information about activities for which the state acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the State as a Whole

The Statement of Net Position and the Statement of Activities

Our analysis of the state as a whole begins on page 20. One of the most important questions asked about the state's finances is, "Is the state as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the state as a whole and about its activities in a way that helps answer this question. These statements include all assets, liabilities, and deferred outflows/inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These statements report financial information about the entire government except fiduciary activities. The statements distinguish between the primary government and its component units, and also distinguish between governmental activities and business-type activities of the primary government. The statement of net position displays all the state's financial and capital resources in the format of assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equal net position. The statement of activities reports the state's operations by function to arrive at net revenue (expense). The statement reports what type revenue (either program revenue or general revenue) funds the government operations. The state functions that are identified on this statement correspond to the functions used for budgetary purposes:

- *Governmental activities*–general government; education; health and social services; law, justice and public safety; recreation and resources development; regulation of business and professions; transportation; and interest.

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

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

Reporting the State's Most Significant Funds

Fund financial statements

Our analysis of the state's major funds begins on page 23. The fund financial statements begin on page 36 and provide detailed information about the most significant funds–not the state as a whole. Some funds are required to be established by state law and by bond covenants. However, the state establishes many other funds to help it control and manage money for particular purposes (like capital projects) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The state's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Proprietary Funds. Proprietary funds report the government services that charge service fees to its customers. Proprietary funds include enterprise funds (serving citizens) and internal service funds (serving state agencies). The enterprise funds are the same as the business-type activities reported in the government-wide statements, but provide more detail; whereas, the internal service funds are included in the governmental activities.

Notes to the financial statements. Notes to the financial statements are also included and provide essential information to understand the financial statements. They are an integral part of the financial statements and focus on

the primary government and its activities. Some information is provided for significant component units. The notes to the financial statements can be found on pages 54-148.

The State as Trustee

Reporting the State's Fiduciary Responsibility

Fiduciary funds are used to report resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the state cannot use these assets to finance its operations. Instead, the state is responsible for using the fiduciary assets for the fiduciary fund's intended purposes.

THE STATE AS A WHOLE

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the state, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $64.3 billion as of June 30, 2025.

By far, the largest portion of the state's net position (56.6 percent) reflects its net investment in capital assets (e.g., land, infrastructure, structures and improvements, machinery and equipment, right-to-use leases and subscriptions, construction in progress and software in development), less any related debt and deferred outflows of resources used to acquire those assets that is still outstanding. The state uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the state's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the state's net position (7 percent) is restricted and represents resources that are subject to either external restrictions or legislative restrictions on how they may be used. The remaining balance is unrestricted net position ($23.5 billion) and may be used to meet the state's ongoing obligations to citizens and creditors not funded by resources that are restricted. Unrestricted net position increased by $730.3 million (3.2 percent).

At the end of the current fiscal year, the state was able to report positive balances in all three categories of net position, for the government as a whole, and for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

State of Tennessee
Net Position as of June 30
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total Primary Government	
	2025	2024*	2025	2024*	2025	2024*
Current and other assets	$38,431,524	$36,216,027	$4,096,428	$3,700,906	$42,527,952	$39,916,933
Capital assets	37,005,999	35,523,348	213,242	209,536	37,219,241	35,732,884
Total assets	75,437,523	71,739,375	4,309,670	3,910,442	79,747,193	75,649,817
Deferred outflows of resources	1,112,623	1,770,346	-	-	1,112,623	1,770,346
Current and other liabilities	11,344,630	9,626,789	179,310	166,284	11,523,940	9,793,073
Noncurrent liabilities	4,542,082	5,291,720	13,266	9,904	4,555,348	5,301,624
Total liabilities	15,886,712	14,918,509	192,576	176,188	16,079,288	15,094,697
Deferred inflows of resources	478,499	319,000	-	-	478,499	319,000
Net position:						
Net investment in capital assets	36,185,787	34,758,715	213,242	209,536	36,399,029	34,968,251
Restricted	4,367,494	4,233,039	-	-	4,367,494	4,233,039
Unrestricted	19,631,654	19,280,458	3,903,852	3,524,718	23,535,506	22,805,176
Total net position	$60,184,935	$58,272,212	$4,117,094	$3,734,254	$64,302,029	$62,006,466

* The 2024 amounts presented here have been restated for prior period adjustments. See Note 3 for details of these adjustments.

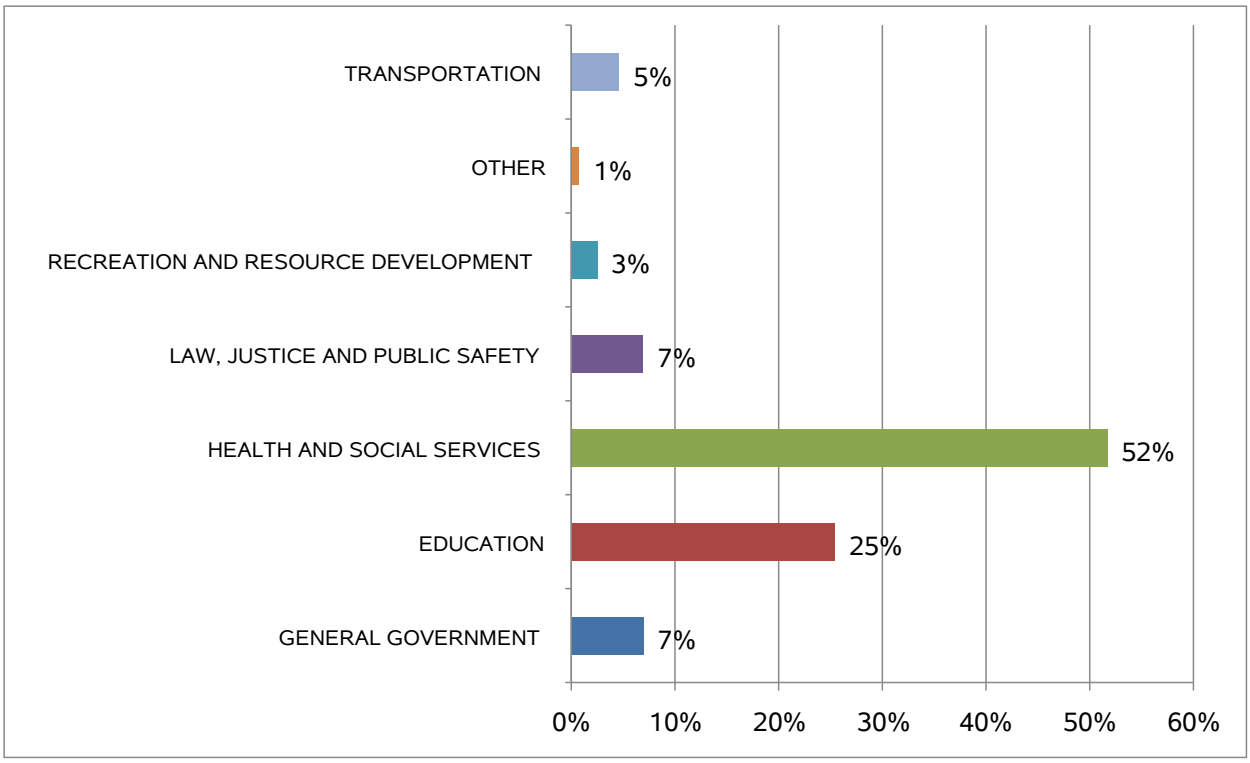
State of Tennessee
Changes in Net Position
For the Fiscal Year Ended June 30
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	$4,403,078	$4,487,856	$1,292,179	$1,193,042	$5,695,257	$5,680,898
Operating grants and contributions	19,453,279	18,660,334	127,452	109,248	19,580,731	18,769,582
Capital grants and contributions	1,333,599	951,352	-	-	1,333,599	951,352
General revenues:						
Sales Taxes	14,544,347	13,938,417	-	-	14,544,347	13,938,417
Other taxes	9,839,898	8,432,652	-	-	9,839,898	8,432,652
Other	2,282,449	2,035,099	-	-	2,282,449	2,035,099
Total revenues	51,856,650	48,505,710	1,419,631	1,302,290	53,276,281	49,808,000
Expenses:						
General government	3,498,700	4,425,365	-	-	3,498,700	4,425,365
Education	12,678,104	12,882,885	-	-	12,678,104	12,882,885
Health and social services	25,756,271	22,955,213	-	-	25,756,271	22,955,213
Law, justice and public safety	3,430,334	2,849,572	-	-	3,430,334	2,849,572
Recreation and resources					-	-
development	1,779,398	1,405,069	-	-	1,779,398	1,405,069
Regulation of business and					-	-
professions	334,711	318,066	-	-	334,711	318,066
Transportation	2,289,891	2,157,243	-	-	2,289,891	2,157,243
Interest on long-term debt	44,355	46,381	-	-	44,355	46,381
Employment security	-	-	178,782	170,814	178,782	170,814
Insurance programs	-	-	979,773	914,654	979,773	914,654
Loan programs	-	-	2,136	1,898	2,136	1,898
Other	-	-	8,446	669	8,446	669
Total expenses	49,811,764	47,039,794	1,169,137	1,088,035	50,980,901	48,127,829
Increase in net position						
before contributions and transfers	2,044,886	1,465,916	250,494	214,255	2,295,380	1,680,171
Transfers	(132,346)	(225,522)	132,346	225,522	-	-
Contributions to permanent						
funds	183	432	-	-	183	432
Increase (decrease) in net position	1,912,723	1,240,826	382,840	439,777	2,295,563	1,680,603
Net position, July 1	58,640,355	56,728,636	3,734,254	3,294,477	62,374,609	60,023,113
Adjustments to net position, July 1	(368,143)	302,750	-	-	(368,143)	302,750
Net position, July 1, restated	58,272,212	57,031,386	3,734,254	3,294,477	62,006,466	60,325,863
Net position, June 30	$60,184,935	$58,272,212	$4,117,094	$3,734,254	$64,302,029	$62,006,466

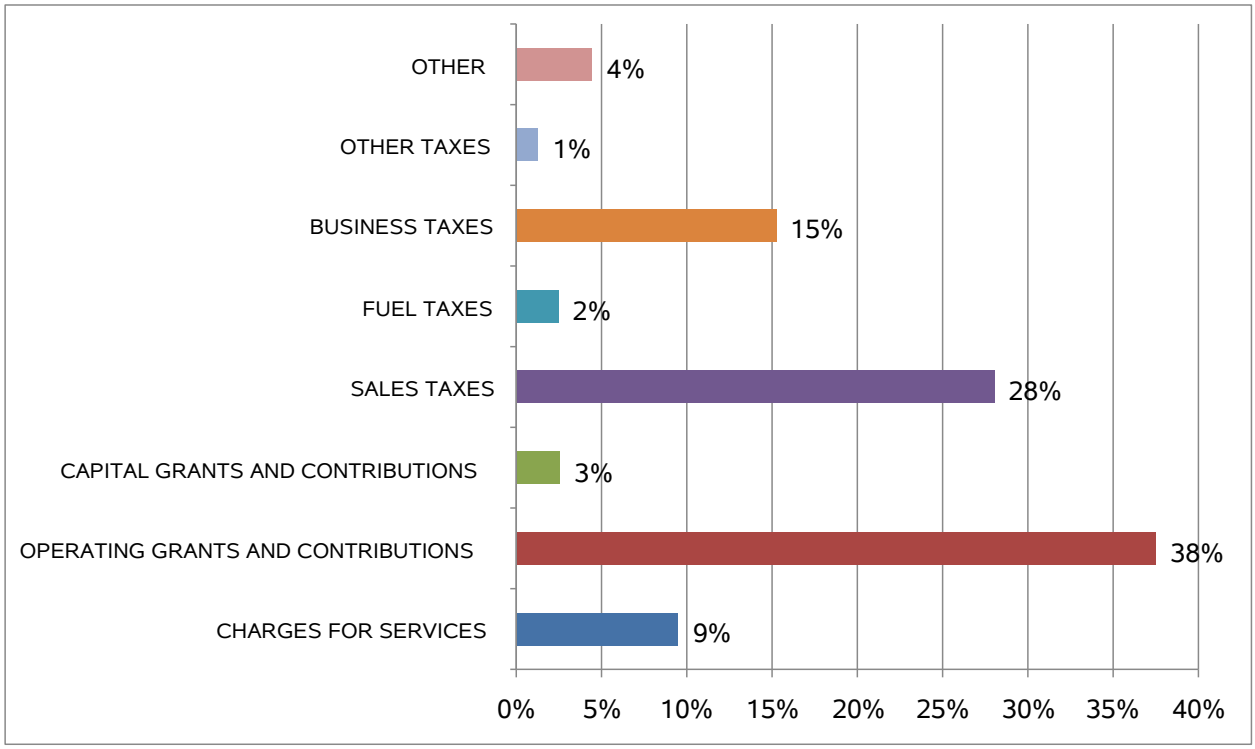
Governmental activities. Net position of the state's governmental activities increased by $1.9 billion (3 percent). This increase accounts for 83.3 percent of the total increase in net position of the primary government and is primarily the result of increases in receivables ($3.1 billion) and net capital assets ($1.5 billion). Receivables increased primarily due to a significant increase in the Enhanced Coverage fee, a hospital assessment supplemental. The collections from this assessment did not occur until July and August of 2025. There was an increase in the TennCare hospital assessment for 2025, as part of the Annual Coverage Assessment Act of 2024, which imposes an annual assessment on covered hospitals equal to 6 percent of the federally recognized base. The new assessment is part of legislation aimed at modernizing the program and aligning reimbursements with Medicare or average commercial rates, whichever is higher. More information on the increases in capital assets can be found on page 27.

Business-type activities. Net position of the state's business-type activities increased by $382.8 million (10.3 percent). The most significant contributor to this increase was the establishment of the Helene Emergency Assistance Loan fund, which received a $100 million transfer from the general fund to support counties affected by tropical storm Helene. The Employment Security fund's increase in net position of $133.4 million was also a significant factor in the overall increase. The slowing of expenditures in covid related programs and processing of returns for overpayments kept benefit payments to a 4.7 percent increase when compared to prior year. Premium revenue increased by 16.1 percent. The Sewer Treatment Loan fund had an increase in net position of $78.1 million. The fund continues to receive grants and issue loans for clean water projects. The Nonmajor Enterprise funds' activity resulted in a $171.3 million increase in net position. Of this amount, the largest increase was related to the Helene Emergency Assistance Loan fund.

EXPENSES BY FUNCTION-GOVERNMENTAL ACTIVITIES



REVENUES BY SOURCE-GOVERNMENTAL ACTIVITIES



THE STATE'S FUNDS

At June 30, 2025, governmental funds reported an increase in total revenues and an increase in total expenditures. Details are in the following paragraphs. The revenue fluctuation account (rainy day fund), reported as unassigned fund balance, has been increased to $2.2 billion or 7 percent of the general fund's expenditures.

At the end of the fiscal year, the general fund reported an ending fund balance of $11.1 billion, a $1.3 billion increase compared to the prior year. The increase is primarily due to the increase in business tax. Business tax increased by $1.6 billion (29 percent). The increase in business tax is the result of a decrease in tax refunds. Tax refunds decreased because in the prior year there was a change in the calculation of franchise tax which resulted in a significant increase in tax refunds.

The education fund reported an overall decrease for inflows of $254.9 million (2.1 percent) and a decrease of outflows of $462.2 million (3.7 percent). Most of the decrease in outflows and inflows was driven primarily by lower K–12 federal grant expenditures as federally imposed deadlines for spending these funds approached. Most of this decline related to the wind-down of American Rescue Plan (ARP) resources, as well as remaining appropriations under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act. Federal spending for school safety initiatives also decreased during the year.

Additionally, participation in the state's Achievement School District (ASD) declined to 3 schools at June 30, 2025, down from 10 schools at June 30, 2024. This reduction reflects recent legislation to replace the ASD with a new intervention model targeting districts with the lowest levels of performance. The ASD is scheduled to close and release all remaining schools before the start of the 2026–2027 school year.

These decreases were partially offset by higher state-funded K–12 expenditures, particularly for the Tennessee Investment in Student Achievement (TISA) funding formula, Special Education Services, School Nutrition Programs, and the Charter School Commission.

The overall fund balance increased in the education fund by $120.5 million. The majority of fund balance is restricted for student financial assistance. Of the $2.3 billion fund balance in the education fund, $361.5 million is

not available for future use because it is legally or contractually required to be maintained intact and $1.4 billion is legally restricted or committed for specific purposes. Refer to Note 13, Governmental Fund Balances on page 105, for additional information regarding those specific purposes.

The highway fund inflows decreased by $2.9 billion, and outflows increased $280 million. The decrease in inflows was driven primarily by reduced transfers from the general fund for road construction and other capital improvements. In fiscal year 2024, the Transportation Modernization Act authorized a one-time $3 billion transfer to support implementation of the Act; the absence of this nonrecurring transfer accounts for most of the year-over-year decrease.

The increase in outflows reflects higher expenditures for resurfacing, construction activities, right-of-way acquisitions, and expanded use of consulting services for construction engineering. These increases also relate to work associated with implementing the Transportation Modernization Act, which authorizes the Tennessee Department of Transportation to pursue public-private partnerships for the construction and operation of Choice Lanes—new, additional managed lanes that use pricing to regulate demand and improve travel-time reliability as well as increased investment in rural transportation infrastructure, consistent with the Act's emphasis on improving connectivity and economic development opportunities across all regions of Tennessee.

The capital projects fund had a $602.2 million decrease in fund balance. Overall inflows to the fund decreased by $1.9 billion and outflows increased by $433.7 million when compared to the previous year. The increase in outflows is due to an increase in capital outlay of $337.4 million, for current projects. The start of the Titans stadium and site improvements project accounted for $150.2 million of the increase. The decrease in inflows is due to lower appropriation transfers and the decision not to issue debt in the current year. Expenditures for capital projects also fluctuate from year to year due to various conditions that affect construction progress. The phase of the project, as well as scope, cost and funding changes can all have an impact on the pace of spending. The restricted fund balance of $353.7 million does not significantly affect the availability of fund resources for future use.

The total plan net position of the pension trust funds and other employee benefits trust are $91.4 billion, an increase of approximately $7.1 billion from the prior year. The pension trust funds were responsible for $6.9 billion of this increase. The increase was primarily the result of favorable conditions in the financial markets; the pension trust funds incurred a net investment gain of $8.7 billion.

The total plan net position of the OPEB trust fund is $1.4 billion, an increase of approximately $162.9 million from the prior year. The increase was primarily the result of investment gains of $135 million, due to favorable market conditions. Another factor was employer contributions of $100.5 million to the OPEB Trust, an amount higher than the actuarially determined contribution rate. Benefit deductions decreased by $3.9 million.

General Fund Budgetary Highlights

The general fund experienced a variance between the original budget and final budget amounts primarily due to increases related to hurricane Helene disaster relief activities and broadband infrastructure expansion activities.

Federal revenues were overestimated by approximately 8 percent due to a reduced demand for health, social, and environmental services. Social programs under the Department of Human Services (DHS), such as the Supplemental Nutrition Assistance Program (SNAP), had less than expected benefit claims. The Department of Environment and Conservation (TDEC) and the Department of Economic and Community Development (ECD) had variances in budgeted versus actual federal revenue due to timing differences between the budgeting of federal awards and the distribution of federal grants. The TDEC projects are related to the enhancement of water, wastewater, and stormwater infrastructure and the ECD projects are related to the expansion of broadband internet to rural areas. Actual expenditures in TennCare, Environment and Conservation, Human Services, and Finance and Administration programs were significantly less than what was projected in the final budget primarily due to unexpended reserved amounts and multi-year projects that were appropriated in the current year. The FastTrack and Broadband programs include the full award budget; however, the expenditures are recognized over the term of the contract as awards are paid which contributed to the underspent budget for Economic and Community Development.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The state's investment in capital assets at June 30, 2025, of $41.5 billion, net of $4.2 billion accumulated depreciation and amortization, consisted of the following:

Capital Assets—Primary Government
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Land	$3,202,124	$3,053,941	$ -	$ -	$3,202,124	$3,053,941
Infrastructure	28,768,690	28,027,300	219,005	-	28,987,695	28,027,300
Construction in progress	1,711,389	1,364,860	-	209,536	1,711,389	1,574,396
Structures and improvements	3,503,548	3,420,520	-	-	3,503,548	3,420,520
Machinery and equipment	3,300,897	2,940,928	-	-	3,300,897	2,940,928
Right-to-use leases and subscriptions	725,166	528,190	-	-	725,166	528,190
Software in development	29,590	8,914	-	-	29,590	8,914
Subtotal	41,241,404	39,344,653	219,005	209,536	41,460,409	39,554,189
Accumulated depreciation and amortization	(4,235,405)	(3,821,305)	(5,763)	-	(4,241,168)	(3,821,305)
Total	$37,005,999	$35,523,348	$ 213,242	$209,536	$37,219,241	$35,732,884

More detail of the activity during the fiscal year is presented in Note 7A to the financial statements.

Capital assets, including those under construction, increased from fiscal year 2024 to 2025 by approximately 4.2 percent. The change was primarily due to increases of infrastructure (highways and bridges and the water and wastewater treatment facility). Infrastructure increased in total by $960.3 million, which resulted from highway and bridge projects completed and capitalized as well as the completion and capitalization of the water and wastewater treatment facility. Construction in progress for highways and bridges increased by $888.8 million and decreased (projects completed and capitalized) by $777 million. Infrastructure right-of-way acreage increased the land classification by $88.6 million. The change in machinery and equipment of $359.9 million resulted largely from a $200.6 million increase that resulted from system projects that were placed in operation and are now classified as equipment.

In accordance with generally accepted accounting principles, the state is eligible for and has adopted an alternative approach to depreciating its roadways and bridges infrastructure (governmental activities). Under the modified approach, governments are permitted to expense the cost of preserving roadways and bridges rather than to record a periodic charge for depreciation expense. Under the depreciation method, preservation expenses are capitalized. The state is responsible for approximately 15,000 miles of roadway and 8,434 bridges. Differences between the amount estimated to be necessary for maintaining and preserving roadways and bridges infrastructure assets (governmental activities) at targeted condition levels and the actual amounts of expense incurred for that purpose during the fiscal period are the results of timing differences. The budgeting process and the fact that projects are started at different times during the year and take more than 12 months to complete, results in spending in one-year amounts that were budgeted in a previous fiscal year(s).

The decision to use the modified approach was essentially made because the state has consistently maintained its infrastructure in what it considers to be a good condition. The most recent condition assessment, which is discussed in more detail in the Required Supplementary Information section (page 150), indicated that bridges were rated at 8 points above the state's established condition level, on a 100 point scale using the MRI method, and roadways were 0.66 points above the state's benchmark level, on a 4.0 scale using the MQA method. Bridges are assessed biennially and roadways annually.

The state's capital outlay budget for the fiscal year 2024-2025 reflects a $1.4 billion decrease from the previous year. The capital outlay budget included funding for both capital improvement projects and capital maintenance requests. A significant portion of the budgeted amounts include $96.4 million for higher education capital outlay projects, $59 million for state parks and various upgrades to current facilities. An additional $96.6 million was allocated for capital maintenance projects for maintaining current facilities, primarily through repair and renovation of roofing, mechanical, and electrical systems.

Debt Administration

In accordance with the Constitution, the state has the authority to issue general obligation debt that is backed by the full faith and credit of the state. The Legislature authorizes a certain amount of debt each year and the State Funding Board has oversight responsibility to issue the debt for capital projects. Any improvement to real property, including the demolition of any building or structure located on real property in which the State of Tennessee or any of its departments, institutions, or agencies has an interest, other than Department of Transportation, highway and road improvements and demolition of structures in highway rights-of-way requires State Building Commission approval. The state issues commercial paper as a short-term financing mechanism for capital purposes and the commercial paper is typically redeemed with long-term bonds. The unissued balance by function (expressed in thousands) follows:

Purpose	Unissued 6/30/25
Highway	$ 916,000
Higher Education	500,402
Children's services	81,100
Military	271,900
General Government	174,718
Total	$ 1,944,120

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

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

	Governmental Activities	
	6/30/2025	6/30/2024
Bonds, net	$ 1,674,818	$ 1,864,946
Commercial Paper	3,681	20,613
Total	$ 1,678,499	$ 1,885,559

Nearly three-fourths of the outstanding debt has been issued either for capital projects of two of the state’s major component units-University of Tennessee and State University and Community College System-or provided to local governments as capital grants; assets acquired with this debt belong to those entities. The state has not issued bonds to fund infrastructure since 1976; infrastructure has been funded on a pay-as-you-go basis. Additional information on long-term obligations is presented in Note 11A to the financial statements.

The state’s bonds are rated AAA, Aaa, and AAA by Fitch Ratings, Moody’s Investors Service, Inc., and Standard & Poor’s Ratings Services, respectively. Under current state statutes, the general obligation debt issuances are subject to a maximum allowable debt service limitation based on a percentage of tax revenues allocated to the general fund, highway fund and debt service fund. As of June 30, 2025, the state’s maximum allowable debt service of $2 billion was well above the maximum annual debt service of $228.9 million, with a legal debt service margin of $1.8 billion. The state’s outstanding other long-term debt that is not explicitly backed by the full faith and credit of the state consists of the following (expressed in thousands):

	Governmental Activities	
	6/30/2025	6/30/2024
Right-to-use leases	$ 336,738	$ 304,875
Compensated absences	907,242	906,377
Right-to-use SBITA	141,013	63,762
Financed purchase	1,544	2,726
Annuity	9,650	8,700
Total	$ 1,396,187	$ 1,286,440

FACTS, DECISIONS, OR CONDITIONS WITH EXPECTED FUTURE IMPACT

Transportation and Infrastructure Funding Commitments

The State's long-term financial position will continue to be influenced by its ongoing transportation investment strategy. As part of the upcoming fiscal year budget, the state committed approximately $1 billion in one-time funding to support transportation and infrastructure improvements across Tennessee. This allocation is intended to accelerate progress on road, bridge, and mobility projects and to reduce a substantial backlog of statewide transportation needs. These investments are expected to increase capital outlays and continue to expand the State's capital asset base over multiple years, while also affecting future depreciation and maintenance requirements. Although the funding is non-recurring, the resulting long-term infrastructure improvements are anticipated to support economic development and population growth in the state.

Education Freedom Scholarships

The state also enacted legislation establishing Education Freedom Scholarships, with $148.6 million budgeted for the program in the upcoming fiscal year. The program provides state-funded scholarships to eligible students for approved education-related expenses, including tuition at participating private schools. The initiative is expected to expand educational options for families while increasing recurring expenditures from the education fund. Over time, participation levels and program growth may influence the distribution of state education funding among local education agencies and may affect the State's long-term budget planning for K–12 education.

Federal "One Big Beautiful Bill Act"

The federal One Big Beautiful Bill Act includes provisions that modify the Supplemental Nutrition Assistance Program (SNAP), particularly in the areas of eligibility documentation and work-reporting requirements. While these changes do not have an immediate material effect on the state, their future fiscal impact will depend on how Tennessee elects to administer the program under the revised federal framework. If the state chooses to maintain current service levels or program integrity in light of these changes, it may need to adjust appropriations in future years to support additional administrative responsibilities or compliance requirements. The state will continue to monitor federal rulemaking and evaluate policy options as implementation progresses.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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STATE OF TENNESSEE
Statement of Net Position
June 30, 2025
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	**Business-Type Activities**	**Total**	**Total Component Units**
ASSETS				
Cash and cash equivalents	$ 26,156,590	$ 1,135,940	$ 27,292,530	$ 4,355,304
Cash on deposit with fiscal agent	-	1,559,302	1,559,302	-
Investments	1,817,611	-	1,817,611	1,421,818
Receivables, net	9,285,708	185,748	9,471,456	553,924
Internal balances	335	(335)	-	-
Due from primary government	-	-	-	93,627
Due from component units	128,846	-	128,846	-
Inventories, at cost	96,461	-	96,461	14,687
Prepayments	7,021	-	7,021	42,273
Loans receivable, net	2,618	1,215,773	1,218,391	5,213,722
Right-to-use lease receivable	4,725	-	4,725	-
Other	-	-	-	39,565
Restricted assets:				
Cash and cash equivalents	353,686	-	353,686	1,077,241
Investments	524,740	-	524,740	3,419,609
Receivables, net	-	-	-	571,497
Net pension assets	-	-	-	5,655
Net other postemployment benefits assets	53,183	-	53,183	26,397
Other	-	-	-	998
Capital assets:				
Land, at cost	3,202,124	-	3,202,124	308,155
Infrastructure	28,768,690	219,005	28,987,695	1,088,721
Structures and improvements, at cost	3,503,548	-	3,503,548	9,089,239
Machinery and equipment, at cost	3,300,897	-	3,300,897	1,596,580
Right-to-use leases and subscriptions	725,166	-	725,166	540,711
Less-accumulated depreciation and amortization	(4,235,405)	(5,763)	(4,241,168)	(5,387,502)
Construction in progress	1,711,389	-	1,711,389	1,750,555
Software in development	29,590	-	29,590	-
Total assets	75,437,523	4,309,670	79,747,193	25,822,776
DEFERRED OUTFLOWS OF RESOURCES	1,112,623	-	1,112,623	364,975
LIABILITIES				
Accounts payable and other current liabilities	10,239,304	156,524	10,395,828	792,329
Due to primary government	-	-	-	128,846
Due to component units	93,627	-	93,627	-
Unearned revenue	1,011,699	22,786	1,034,485	193,368
Other	-	-	-	39,710
Noncurrent liabilities:				
Due within one year	711,387	-	711,387	623,667
Due in more than one year	3,830,695	13,266	3,843,961	8,962,560
Total liabiliities	15,886,712	192,576	16,079,288	10,740,480
DEFERRED INFLOWS OF RESOURCES	478,499	-	478,499	367,350
NET POSITION				
Net investment in capital assets	36,185,787	213,242	36,399,029	6,798,248
Restricted for:				
Highway projects	989,293	-	989,293	-
Student financial assistance	191,477	-	191,477	-
Natural and wildlife resources	121,572	-	121,572	-
Capital projects	354,150	-	354,150	313,918
Single family bond programs	-	-	-	584,514
Regulatory activities	42,479	-	42,479	-
Pensions	-	-	-	5,655
Other postemployment benefits	53,183	-	53,183	26,397
Other	571,095	-	571,095	1,637,433
Permanent and endowment funds				
Expendable	1,348,117	-	1,348,117	357,810
Nonexpendable	696,128	-	696,128	2,022,255
Unrestricted	19,631,654	3,903,852	23,535,506	3,333,691
Total net position	$ 60,184,935	$ 4,117,094	$ 64,302,029	$ 15,079,921

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

STATE OF TENNESSEE
Statement of Activities
For the Year Ended June 30, 2025
(Expressed in Thousands)

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	$ 3,498,700	$ 1,436,685	$ 60,557	$ 1,770
Education	12,678,104	112,563	2,314,242	-
Health and social services	25,756,271	2,065,543	15,738,525	6,151
Law, justice, and public safety	3,430,334	159,143	465,441	17,975
Recreation and resources development	1,779,398	269,042	424,520	3,907
Regulation of business and professions	334,711	281,121	1,638	44
Transportation	2,289,891	78,981	448,356	1,303,752
Interest	44,355	-	-	-
Total governmental activities	49,811,764	4,403,078	19,453,279	1,333,599
Employment security	178,782	283,191	28,995	-
Insurance programs	979,773	990,233	16,727	-
Loan programs	2,136	13,786	81,620	-
Other	8,446	4,969	110	-
Total business-type activities	1,169,137	1,292,179	127,452	-
Total primary government	$ 50,980,901	$ 5,695,257	$ 19,580,731	$ 1,333,599
Component units:				
Higher education institutions	$ 6,946,079	$ 2,144,200	$ 2,778,587	$ 909,073
Loan programs	998,953	279,426	638,046	-
Lottery programs	1,707,984	1,702,374	25	-
Other	129,339	86,828	18,176	-
Total component units	$ 9,782,355	$ 4,212,828	$ 3,434,834	$ 909,073
General revenues:				
Taxes:				
Sales and use				
Fuel				
Business				
Other				
Payments from primary government				
Grants and contributions not restricted to specific programs				
Unrestricted investment earnings				
Miscellaneous				
Contributions to permanent funds				
Transfers				
Total general revenues, contributions, and transfers				
Change in net position				
Net position, July 1				
Adjustments to net position, July 1				
Net position, July 1, restated				
Net position, June 30				

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

STATE OF TENNESSEE
Statement of Activities
For the Year Ended June 30, 2025
(Expressed in Thousands)

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total Primary Government	Component Units
$ (1,999,688)	$ -	$ (1,999,688)	$ -
(10,251,299)	-	(10,251,299)	-
(7,946,052)	-	(7,946,052)	-
(2,787,775)	-	(2,787,775)	-
(1,081,929)	-	(1,081,929)	-
(51,908)	-	(51,908)	-
(458,802)	-	(458,802)	-
(44,355)	-	(44,355)	-
(24,621,808)	-	(24,621,808)	-
-	133,404	133,404	-
-	27,187	27,187	-
-	93,270	93,270	-
-	(3,367)	(3,367)	-
-	250,494	250,494	-
(24,621,808)	250,494	(24,371,314)	-
-	-		
-	-		
-	-	-	(1,114,219)
-	-	-	(81,481)
-	-	-	(5,585)
-	-	-	(24,335)
-	-	-	(1,225,620)
14,544,347	-	14,544,347	-
1,281,695	-	1,281,695	-
7,911,234	-	7,911,234	-
646,969	-	646,969	-
-	-	-	2,323,385
971,889	-	971,889	80,270
982,267	-	982,267	377,200
328,293	-	328,293	11,753
183	-	183	103,460
(132,346)	132,346	-	-
26,534,531	132,346	26,666,877	2,896,068
1,912,723	382,840	2,295,563	1,670,448
58,640,355	3,734,254	62,374,609	13,770,656
(368,143)	-	(368,143)	(361,183)
58,272,212	3,734,254	62,006,466	13,409,473
$ 60,184,935	$ 4,117,094	$ 64,302,029	$ 15,079,921

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GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

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

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

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

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

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

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

STATE OF TENNESSEE
Balance Sheet
Governmental Funds
June 30, 2025
(Expressed in Thousands)

	General	Education	Highway
ASSETS			
Cash and cash equivalents	$ 12,647,146	$ 361,426	$ 5,547,508
Investments	-	920,453	-
Receivables, net	7,001,268	1,130,994	334,764
Due from other funds	3,013	37,057	6,115
Due from component units	246	120,958	-
Inventories, at cost	42,275	123	49,127
Loans receivable	1,206	-	-
Prepayments and others	6,925	-	-
Restricted assets:			
Cash and cash equivalents	-	-	-
Investments	163,359	361,381	-
Total assets	$ 19,865,438	$ 2,932,392	$ 5,937,514
LIABILITIES			
Accounts payable and accruals	7,466,520	622,684	548,403
Due to other funds	62,140	144	619
Due to component units	43,902	22,292	1,969
Unearned revenue	952,886	-	5,674
Total liabilities	8,525,448	645,120	556,665
DEFERRED INFLOWS OF RESOURCES	212,954	84,723	64,494
FUND BALANCES			
Nonspendable			
Inventories	$ 42,275	$ 123	$ 49,127
Long term portion of accounts receivable	16,687	-	-
Permanent fund and endowment corpus	-	361,381	-
Prepayments	58	-	-
Restricted	334,259	1,154,015	965,096
Committed	898,805	233,143	3,555,356
Assigned	6,541,169	453,887	746,776
Unassigned	3,293,783	-	-
Total fund balances	11,127,036	2,202,549	5,316,355
Total liabilities, deferred inflows of resources and fund balances	$ 19,865,438	$ 2,932,392	$ 5,937,514

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

STATE OF TENNESSEE
Balance Sheet
Governmental Funds
June 30, 2025
(Expressed in Thousands)

Capital Projects	State Shared Taxes	Nonmajor Governmental Funds	Total Governmental Funds
$ 5,403,487	$ 23,282	$ 865,430	$ 24,848,279
-	-	897,158	1,817,611
23,780	168,570	616,490	9,275,866
6,449	-	19	52,653
5,760	-	1,810	128,774
-	-	-	91,525
-	-	1,412	2,618
-	-	25	6,950
353,686	-	-	353,686
-	-	-	524,740
$ 5,793,162	$ 191,852	$ 2,382,344	$ 37,102,702
147,139	160,858	75,883	9,021,487
485	-	755	64,143
18,231	-	6,615	93,009
-	-	10	958,570
165,855	160,858	83,263	10,137,209
-	30,994	511,702	904,867
$ -	$ -	$ -	$ 91,525
-	-	-	16,687
-	-	334,747	696,128
-	-	-	58
353,686	-	839,733	3,646,789
-	-	583,699	5,271,003
5,273,621	-	29,200	13,044,653
-	-	-	3,293,783
5,627,307	-	1,787,379	26,060,626
$ 5,793,162	$ 191,852	2,382,344	37,102,702

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STATE OF TENNESSEE
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
Governmental Funds
June 30, 2025
(Expressed in Thousands)

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

Total fund balances - governmental funds	$	26,060,626
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		35,649,722
Revenues recognized in the statement of activities were not available and are recognized as deferred inflows of resources in the funds.		904,867
Internal service funds are used by management to charge the costs of various internal operations to individual funds. The assets and liabilities of internal service funds are included in the governmental activities in the Statement of Net Position.		1,603,264
Resources and obligations related to pensions and other postemployment benefits are not available nor due and payable, respectively, in the current period and therefore are not reported in the funds.		(401,851)
Long-term liabilities, other than pension and other postemployment benefits and including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(3,631,693)
Net position of governmental activities	$	60,184,935

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

STATE OF TENNESSEE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	General	Education	Highway
REVENUES			
Taxes:			
Sales and use	$ 5,285,155	$ 8,293,138	$ 22,758
Fuel	12,513	-	722,360
Business	7,279,517	267,636	10,659
Other	467,804	82,916	-
Licenses, fines, fees, and permits	648,909	10,099	359,918
Investment income	1,042,605	130,244	150,141
Federal	17,490,302	1,736,038	1,571,674
Departmental services	2,943,658	90,049	63,376
Opioid and tobacco settlements	126,987	-	-
Other	176,175	430,404	12,692
Total revenues	35,473,625	11,040,524	2,913,578
EXPENDITURES			
General government	978,903	-	-
Education	-	12,019,331	-
Health and social services	26,097,598	-	-
Law, justice and public safety	3,446,183	-	-
Recreation and resources development	1,593,259	-	-
Regulation of business and professions	183,316	-	-
Transportation	-	-	3,219,650
Debt service:			
Principal	59,012	333	2,793
Interest	5,595	45	329
Debt issuance costs	-	-	-
Capital outlay	96,073	477	9,651
Total expenditures	32,459,939	12,020,186	3,232,423
Excess (deficiency) of revenues over (under) expenditures	3,013,686	(979,662)	(318,845)
OTHER FINANCING SOURCES (USES)			
Bonds and commercial paper issued	-	-	-
Right-to-use leases and subscriptions	96,073	477	9,651
Insurance claims recoveries	4,164	-	2,530
Transfers in	84,068	1,149,658	205,237
Transfers out	(1,878,451)	(49,920)	(3,244)
Total other financing sources (uses)	(1,694,146)	1,100,215	214,174
Net change in fund balances	1,319,540	120,553	(104,671)
Fund balances, July 1	9,807,496	2,081,996	5,421,026
Fund balances, June 30	$ 11,127,036	$ 2,202,549	$ 5,316,355

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

STATE OF TENNESSEE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

Capital Projects	State Shared Taxes	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ 803,394	$ 110,809	$ 14,515,254
-	433,859	112,820	1,281,552
-	569,142	149,641	8,276,595
-	21,850	62,582	635,152
-	6,319	379,858	1,405,103
-	-	131,543	1,454,533
17,942	-	62,946	20,878,902
206,271	-	30,587	3,333,941
-	-	-	126,987
-	-	8	619,279
224,213	1,834,564	1,040,794	52,527,298
-	1,834,564	35,085	2,848,552
-	-	11,465	12,030,796
-	-	69,722	26,167,320
-	-	9,086	3,455,269
-	-	312,083	1,905,342
-	-	162,223	345,539
-	-	-	3,219,650
16,932	-	159,254	238,324
-	-	60,622	66,591
-	-	1,573	1,573
1,168,520	-	77	1,274,798
1,185,452	1,834,564	821,190	51,553,754
(961,239)	-	219,604	973,544
2,425	-	-	2,425
-	-	77	106,278
-	-	240	6,934
453,045	-	22,097	1,914,105
(96,451)	-	(175,090)	(2,203,156)
359,019	-	(152,676)	(173,414)
(602,220)	-	66,928	800,130
6,229,527	-	1,720,451	25,260,496
$ 5,627,307	$ -	$ 1,787,379	$ 26,060,626

STATE OF TENNESSEE
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

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

Net change in fund balances - total governmental funds	$	800,130
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense and the value of right-to-use leases or subscriptions is amortized over the term of the leases or subscriptions as amortization expense. This is the amount by which capital outlays exceeded these expenses in the current year.		1,267,391
Net effect of revenues reported on the accrual basis in the Statement of Activities that do not provide current financial resources and thus are not reported as revenues in the funds until available.		(359,022)
The issuance of long-term debt (e.g. bonds, commercial paper) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized over the life of the debt in the Statement of Activities. This reconciliation element also includes the assumption of right-to-use lease and subscription liabilities and the fulfillment of such obligations. This amount is the net effect of these differences in treatment of long-term debt and related items.		129,621
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds Conversely, some expenditures reported in governmental funds represent the reduction of long-term liabilities and therefore are not reported as expenses in the Statement of Activities.		(131,102)
Internal service funds are used by management to charge the cost of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities.		205,705
Changes in net position of governmental activities	$	1,912,723

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

PROPRIETARY FUNDS FINANCIAL STATEMENTS

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

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

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

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

STATE OF TENNESSEE
Statement of Net Position
Proprietary Funds
June 30, 2025
(Expressed in Thousands)

	Business Type Activities - Enterprise Funds				
	Sewer Treatment Loan	Employment Security	Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	$ 496,918	$ -	$ 639,022	$ 1,135,940	$ 1,308,311
Cash on deposit with fiscal agent	-	1,559,302	-	1,559,302	-
Receivables:					
Accounts receivable	-	183,672	2,076	185,748	8,649
Loans receivable	51,525	-	16,259	67,784	-
Due from other funds	-	179	-	179	14,422
Due from component units	-	-	-	-	72
Inventories, at cost	-	-	-	-	4,936
Prepayments	-	-	-	-	169
Total current assets	548,443	1,743,153	657,357	2,948,953	1,336,559
Noncurrent assets:					
Loans receivable	838,285	-	309,704	1,147,989	-
Right-to-use lease receivable	-	-	-	-	4,725
Restricted net other postemployment benefits assets	-	-	-	-	1,828
Capital assets:					
Land, at cost	-	-	-	-	63,951
Infrastructure	-	-	219,005	219,005	-
Structures and improvements, at cost	-	-	-	-	891,658
Machinery and equipment, at cost	-	-	-	-	505,168
Right-to-use-leases and subscriptions	-	-	-	-	506,501
Less: Accumulated depreciation and amortization	-	-	(5,763)	(5,763)	(856,513)
Construction in progress	-	-	-	-	245,512
Total noncurrent assets	838,285	-	522,946	1,361,231	1,362,830
Total assets	1,386,728	1,743,153	1,180,303	4,310,184	2,699,389
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	54,373
LIABILITIES					
Current liabilities:					
Accounts payable and accruals	374	70,844	85,306	156,524	248,278
Due to other funds	-	514	-	514	1,407
Due to component units	-	-	-	-	618
Lease and subscription obligations payable	-	-	-	-	66,790
Bond payable	-	-	-	-	14,977
Unearned revenue	-	22,746	40	22,786	53,129
Others	-	-	-	-	159,936
Total current liabilities	374	94,104	85,346	179,824	545,135
Noncurrent liabilities:					
Pension	-	-	-	-	24,298
Lease and subscription obligations payable	-	-	-	-	289,648
Bonds payable	-	-	-	-	108,013
Others	9,158	-	4,108	13,266	160,601
Total noncurrent liabilities	9,158	-	4,108	13,266	582,560
Total liabilities	9,532	94,104	89,454	193,090	1,127,695
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	22,803
NET POSITION					
Net investment in capital assets	-	-	213,242	213,242	876,491
Restricted for:					
Capital projects	-	-	-	-	463
Other postemployment benefits	-	-	-	-	1,828
Unrestricted	1,377,196	1,649,049	877,607	3,903,852	724,482
Total net position	$ 1,377,196	$ 1,649,049	$ 1,090,849	$ 4,117,094	$ 1,603,264

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

STATE OF TENNESSEE
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	Business Type Activities - Enterprise Funds				
	Sewer Treatment Loan	Employment Security	Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
Operating revenues					
Charges for services	$ 10,921	$ -	$ 7,835	$ 18,756	$ 884,898
Investment income	20,278	-	6,383	26,661	-
Premiums	-	283,191	990,232	1,273,423	1,043,252
Total operating revenues	31,199	283,191	1,004,450	1,318,840	1,928,150
Operating expenses					
Personal services	-	-	-	-	289,638
Contractual services	1,066	-	51,544	52,610	354,233
Materials and supplies	-	-	-	-	74,220
Rentals and insurance	-	-	-	-	28,718
Depreciation and amortization	-	-	5,763	5,763	129,808
Benefits	-	178,782	923,094	1,101,876	1,062,283
Other	-	-	8,888	8,888	8,119
Total operating expenses	1,066	178,782	989,289	1,169,137	1,947,019
Operating income (loss)	30,133	104,409	15,161	149,703	(18,869)
Nonoperating revenues (expenses)					
Grants	43,242	(17,583)	17,371	43,030	-
Insurance claims recoveries	-	-	-	-	4,256
Gain on sales of capital assets	-	-	-	-	8,468
Interest income	-	46,578	16,183	62,761	44,333
Interest expense	-	-	-	-	(14,392)
Other	(3,365)	-	(1,635)	(5,000)	-
Total nonoperating revenues (expenses)	39,877	28,995	31,919	100,791	42,665
Income (loss) before contributions and transfers	70,010	133,404	47,080	250,494	23,796
Capital contributions	-	-	9,468	9,468	15,736
Transfers in	8,138	-	116,358	124,496	166,417
Transfers out	-	-	(1,618)	(1,618)	(244)
Change in net position	78,148	133,404	171,288	382,840	205,705
Net position, July 1	1,299,048	1,515,645	919,561	3,734,254	1,426,158
Adjustments to net position, July 1	-	-	-	-	(28,599)
Net position, July 1, restated	1,299,048	1,515,645	919,561	3,734,254	1,397,559
Net position, June 30	$ 1,377,196	$ 1,649,049	$ 1,090,849	$ 4,117,094	$ 1,603,264

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

STATE OF TENNESSEE
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	Business Type Activities - Enterprise Funds				
	Sewer Treatment Loan	Employment Security	Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	$ -	$ 264,283	$ 1,009,215	$ 1,273,498	$ 562,999
Receipts from interfund services provided	-	1,304	-	1,304	1,488,132
Payments to suppliers	-	-	(991,208)	(991,208)	(1,430,701)
Payments to employees	-	-	(1)	(1)	(282,064)
Payments for unemployment benefits	-	(205,103)	-	(205,103)	-
Payments for interfund services used	(1,105)	-	(2,440)	(3,545)	(123,529)
Net cash provided by (used for) operating activities	(1,105)	60,484	15,566	74,945	214,837
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Grants received	43,242	(9,870)	17,371	50,743	-
Reimbursements	-	-	-	-	-
Negative cash balance implicitly financed	-	167	-	167	-
Transfers in	8,138	-	116,358	124,496	166,173
Transfers out	-	-	(1,618)	(1,618)	-
Net cash provided by (used for) noncapital financing activities	51,380	(9,703)	132,111	173,788	166,173
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	-	-	-	-	(281,468)
Bond and commercial paper proceeds	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	22,265
Proceeds from lease receivables	-	-	-	-	354
Insurance claims recoveries	-	-	-	-	4,256
Principal payments	-	-	-	-	(87,389)
Interest paid	-	-	-	-	(13,702)
Net cash provided by (used for) capital and related financing activities	-	-	-	-	(355,684)
CASH FLOWS FROM INVESTING ACTIVITIES					
Loans issued and other disbursements to borrowers	(52,076)	-	(112,506)	(164,582)	-
Collection of loan principal	54,982	-	17,140	72,122	-
Interest received	31,573	46,578	25,502	103,653	44,333
Net cash provided by (used for) investing activities	34,479	46,578	(69,864)	11,193	44,333
Net increase (decrease) in cash and cash equivalents	84,754	97,359	77,813	259,926	69,659
Cash and cash equivalents, July 1	412,164	1,461,943	561,209	2,435,316	1,238,652
Cash and cash equivalents, June 30	$ 496,918	$ 1,559,302	$ 639,022	$ 2,695,242	$ 1,308,311

(continued on next page)

STATE OF TENNESSEE
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

(continued from previous page)

	Business Type Activities - Enterprise Funds				
	Sewer Treatment Loan	**Employment Security**	**Nonmajor Enterprise Funds**	**Total**	**Governmental Activities- Internal Service Funds**
Reconciliation of operating income to net cash provided by (used for) operating activities					
Operating income (loss)	$ 30,133	$ 104,409	$ 15,161	$ 149,703	$ (18,869)
Adjustment to reconcile operating income (loss) to net cash from operating activities:					
Depreciation and amortization	-	-	5,763	5,763	129,808
Loss on disposal of capital assets	-	-	-	-	(1,533)
Interest income	(20,277)	-	(6,383)	(26,660)	-
Investment income	(10,921)	-	(2,820)	(13,741)	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:					
Decrease (increase) in receivables	-	(48,603)	2,439	(46,164)	957
Decrease (increase) in due from other funds	-	107	-	107	(10,619)
Decrease (increase) in due from component units	-	-	-	-	387
Decrease (increase) in inventories	-	-	-	-	448
Decreases (increase) in assets held for sale	-	-	-	-	-
Decrease (increase) in prepaids	-	-	-	-	(12)
Decrease (increase) in net pension assets	-	-	-	-	275
Decrease (increase) in net OPEB assets	-	-	-	-	(1,828)
Decrease (increase) in deferred outflows of resources	-	-	-	-	35,161
Increase (decrease) in accounts payable	-	(1,621)	1,538	(83)	65,494
Increase (decrease) in due to other funds	(40)	-	-	(40)	917
Increase (decrease) in due to component units	-	-	-	-	343
Increase (decrease) in deferred inflows of resources	-	-	-	-	10,542
Increase (decrease) in unearned revenue	-	6,192	(132)	6,060	3,366
Total adjustments	(31,238)	(43,925)	405	(74,758)	233,706
Net cash provided by (used for) operating activities	$ (1,105)	$ 60,484	$ 15,566	$ 74,945	$ 214,837
Schedule of noncash investing, capital, and financing activities					
Contributions of capital assets	$ -	$ -	$ 9,468	$ 9,468	$ 15,736
Capital assets disposed of by transfer	-	-	-	-	(244)
Capital assets acquired by transfer	-	-	-	-	244
Right-to-use assets acquired	-	-	-	-	134,091
Right-to-use assets retired	-	-	-	-	(1,463)
Refunding bond premium	-	-	-	-	1,247
Refunding bond proceeds	-	-	-	-	43
Total noncash capital and related financing activities	$ -	$ -	$ 9,468	$ 9,468	$ 149,654

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

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FIDUCIARY FUNDS FINANCIAL STATEMENTS

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

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

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

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

STATE OF TENNESSEE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2025
(Expressed in Thousands)

				Custodial Funds	
	Pension and Other Employee Benefit Trust Funds	**Investment Trust Funds**	**Private-Purpose Trust Funds**	**Custodial Funds**	**External Investment Pools**
ASSETS					
Cash and cash equivalents	$ 163,990	$ 13	$ 37,578	$ 614,853	$ 2,584,839
Cash collateral on loaned securities	5,158,382	-	-	-	-
Receivables:					
Account	1	-	-	-	-
Employer contributions	82,714	-	-	-	-
Member contributions	47,803	-	-	-	-
Taxes	-	-	-	491,123	-
Interest and dividends	7,817	-	-	-	-
Investments sold	-	3,833	-	-	-
Loans receivable	70,031	-	-	-	-
Other	1,105	-	-	694	-
Due from other funds	-	-	-	3	-
Investments, at fair value:					
Government bonds	568,765	-	-	-	-
Corporate bonds	188,473	-	-	-	-
Commingled funds	15,272,321	-	470,310	-	-
Private equities	-	3,017	-	-	-
TRGT pooled funds	75,017,305	496,519	-	-	-
Other	15,607	-	-	-	-
Investments, at amortized cost:					
Short-term investments	-	-	-	-	3,852,621
Capital assets, at cost:					
Software in development	10,911	-	-	-	-
Total assets	96,605,225	503,382	507,888	1,106,673	6,437,460
LIABILITIES					
Accounts payable and accruals	44,700	-	23	6,608	-
Due to other funds	-	-	-	1,193	-
Securities lending collateral	5,158,382	-	-	-	-
Due to other governments	-	13	9	1,034,711	-
Total liabilities	5,203,082	13	32	1,042,512	-
NET POSITION					
Restricted for					
Pensions	88,028,498	-	-	-	-
Employee salary deferrals	1,887,853	-	-	-	-
Other postemployment benefits	1,484,674	-	-	-	-
Employees' flexible benefits	1,118	-	-	-	-
Individuals, organizations and other governments	-	-	507,856	64,161	-
Amounts held in trust for					
Pool participants	-	503,369	-	-	6,437,460
Total net position	$ 91,402,143	$ 503,369	$ 507,856	64,161	6,437,460

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

STATE OF TENNESSEE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

				Custodial Funds	
	Pension and Other Employee Benefit Trust Funds	**Investment Trust Funds**	**Private-Purpose Trust Funds**	**Custodial Funds**	**External Investment Pools**
ADDITIONS					
Contributions:					
Members	$ 1,033,092	$ -	$ -	$ 110,870	$ -
Employers	1,790,088	-	-	-	-
Federal	-	-	347	12	-
Private	-	-	66,920	-	-
Transfers in from other plans	94,201	-	-	-	-
Other	10,838	-	115	-	-
Total contributions	2,928,219	-	67,382	110,882	-
Investment income:					
Net increase in fair value of investments	8,430,412	193	52,046	-	-
Interest and dividends	440,410	45,662	85	2,496	302,535
Securities lending income	225,752	-	-	-	-
Total investment income	9,096,574	45,855	52,131	2,496	302,535
Less: Investment expenses	(79,832)	(630)	-	-	(1,951)
Securities lending expense	(208,035)	-	-	-	-
Net investment income	8,808,707	45,225	52,131	2,496	300,584
Capital share transactions:					
Shares sold	-	43,729	-	-	12,049,192
Less: shares redeemed	-	(13,979)	-	-	(11,503,219)
Net capital share transactions	-	29,750	-	-	545,973
Tax and fee collections for other governments	-	-	-	4,950,545	-
Member resources	-	-	-	716,884	-
Total additions	11,736,926	74,975	119,513	5,780,807	846,557
DEDUCTIONS					
Benefit payments	4,391,686	-	-	-	-
Medical payments	67,330	-	-	119,939	-
Deceased member benefit payments	42,680	-	-	-	-
Payments made under trust agreements	6,651	-	31,482	-	-
Member/claimant distributions	75,458	-	212	701,158	-
Payments of taxes and fees to other governments	-	-	-	4,950,545	-
Administrative expenses	51,515	84	909	10,963	-
Total deductions	4,635,320	84	32,603	5,782,605	-
Change in net position	7,101,606	74,891	86,910	(1,798)	846,557
Net position, July 1	84,300,537	428,478	420,946	65,959	5,590,903
Net position, June 30	$ 91,402,143	$ 503,369	$ 507,856	$ 64,161	$ 6,437,460

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

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Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2025

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NOTE 1

Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

Blended Component Units

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

Discretely Presented Component Units

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

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

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

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

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

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

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

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

9. **Tennessee State School Bond Authority (TSSBA**) (Proprietary Fund Type) finances projects for the University of Tennessee, the State University and Community College System, and the Tennessee Student Assistance Corporation. The Authority also finances improvement projects for qualifying K-12 schools in the state in conjunction with a federal government program. The board of the Authority consists primarily of state officials. The state can also impose its will on the Authority.

10. **Tennessee Certified Cotton Growers' Organization** (Proprietary Fund Type) was formed to aid in the eradication of the boll weevil. The majority of the board is appointed by the Commissioner of the Department of Agriculture. The state can also impose its will on the organization.

11. **The Access Tennessee (AccessTN)** (Proprietary Fund Type) health insurance pool was established to offer health insurance coverage to eligible citizens of the state who are considered uninsurable because of health conditions. The board of the insurance pool consists of state officials, appointees of the Speakers of House and Senate, and appointees of the Commissioner of Finance and Administration. The funding plan and plan of operation of the insurance pool are approved by the state.

Complete financial statements for each of the individual component units may be obtained at the following addresses:

Tennessee Housing Development Agency Andrew Jackson Building, 3rd floor 502 Deaderick Street Nashville, TN 37243	**Tennessee Local Development Authority** Cordell Hull Building 425 Rep. John Lewis Parkway N. Nashville, TN 37243
Tennessee Veterans' Homes Board 345 Compton Road Murfreesboro, TN 37130	**Tennessee State School Bond Authority** Cordell Hull Building 425 Rep. John Lewis Parkway N. Nashville, TN 37243
University of Tennessee Office of the Treasurer 400 W. Summit Hill Drive, UT Tower 10th floor Knoxville, TN 37996-0100	**State University and Community College System** 1 Bridgestone Park Nashville, TN 37214
Tennessee Education Lottery Corporation One Century Place 23 Century Boulevard, Suite 200 Nashville, TN 37214	All others may be obtained at the following: **Finance & Administration, Division of Accounts** 21st Floor William R. Snodgrass Tennessee Tower 312 Rosa L. Parks Avenue Nashville, TN 37243

Fiduciary Component Units

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

The Deferred Compensation Plans – The Tennessee Department of Treasury sponsors and, through third-party service providers, administers the State of Tennessee 401(k) Plan, the Optional Retirement Program (ORP) for

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

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

B. Related Organizations

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

C. Jointly Governed Organizations

1. **The Southern Regional Education Compact** has 16 member states. Tennessee paid $221,271 for 2025 membership dues.

2. **The Compact for Education** has 50 member states, plus Puerto Rico, the Virgin Islands, American Samoa, and the District of Columbia. Tennessee paid $77,300 for 2025 membership dues.

3. **The Interstate Mining Compact** has 25 member states. Tennessee paid $19,671 for 2025 membership dues.

4. **The Southern States Nuclear Compact** (also known as the Southern States Energy Compact) has 16 member states, plus Puerto Rico and the Virgin Islands. Tennessee paid $34,267 for 2025 membership dues.

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

6. **The Interstate Insurance Product Regulation Commission** is comprised of 46 member states, plus Puerto Rico and the District of Columbia.

7. **The Interstate Compact for Juveniles** is comprised of 50 states, plus the District of Columbia and the Virgin Islands. Tennessee paid $29,700 for 2025 membership dues.

8. **The Interstate Compact for Supervision of Adult Offenders** is comprised of all 50 states, plus the District of Columbia, Puerto Rico, and the Virgin Islands. Tennessee paid $40,626 for 2025 membership dues.

9. **The Interstate Compact on Educational Opportunities for Military Children** is comprised of all 50 states, plus the District of Columbia. Tennessee paid $12,719 for 2025 membership dues.

10. **The Nurse Licensure Compact** is comprised of 41 states plus the Virgin Islands and Guam. Tennessee paid $6,000 for 2025 membership dues.

11. **The Physical Therapy Licensure Compact** is comprised of 39 states plus the District of Columbia.

12. **The Interstate Commission of Emergency Medical Services Personnel Practice** is comprised of 25 states.

13. **The Interstate Medical Licensure Compact** is comprised of 40 states plus the District of Columbia and Guam.

14. **The Psychology Interjurisdictional Compact** is comprised of 40 states plus the District of Columbia and the Northern Mariana Islands.

15. **The Occupational Therapy Licensure Compact** is comprised of 32 states.

16. **The Audiology and Speech-Language Pathology Interstate Compact** is comprised of 36 states plus the Virgin Islands.

17. **The Counseling Compact** is comprised of 37 states plus the District of Columbia.

18. **The Dentist and Dental Hygienist Compact** is comprised of 12 states.

19. **The Physician Assistant Licensure Compact** is comprised of 18 states.

20. **The Social Work Licensure Compact** is comprised of 29 states.

21. **The Cosmetology Licensure Compact** is comprised of 10 states.

22. **The Dietitians Licensure Compact** is comprised of 13 states.

D. Joint Ventures

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

Tennessee-Tombigbee Waterway Development Compact		2024		2023
Current assets	$	822	$	568
Capital assets, less depreciation		225		237
Total assets		1,047		805
Net position		1,047		805
Total liabilities and net position	$	1,047	$	805
Revenues	$	720	$	366
Expenses		478		488
Excess of revenues over expenses		242		(122)
Beginning net position		805		927
Ending net position	$	1,047	$	805

E. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

The state reports the following major governmental funds:

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

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

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

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

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

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

The state reports the following major proprietary funds:

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

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

Additionally, the state reports the following fund types:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Restricted Assets—Proceeds of the state's general obligation bonds and commercial paper program that remain unspent at year end are classified as restricted cash on the statement of net position. The commercial paper program provides short-term financing for the state's capital projects. Tennessee Promise Scholarship Endowment Fund (reported in the education fund) has restricted assets in an endowment trust agreement. Contributions to the State

Hybrid Stabilization Reserve Trust (reported in the general fund) are reported as restricted investments. The state also has a restricted net other postemployment benefit asset because plan net position is greater than total other postemployment benefit liability.

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

Tennessee Community Services Agency and Tennessee Veterans' Homes Board have net pension assets because pension plan net position is greater than their total pension liability.

Tennessee Student Assistance Corporation, Tennessee Housing Development Agency, State University and Community College System, and University of Tennessee have net other postemployment benefit assets because plan net position is greater than their total other postemployment benefit liability.

Capital Assets—Capital assets, which include land, buildings and building improvements, machinery and equipment (e.g., furniture and fixtures, vehicles, works of art and historical treasures), infrastructure assets (e.g., roads, bridges, water and wastewater systems, sidewalks, and similar items) and intangibles (e.g., internally generated computer software, patents, trademarks, copyrights, easements, right-to-use leases, and subscription-based information technology arrangements (SBITAs)), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, with the exception of infrastructure, land, internally generated intangibles, right-to-use leases, and SBITAs, are defined by the state as assets with an initial cost of $5,000 or more and an estimated useful life of three years or more. Infrastructure assets and land are capitalized regardless of cost or useful life. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Internally generated intangibles are capitalized if the total estimated project costs are $1 million or more, and have an estimated useful life of three years or more. Right-to-use leases are capitalized if the total payments are $15,000 or more and with a maximum possible term of more than 12 months. SBITAs are capitalized if the total subscription and capitalizable implementation payments are $200,000 or more and with a maximum possible term of more than 12 months. Capitalized assets, with the exception of right-to-use leases and SBITAs, are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Right-to-use lease assets are valued at the present value of future lease payments, initial direct costs necessary to place the lease asset into service, and lease payments made before the commencement of the lease term. Similarly, SBITAs are valued at the present value of future subscription payments, capitalizable initial costs necessary to place the subscription asset into service, and subscription payments made before the commencement of the SBITA term. Capitalized assets, except for land, infrastructure, right-to-use leases, and SBITAs, are depreciated over their useful lives.

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

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

The state has elected to apply the modified approach to accounting for infrastructure—roadways and bridges. The modified approach is an alternative to depreciation that may be applied to infrastructure capital assets that meet certain requirements. Under the modified approach, depreciation expense is not recorded for these assets. Instead,

costs for both maintenance and preservation of these assets should be expensed in the period incurred. Additions and improvements are capitalized.

In addition, the state has elected to measure water and wastewater system infrastructure at historical cost net of accumulated depreciation. The water and wastewater system also includes buildings and equipment that are part of the system in providing water and wastewater services. The state has adopted the following guidelines for evaluating the useful lives of assets of water and wastewater systems:

Assets	Years
Buildings	30 - 50
Water Lines and Storage	40 - 50
Machinery and Equipment	5 - 20
Wells and Dams	Determined by engineer

Land, construction in progress, software in development, and intangibles with indefinite useful lives are not depreciated. The other property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	40 - 50
Building Improvements	20 - 50
Machinery and Equipment	3 - 20

Leases and SBITAs— The state frequently enters into lease agreements as a lessee or lessor for uses such as office buildings, parking, land, and machinery and equipment. The state also enters into numerous subscription-based information technology arrangements (SBITA) for use of vendor-provided information technologies such as registration and record keeping software, online research libraries and databases, and cloud-based data storage and platform. For short-term leases and SBITAs with a maximum possible term of 12 months or less at commencement, the state recognizes periodic inflows or outflows of resources. For lease and SBITA contracts of more than 12 months in which the state is the lessee or the subscriber, the state recognizes a lease or SBITA liability and an intangible right-to-use lease or SBITA asset based on the present value of future lease or SBITA payments in accordance with the contract. Lease and SBITA right-to-use assets are reported as capital assets and their liabilities are reported as long-term liabilities in the statement of net position. The right-to-use lease assets are amortized over the term of the lease as the state does not lease any underlying asset beyond its useful life. Likewise, the SBITA assets are amortized over the term of the SBITA as the state does not subscribe to any information technology beyond its useful life. In the fund financial statements, governmental fund types recognize an expenditure and other financing source in the period the lease or the SBITA is initially recognized. For subsequent lease and SBITA payments, the governmental fund types record the outflows as debt service payments. For leases in which the state is the lessor, the state recognizes a lease receivable and a deferred inflow of resources, based on the present value of future lease payments expected to be received. The deferred inflow of resources is amortized over the life of the lease.

Unless the rate is explicitly stated in the lease or SBITA contract, the state uses its estimated incremental borrowing rates for various maturity durations as the discount rates for leases and SBITAs. These rates are based on the state's general obligation bonds for different maturity durations. Lease and SBITA amendments that are expected to significantly change the amount of the lease or SBITA liability or lease receivable from the previous measurement are remeasured and adjusted accordingly. Payments based on future performance or usage are not included in the measurement of the lease liability or lease receivable but are recognized as outflows or inflows, respectively, of the current period. Similarly, payments based on future performance or usage are not included in the measurement of the SBITA liability but are recognized as outflows of the current period.

Deferred Outflows/Inflows—Deferred outflows of resources represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The primary government has three items that qualify for reporting in this category. The first is the result of four pension related factors. The first factor is the difference between the actual and expected economic and demographic factors that were less favorable than anticipated, the second factor is the net effect from changes in actuarial assumptions, the third factor is the change in proportionate share of net pension liabilities and assets, and the fourth factor is the contributions made subsequent to the measurement date. The second item is refunding of debt. The third item is related to the estimate of the state's Other Postemployment Benefit (OPEB) liabilities.

Deferred inflows of resources represent an acquisition of net assets that applies to a future period, and so will not be recognized as an inflow of resources (revenue) until that time. The primary government has four items that qualify for reporting in this category. The first item is the result of three pension related factors. The first factor is the difference between the actual and expected economic and demographic factors that were more favorable than anticipated, the second factor is investment returns were more than projected, and the third factor is the change in proportionate share of net pension liabilities and assets. The other three items are related to debt refunding, the estimate of the state's OPEB liabilities, and right-to-use lease activities.

As of June 30, 2025, the primary government reported the following deferred outflows of resources and deferred inflows of resources (expressed in thousands):

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension related items:		
Differences between expected and actual experience	$ 222,249	$ 3,714
Assumption changes	9,265	
Net difference between projected and actual earnings		165,854
Effects of change in proportion	2,228	414
Contributions subsequent to the measurement date	400,098	
Total pension related items	633,840	169,982
Refunding debt	4,020	8,789
Other post-employment benefit related items	474,763	294,752
Right-to-use lease		4,976
Total	1,112,623	478,499

In addition, the state has one item which arises only under modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. As of June 30, 2025, the governmental funds reported unavailable revenues from the following sources (expressed in thousands):

Governmental funds	Deferred Inflows of Resources
Unavailable revenues from:	
Taxes	$ 221,029
Federal grants	679,009
Others	4,829
Total	$ 904,867

Compensated Absences—It is the state’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees are entitled to receive payment for accumulated vacation leave upon separation from employment, including termination or retirement. Accordingly, a liability for vacation leave is recognized as the leave is earned and the benefits are both attributable to services already rendered and probable of being used for time off or paid in cash. Sick leave may be accumulated without limit; however, the state does not provide cash payments for unused sick leave balances upon an employee’s termination or retirement. Therefore, no liability is recognized for unpaid accumulated sick leave, except to the extent the leave is expected to be used for time off with pay prior to separation.

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

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

Pensions—For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the state's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the state's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value. For the year ended June 30, 2025, the state reported $367.1 million of net pension liability, $633.8 million of deferred outflows of resources, $170 million of deferred inflows of resources, and $501.4 million of pension expenses.

Postemployment Benefits Other Than Pension (OPEB)—For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State of Tennessee Postemployment Benefits Trust (OPEB Trust), that services the Employee Group OPEB Plan (EGOP), and additions to/deductions from the OPEB Trust fiduciary net position have been determined on the same basis as they are reported by the OPEB Trust. For this purpose, the OPEB Trust recognizes benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value. This trust meets the criteria in paragraph 4 of GASB Statement No. 75.

Net Position—Consists of the following three components:

- **Net Investment in Capital Assets** - consists of capital assets (including restricted capital assets), net of accumulated depreciation/amortization, and reduced by the outstanding balances of any bonds, notes or commercial paper, and right-to-use leases and subscriptions that are attributable to the acquisition, construction, or improvement of those assets. Unspent debt proceeds at year end are not included in this calculation.
- **Restricted net position** - consists of net position in which constraints are placed on the use of net position either by external entities, such as creditors (debt covenants), grantors, contributors, and laws or regulations of other governments, or by constitutional provisions or enabling legislation of the state. Restrictions imposed by enabling legislation could be changed by future legislative action. Of the $4.4 billion restricted by the primary government, $358 million was by enabling legislation.
- **Unrestricted Net Position -** consists of net position that does not meet the definition of "restricted net position" or "net investment in capital assets."

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

- **Nonspendable Fund Balance** - represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- **Restricted Fund Balance** - represents amounts where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

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

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

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

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

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

NOTE 2

Reconciliation of Government-wide and Fund Financial Statements

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

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

The details of this $3.7 billion difference are as follows (expressed in thousands):

Bonds payable	$ (1,405,403)
Plus: premium on bonds issued (to be amortized as interest expense)	(146,425)
Net deferred outflows/inflows of resources for bond refundings (to be amortized as interest expense)	(4,412)
Commercial paper payable	(3,681)
Accrued interest payable	(16,868)
Financed purchase	(1,541)
Right-to-use leases and subscriptions	(117,612)
Claims and judgments	(45,764)
Compensated absences	(841,314)
Taxes payable	(967,146)
Pollution remediation	(81,329)
Other long-term liabilities and accounts payable	(198)
Net adjustment to reduce fund balance—total governmental funds to arrive at net position—governmental activities	$ (3,631,693)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances- total governmental funds and changes in net positions of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation is that governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense and the value of right-to-use leases or subscriptions is amortized over the term of the lease or subscription as amortization expense. The details of this $1.3 billion difference are as follows (expressed in thousands):

Capital outlay	$1,688,121
Depreciation and amortization expense	(420,730)
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	$1,267,391

Another element of that reconciliation states, "The issuance of long-term debt (e.g., bonds, commercial paper) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net positions. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized over the life of the debt in the statement of activities. This reconciliation element also includes the assumption of right-to-use lease and subscription liabilities and the fulfillment of such obligations." The details of this $129.6 million difference are as follows (expressed in thousands):

Debt issued or incurred:	
Issuance of commercial paper	$ (2,425)
Right-to-use leases and subscriptions obligation committed	(106,278)
Debt reduced:	
General obligation debt	158,888
Commercial paper redeemed	16,932
Right-to-use leases and subscriptions obligation fulfilled	62,504
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	$ 129,621

Another element of that reconciliation states, “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Conversely, some expenditures reported in governmental funds represent the reduction of long-term liabilities and therefore are not reported as expenses in the Statement of Activities.” The details of this $131.1 million difference are as follows (expressed in thousands):

Pension	$ (93,705)
Compensated absences	2,491
Claims and judgments	54
Accrued interest	665
Financed purchase	(27)
Other postemployment benefits	17,856
Pollution remediation	(20,722)
Loss on disposal of capital assets	(56,825)
Amortization of bond premiums	14,361
Amortization of deferred outflows/inflows of resources	25
Other costs	4,725
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	$(131,102)

NOTE 3

Accounting Changes and Error Corrections

Changes in Accounting Principle

During the fiscal year ended June 30, 2025, the state implemented the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 101, *Compensated Absences*, establishes standards of accounting and financial reporting for compensated absences and associated salary-related payments. The implementation of this standard resulted in increases in non-current liabilities and decreases in net position. Note disclosures were also impacted. The effects of this change in accounting principle are shown in the table below (expressed in thousands):

	7/1/2024 As previously reported	Change in accounting principle	7/1/2024 As restated
Government-wide			
Governmental activities	$ 58,640,355	$ (368,143)	$ 58,272,212
Total government-wide	$ 58,640,355	$ (368,143)	$ 58,272,212
Proprietary funds			
Internal service funds	$ 1,426,158	$ (28,599)	$ 1,397,559
Total proprietary funds	$ 1,426,158	$ (28,599)	$ 1,397,559
Discretely presented component units			
University of Tennessee	$ 6,145,189	$ (110,049)	$ 6,035,140
State University and Community College System	6,750,808	(253,955)	6,496,853
Tennessee Housing Development Agency	634,885	(2,547)	632,338
Tennessee Student Assistance Corporation	4,351	(540)	3,811
Total discretely presented component units	$ 13,535,233	$ (367,091)	$ 13,168,142

- Statement No 102, *Certain Risk Disclosures*, establishes reporting requirements for certain risk vulnerabilities that arise due to concentrations or constraints and that are considered essential for making decisions and assessing accountability. The implementation of this standard did not have an impact on the financial statements and note disclosures.

Correction of an Error in Previously Issued Financial Statements

Component Units

During the fiscal year ended June 30, 2024, the State University and Community College System (SUCCS) miscalculated additions to capital assets which resulted in a net increase to net position of $5.9 million (expressed in thousands):

	7/1/2024 As previously reported	Error Correction	7/1/2024 As restated
Discretely presented component units			
State University and Community College System	$ 6,750,808	$ 5,908	$ 6,756,716
Total discretely presented component units	$ 6,750,808	$ 5,908	$ 6,756,716

NOTE 4

Deposits and Investments

A. Primary Government

The state's cash includes deposits in demand accounts, petty cash and monies in cash management pools. State statutes provide that funds in the state treasury be invested by the State Treasurer. The State Pooled Investment Fund (SPIF) is established by Tennessee Code Annotated, Section 9-4-603 "for the purpose of receiving and investing any money in the custody of any officer or officers of the state unless prohibited by statute to be invested." Participants in the SPIF include the general fund of the state and any department or agency of the state which are required by court order, contract, state or federal law, or federal regulation to receive interest on invested funds, and which are authorized by the State Treasurer to participate in the SPIF. In addition, funds in the State of Tennessee Local Government Investment Pool (LGIP) custodial fund are consolidated with the SPIF for investment purposes only. The primary oversight responsibility for the investment and operations of the SPIF rests with the Funding Board of the State of Tennessee (Funding Board).

The SPIF is authorized by statute to invest funds in accordance with policy guidelines approved by the Funding Board. The current resolution of the Funding Board gives the Treasurer approval to invest in U.S. direct obligations, U.S. agency securities, U.S. instrumentality securities, repurchase or reverse repurchase agreements, collateralized certificates of deposit in authorized state depositories, prime commercial paper, prime bankers' acceptances and securities lending agreements. Investments in derivative type securities and investments of high risk are prohibited in the SPIF. There are no limitations or restrictions on participant withdrawals with the exception of a 24-hour notice for withdrawals exceeding $5 million.

In addition to the funds in the SPIF, the Tennessee Retiree Group Trust (TRGT), an investment trust fund, was adopted for the purpose of pooling funds solely for investment purposes including those assets of the Tennessee Consolidated Retirement System (TCRS) and other exempt pension and similar trusts. TRGT may also invest its funds in SPIF. The Tennessee Promise Scholarship Endowment Fund, a part of the education fund, a special revenue fund; the Chairs of Excellence (COE) Trust, a permanent fund; and the State of Tennessee Postemployment Benefits Trust, an other postemployment benefit trust fund; are authorized by statutes to invest in long-term investments, including bonds, debentures, preferred stock and common stock, real estate and other good and solvent securities subject to the approval of the applicable boards of trustees. The State Funds Investment Portfolios, which include investments managed by the Tennessee Wildlife Resources Agency (TWRA), do not have specific investment policies that restrict their investments.

The K-12 Mental Health Fund (K-12), a permanent fund, is authorized by statute to invest funds as governed by the investment policies and guidelines adopted by the trustees. The current investment policy allows for the K-12 Fund assets to be invested in investment grade fixed income securities as well as non-rated or non-investment grade, fixed income investments as defined in the policy.

The College Savings Plan (TNStars), a private-purpose trust; the Achieving a Better Life Experience (ABLE TN) fund, reported as part of Other private purpose trust funds; the Defined Contribution Pension Plan Fund, a pension trust fund; and the Deferred Compensation Plan Fund and the Higher Education 403(b) Plan Fund, employee benefit trust funds; are authorized to invest in commingled funds, mutual funds, fixed accounts and self-directed brokerage accounts. The External Retirement Investment Fund, an investment trust fund, invests in commingled funds and private equities.

As of June 30, 2025, the state's investments for all funds were as follows (expressed in thousands):

POOLED INVESTMENT AND OTHER FUNDS INVESTMENTS

Credit Quality Rating	SPIF	TRGT	State Funds Investment Portfolios	Education Fund	K-12 Mental Health Fund	COE	College Savings Plan
AAA		$ 533,748		$ 213	$ 2,828	$ 11,685	
AA		165,823		43		2,353	
A		731,638		213	7,175	11,693	
BBB		1,998,977		645	60,401	35,391	
BB		625,732			69,595		
B		155,704			3,200		
CCC		55,942			4,310		
CC		7,159					
C		775					
D		697					
NR	$ 19,608,734	5,454,779	$ 54,838	630	59,861	34,574	
A1 (Commercial paper)	1,268,862						
	20,877,596	9,730,974	54,838	1,744	207,370	95,696	
Government agencies and obligations[1]	13,006,583	7,166,712	63,678	1,195	58,578	65,591	
Total debt investments	33,884,179	16,897,686	118,516	2,939	265,948	161,287	
Non Fixed Income Assets							
Equity		31,686,640					
Investment in commingled funds		3,187,349		1,278,895		351,407	$425,833
Self-Directed Brokerage Accounts							
Preferred stock		126,654					
Real estate		6,811,306					
Private equities		9,225,928					
Strategic lending		7,474,018					
Certificates of deposit classified as short-term	75,400						
Short-term investment fund at custodian		(6,022)					
Less: short-term	(12,163,582)	(1,487,287)					
Total investments	$ 21,795,997	$73,916,272	$ 118,516	$1,281,834	$ 265,948	$ 512,694	$425,833
Net noninvestment assets		1,836,294					
Pool's net position[2]		$75,752,566					

(continued on next page)

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

(continued from prior page)

Credit Quality Rating	Other Private Purpose Trust Funds	Employee Group OPEB Trust	Defined Contribution Pension Plan Fund	Deferred Compensation Plan Fund	Higher Education 403(b) Plan Fund	External Retirement Investment Fund	Total
AAA							$ 548,474
AA							168,219
A		$ 96,296					847,015
BBB		89,202					2,184,616
BB							695,327
B							158,904
CCC							60,252
CC							7,159
C							775
D							697
NR		248,735					25,462,151
A1 (Commercial paper)							1,268,862
		434,233					31,402,451
Government agencies and obligations[1]		323,005					20,685,342
Total debt investments		757,238					52,087,793
Non Fixed Income Assets							
Equity							31,686,640
Investment in commingled funds	$ 44,477	679,198	$12,760,102	$ 902,586	$ 930,435		20,560,282
Self-Directed Brokerage Accounts			10,969	4,638			15,607
Preferred stock							126,654
Real estate							6,811,306
Private equities						$ 3,017	9,228,945
Strategic lending							7,474,018
Certificates of deposit classified as short-term							75,400
Short-term investment fund at custodian							(6,022)
Less: short-term							(13,650,869)
Total investments	$ 44,477	$ 1,436,436	$12,771,071	$ 907,224	$ 930,435	$ 3,017	$114,409,754

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality ratings for the state's investments in debt securities as of June 30, 2025, are included in the previous schedule. Securities are rated using Nationally Recognized Statistical Rating Organizations (NRSROs) and are presented above using the Standard and Poor's rating scale. State statutes provide a process for financial institutions desiring to act as state depositories to be approved by the State Treasurer. Statutes also provide for the Commissioner of Financial Institutions to advise, on a timely basis, the Treasurer and the Commissioner of Finance and Administration of the condition of each state bank and state chartered savings and loan association, including his recommendations regarding its condition and safety as a state depository. Similar provisions apply to federally chartered banks and savings and loan associations designated as state depositories. This process ensures that institutions whose financial status is uncertain are monitored for collateral sufficiency. All certificates of deposit are required by policy to be placed directly with state depositories. For repurchase or reverse repurchase agreements, a counterparty, or its parent, shall have an investment grade credit rating, be a primary dealer as defined by the Federal Reserve Bank of New York, or be of comparable quality.

The SPIF's investment policy requires a first tier quality criteria for the purchase of obligations of instrumentalities that are not fully guaranteed by the United States government. Prime banker's acceptances must be of first tier quality, the security or issuer shall have an investment grade credit rating, and the security shall be eligible for purchase by the Federal Reserve system. Commercial paper should be of first tier quality, but the security shall have an investment grade credit rating by at least two Nationally Recognized Statistical Rating Organizations and the issuer shall be approved in writing by the Chief Investment Officer. For securities lending agreements, the underlying collateral is limited to first tier U.S. direct obligation securities, U.S. agency securities, or U.S. instrumentality securities.

The SPIF is not registered with the Securities and Exchange Commission (SEC) as an investment company. The State of Tennessee has not obtained a credit quality rating for the SPIF from a nationally recognized credit ratings agency. The SPIF is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB for external investment pools that elect to measure investments at amortized cost. The funds are limited to high quality obligations with regulated maximum and average maturities, the effect of which is to minimize both market and credit risk. The State Funding Board has elected for the SPIF to use amortized cost accounting measures to report investments and to transact with participants at a Stable Net Asset Value. Additionally, the state had not obtained or provided any legally binding guarantees to support the value of participant shares during the fiscal year.

The TRGT, pursuant to Tennessee Code Annotated (TCA) Title 8, Chapters 34-37, the TCRS Board and the State Treasurer as the Custodian are authorized to invest the TRGT funds in the same manner as the funds of TCRS. TCRS' investment policy specifies that bond issues subject for purchase are investment grade bonds rated by one of the Nationally Recognized Statistical Rating Organizations (NRSROs). There is no requirement to divest an asset if it is downgraded after purchase. For short-term investments, the TCRS' investment policy provides for the purchase of only the highest quality debt issues. Commercial paper should be rated in the highest tier by all rating agencies which rate the paper, with a minimum of two ratings required. Commercial paper cannot be purchased if a rating agency has the commercial paper on a negative credit watch. The investment policy also requires preparation of a credit analysis report on the corporation prior to purchasing commercial paper.

The COE Trust's investment policy states that the majority of investments should be placed in high quality debt securities to produce adequate income with minimal risk. In addition, for short-term investments, the investment policy states that only the highest quality short-term debt issues should be purchased.

The K-12 Mental Health Fund's assets must be invested and managed solely in the interest of beneficiaries of the Trust to obtain the highest available return consistent with the preservation of principal, while maintaining sufficient income to perform the purpose of the Trust. The assets of the Trust may be invested in investment grade fixed income securities that may include instruments issued by the United States, any agency of the United States federal government, United States sponsored corporations or enterprises, or any entity with the express or implied backing of the United States. Further, investments may be made in non-rated or non-investment grade fixed income investment as noted in the policy. Investment in equities is not permitted.

The Education Fund's state statute authorizes the trustees to adopt an investment policy for the trust in accordance with the laws, policies and guidelines that govern investments by the Tennessee Consolidated Retirement System. The trustees may issue other directions further limiting such investments. The policy also allows assets to be invested in shares of publicly traded investment companies, including Unit Investment Trusts (UIT's), Exchange Traded Funds (ETF's) and open-end and closed-end mutual funds. In addition, it permits investment in publicly traded foreign securities that are the same kinds, classes and investment grades otherwise eligible for investment, and in non-investment grade, fixed income securities, including, but not limited to, high yield bonds.

State Funds Investment Portfolios is authorized to invest in obligations guaranteed by the US government including bonds, notes, and US treasury bills.

The College Savings Plans, the Other private purpose trust fund, the Defined Contribution Pension Plan Fund, the Deferred Compensation Plan Fund, and the Higher Education 403(b) Plan Fund seek to provide participants with a prudent menu of investment options that is diversified across a range of asset classes, risk levels and investment strategies. These plans do not currently own specific fixed income securities but provide options to invest in mutual funds that invest in fixed income securities. A fixed account will generally guarantee a minimum rate of return or interest. Fixed accounts available through either a fixed or variable annuity contract must have an issuer with long-term rating of (or equivalent to) A+ or better as determined by a nationally recognized statistical rating agency. Fixed accounts through a bank depository account must provide participant-level FDIC protection. Self-directed brokerage accounts (SDBA) are offered for flexibility to participants who wish to take an active role selecting investment instruments not available as a direct investment option in these plans. The state has no responsibility to review or assess the self-directed brokerage account provider, brokerage window or the investment instruments available under a SDBA.

The purpose of the OPEB Trust fund is to establish a stable, diversified investment portfolio that, in the long-term, will meet or exceed the assumed actuarial rate of return to provide sufficient liquidity to pay beneficiaries' postemployment benefits in a timely manner. The OPEB Trust is permitted to invest in assets in the same securities or investments in which the Tennessee Consolidated Retirement System (TCRS) is permitted to invest and is subject to all the terms, conditions, limitations, and restrictions imposed upon the TCRS in the making and disposing of its investments.

Concentration of Credit Risk

A concentration of investments in any one single issuer of debt securities presents a greater risk for loss in the event the issuer fails on its obligations. An objective stated in the SPIF's investment policy is that the investment portfolio will be diversified to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions. Acquisitions are monitored by policy to assure that no more than five percent (5%) of the pool, at the date of acquisition, is invested in a single issuer of securities. Additionally, no issuer of a demand feature or guarantee will exceed ten percent (10%) at the date of acquisition. These limits shall not apply to U.S. Government Securities. In addition, the SPIF's investment policy limits the book value of prime banker's acceptances to $25 million issued by any one issuer. Prime commercial paper investments are limited to $350 million issued by any one issuer.

The TRGT is authorized to invest in securities in accordance with the investment policy of the TCRS. The TCRS' investment policy limits the maximum amount of securities in cash equivalents issued by any one issuer to $200 million, excluding those securities with the express or implied backing of the United States government. There are no other specific investment policies that limit the investments of the TCRS, the COE Trust, the College Savings Plans, the education fund or other state funds in any one issuer.

As of June 30, 2025, SPIF, K-12 Mental Health Fund, the State Funds Investment Portfolio, and OPEB Trust separately held investments in certain organizations representing five percent (5%) or more of its total investments, excluding those organizations whose issues are explicitly guaranteed by the United States government, and investments in mutual funds, external investment pools, and other pooled investments (expressed in thousands):

State Pooled Investment Fund (SPIF)		
Issuer Organization	Carry Value	Percentage
Federal Home Loan Bank	$ 17,322,114	51.12
Federal Home Loan Mortgage Corp	1,886,980	5.57

K-12 Mental Health Fund (K-12)		
Issuer Organization	Carry Value	Percentage
Federal National Mortgage Association	$ 30,958	11.64
Federal Home Loan Mortgage Corp	18,986	7.14

State Funds Investment Portfolios		
Issuer Organization	Fair Value	Percentage
Federal National Mortgage Association	$ 28,095	23.70
Federal Farm Credit Banks	24,919	21.02

OPEB Trust		
Issuer Organization	Fair Value	Percentage
Federal National Mortgage Association	$ 154,060	10.73
Federal Home Loan Mortgage Corp	91,700	6.38

Interest Rate Risk

Interest rate risk is the risk that future changes in prevailing market rates of interest will have an adverse effect on the fair value of debt investments. The fair values of securities with long terms to maturity may be highly sensitive to interest rate changes. The SPIF's investment policy with respect to maturity states that the weighted average maturity of the pool shall not exceed sixty (60) days calculated using Maturity Shortening Features for securities with a variable or floating interest rate. The weighted average life of the SPIF cannot exceed one hundred twenty (120) days calculated using Stated Maturity and without using Maturity Shortening Features. No security or investment may be purchased with a remaining maturity of greater than three hundred ninety-seven (397) calendar days. At June 30, 2025, the weighted average maturity of the pool was forty-five (45) days, and the weighted average life of the pool was forty-five (45) days. It is the intent of the Funding Board that the fair value of the SPIF not deviate more than one-half percent (0.5%) from amortized cost. If it does, actions may include, but not be limited to, selling securities whose fair value substantially deviates from amortized cost, and investing in securities with ninety (90) days or less to maturity.

As of June 30, 2025, the combined SPIF portfolio and other state cash deposits and investments had the following weighted average maturities (expressed in thousands):

State Pooled Investment Fund Weighted Average Maturity		
Deposit/Investment Type	Carry Value	Weighted Average Maturity (Months)
U.S. Government Agencies	$ 19,608,734	1.73
U.S. Government Treasuries	13,006,583	1.45
Commercial paper	1,268,862	1.50

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

Tennessee Retiree Group Trust
Debt Investments
June 30, 2025 (expressed in thousands)

Investment Type	Fair Value	Effective Duration (Years)
Government Fixed Income		
Government Agencies	$ 123,440	2.94
Government Bonds	5,321,305	11.94
Government Mortgage-Backed	5,165,910	4.95
Government Asset-Backed	56,453	4.72
Municipal Bonds	26,656	7.14
Corporate Fixed Income		
Commercial Mortgage-Backed	303,479	1.17
Asset Backed Securities	907,671	0.72
Corporate Bonds	3,499,463	7.43
Short Term		
Short Term Bills and Notes	1,493,309	
Total Debt Investments	$ 16,897,686	

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

Chairs of Excellence
Debt Investments
June 30, 2025 (expressed in thousands)

Investment Type	Fair Value	Effective Duration (Years)
U.S. Government		
U.S. Government Treasuries	$ 62,452	11.67
U.S. Agencies	906	5.36
Government Mortgage-Backed	34,637	5.29
Government Asset-Backed	1,353	5.33
Corporate Fixed Income		
Corporate Mortgage-Backed	6,798	1.10
Corporate Bonds	24,681	10.31
Corporate Asset-Backed	30,460	0.13
Total Debt Investments	$ 161,287	

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

Education Fund
Debt Investments
June 30, 2025 (expressed in thousands)

Investment Type	Fair Value	Effective Duration (Years)
U.S. Government		
U.S. Government Treasuries	$ 1,137	11.67
U.S. Agencies	17	5.36
Government Mortgage-Backed	631	5.29
Government Asset-Backed	25	5.33
Corporate Fixed Income		
Corporate Mortgage-Backed	124	1.10
Corporate Bonds	450	10.31
Corporate Asset-Backed	555	0.13
Total Debt Investments	$ 2,939	

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

K-12 Mental Health Fund
Debt Investments
June 30, 2025 (expressed in thousands)

Investment Type	Fair Value	Effective Duration (Years)
U.S. Government Treasuries	$ 58,578	12.68
Government Mortgage-Backed	49,944	5.47
Corporate Asset-Backed	124,694	0.31
Corporate Bonds	32,732	7.92

State Funds Investment Portfolio
Debt Investments
June 30, 2025 (expressed in thousands)

Investment Type	Fair Value	Effective Duration (Years)
U.S. Government Treasuries	$ 58,170	8.23
Government Mortgage-Backed	60,346	24.99

The OPEB Trust is permitted to invest in securities and investments consistent with the investment policy of the Tennessee Consolidated Retirement System (TCRS) that range from fixed income securities to short-term securities and investments in the SPIF. The policy does not specifically address limitations on investment maturities.

OPEB Trust
Debt Investments
June 30, 2025 (expressed in thousands)

Investment Type	Fair Value	Effective Duration (Years)
U.S. Government Treasuries	$ 323,005	11.78
Government Mortgage-Backed	245,760	5.25
Corporate Fixed Income		
Commercial Mortgage Backed	2,975	0.06
Corporate Bonds	185,498	10.54

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The TRGT is authorized to invest in securities in accordance with the investment policy of the TCRS. The TCRS' investment policy limits the asset allocation for international investments to twenty-five percent of total assets. The TRGT's exposure to foreign currency risk at June 30, 2025, was as follows (expressed in thousands):

Currency	Total Fair Value	Fixed Income	Equity	Cash
Australian Dollar	$ 454,412		$ 454,335	$ 77
British Pound Sterling	1,809,587	$ 644	1,807,693	1,250
Canadian Dollar	1,432,013		1,431,238	775
Danish Krone	270,995		270,904	91
Euro Currency	4,977,958	556	4,977,066	336
Hong Kong Dollar	6			6
Japanese Yen	2,054,031		2,042,420	11,611
New Israeli Shekel	17,124		17,107	17
New Zealand Dollar	1,855		1,855	
Norwegian Krone	98,931		98,930	1
Singapore Dollar	101,199		100,887	312
Swedish Krona	203,545		203,545	
Swiss Franc	647,570		647,570	
Total	$ 12,069,226	$ 1,200	$12,053,550	$ 14,476

Derivatives

The international securities in the TRGT portfolio expose the TRGT to potential losses due to a possible rise in the value of the US dollar. The TRGT investment managers can reduce foreign currency exposure by selling foreign currency forward contracts, at agreed terms and for future settlement, usually within a year. The manager will reverse the contract by buying the foreign currency before the settlement date. A gain (loss) on this transaction pair will hedge a loss (gain) on the currency movement of the international security. Foreign currency forward contracts expose the TRGT to foreign currency risk as they are denominated in foreign currency. The notional amount of the foreign currency forward contracts has been reflected in the financial statements as a receivable and a payable. Any unrealized gain on foreign currency forward contracts has been reflected in the financial statements as an investment.

The TRGT may buy or sell equity index futures contracts for the purposes of making asset allocation changes in an efficient and cost effective manner and to improve liquidity. Gains (losses) on equity index futures hedge losses (gains) produced by any deviation from the TRGT's target equity allocation. The gains and losses resulting from daily fluctuations in the fair value of the outstanding futures contract are settled daily, on the following day, and a receivable or payable is established for any unsettled gain or loss as of the financial statement date. As of June 30, 2025, the TRGT was under contract for fixed income and equity index futures, and the resulting receivable is reflected in the financial statements at fair value.

The TRGT is authorized to invest in To Be Announced (TBA) mortgage backed securities similar to the foreign currency forward contracts. The TRGT enters into an agreement to purchase pools of mortgage backed securities prior to the actual security being identified. The TRGT will roll this agreement prior to settlement date to avoid taking delivery of the security. Any unrealized gain on TBA mortgage backed securities has been reflected in the financial statements as an investment. Any unrealized loss on TBA mortgage backed securities has been included in the payable established for mortgages. The notional amounts of these agreements have been included in the financial statements as a receivable and a payable.

The TRGT invests in the derivatives to adjust its exposure to mortgage coupon risk and to replicate the return on mortgage backed securities portfolios without actually purchasing the security.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2025, classified by type, and the changes in fair values of such derivative classes for the year ended as reported in the financial statements are as follows (expressed in thousands):

	Changes in Fair Value		**Fair Value at June 30, 2025**		
	Financial Statement Classification	Amount	Financial Statement Classification	Amount	Notional Amount
Foreign Currency Forward Contracts					
EUR		(16)		(16)	
GBP		(10)		(10)	
	Investment Income (loss)	$ (26)	Derivative Instruments Receivable	$ (26)	
Future Contracts	Investment Income (loss)	$ 81,070	Derivative Instruments Payable	$ 18,460	$ 3,518,611
TBA Mortgage-Backed Credit Default Swaps	Investment Income (loss)	$ 22,330	Derivative Instruments Payable	$ 22,974	$ 645
TBA Mortgage-Backed Securities	Investment Income (loss)	$ (468)	Derivative Instruments Asset	$ (468)	(9,679)

Custodial Credit Risk

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the TRGT's deposits may not be returned to TRGT. The TRGT does not have an explicit policy with regards to Custodial Credit Risk for deposits. As of June 30, 2025, the TRGT had uninsured and uncollateralized cash deposits of $14.5 million in foreign currency held by our master custodian, State Street, in State Street's name. These deposits were used for investments pending settlement.

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

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

The TRGT securities lending program is managed by a third party lending agent, Deutsche Bank AG. The TRGT may loan any debt or equity securities which is owned by TRGT. TRGT's securities lending agent manages the average maturities of securities on loan against the average maturities of securities on collateral invested. The maturity gap has a limit of 33 days. This is monitored by investment staff on a periodic basis to ensure compliance. At June 30, 2025, the TRGT had the following securities on loan and received the cash collateral (expressed in thousands) as shown below:

Securities on Loan	Fair Value of Securities on Loan	Cash Collateral Received
Fixed	$ 2,485,885	$ 2,537,912
Equity	2,632,092	2,687,179
Total	$ 5,117,977	$ 5,225,091

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

B. Component Units

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

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

Credit Risk
The University has no investment policy limiting its investment choice based on ratings issued by nationally recognized statistical rating agencies. The University's securities are rated by Moody's. As of June 30, 2025, the University's investments were rated as follows (expressed in thousands):

Rated Debt Instruments	Fair Value	Credit Quality Rating P-1*	Aaa	Aa1	Aa2
U.S. Agencies	$ 16			$ 16	
U.S. Agencies (in pool)	904,625			775,514	10,435
U.S. Agencies Strips	61,552			61,552	
Commercial Paper (in pool)	170,876	170,876			
Corporate Bonds	221				
Municipal Bonds	-				
Mutual Funds – Bonds	118,405				48,041
Mortgages and Notes					
Money Market Mutual Funds					
Total	$ 1,255,695	$ 170,876	$ -	$ 837,082	$ 58,476

(Continued) Rated Debt Instruments	Credit Quality Rating Aa3	A2	Baa1	Baa2	Baa3
U.S. Agencies					
U.S. Agencies (in pool)					
U.S. Treasuries Strips					
Commercial Paper (in pool)					
Corporate Bonds				$ 151	$ 70
Municipal Bonds					
Mutual Funds – Bonds	62,426	6,560		76	
Mortgages and Notes					
Money Market Mutual Funds					
Total	$ 62,426	$ 6,560	$ -	$ 227	$ 70

(Continued) Rated Debt Instruments	Credit Quality Rating Ba2	B2	Unrated
U.S. Agencies			
U.S. Agencies (in pool)			$ 118,676
U.S. Treasuries Strips			
Commercial Paper (in pool)			
Corporate Bonds			
Municipal Bonds			
Mutual Funds – Bonds	314	988	
Mortgages and Notes			
Money Market Mutual Fund			
Total	$ 314	$ 988	$ 118,676

* Short-term ratings from Moody's

Interest Rate Risk

The University does not have a formal policy that addresses interest rate risk. As of June 30, 2025, the University had the following debt investments and maturities (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in years) Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Treasuries	$ 152				$ 152
U.S. Treasuries (in pool)	324,410	60,908	263,502		
U.S. Treasuries Strips	62,698	29,192	25,689	7,817	
U.S. Agencies	16		16		
U.S. Agencies (in pool)	904,625	67,989	346,449	428,858	61,329
Commercial Paper (in pool)	170,876	170,876			
U.S. Agencies Strips	69,942	18,435	34,395	17,112	
Corporate Bonds	221				221
Bond Mutual Funds	118,405		63,414	54,495	496
	$1,651,345	$ 347,400	$ 733,465	$ 508,282	$ 62,198

University foundations' investments in the amount of $509.580 million are not included in these disclosures because the foundations utilize private-sector accounting standards.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit or investment. The university has $241.641 thousand invested in foreign corporate equities at June 30, 2025.

Alternative Investments

In its Consolidated Investment Pool, as part of its endowment assets, the University has investments in one hundred thirty limited partnerships, limited companies, corporations, and limited liability corporations. At June 30, 2025, the estimated fair value of these assets is $743.417 million. These investments are not readily marketable, therefore, the estimated fair value is subject to uncertainty and may differ from the value that would have been used had a ready market existed; such differences could be material. The University's investment policy permits investment in various asset classes, such as these alternative investments, to ensure portfolio diversity. The fair values were estimated by the general partner of each limited partnership or manager of each corporate entity using various valuation techniques.

2. State University and Community College System

Credit Risk

The System is authorized by statute to invest funds in accordance with the State University and Community College System's investment policies. Under the current policy, funds other than endowments may be invested only in obligations of the United States or its agencies which are backed by the full faith and credit of the United States, repurchase agreements for United States securities, certificates of deposit in banks and savings and loan associations, banker's acceptances, commercial paper, money market mutual funds and the State of Tennessee Local Government Investment Pool. The policy requires that investments of endowments in equity securities be limited to funds from private gifts or other sources external to the System and that endowment investments be prudently diversified. The System has no formal investment policy that limits its investment choices based on ratings issued by rating agencies. As of June 30, 2025, debt investments of the System and its foundations (that utilize governmental accounting standards) were rated by Standard and Poor's as follows (expressed in thousands):

Rated Debt Instruments	Fair Value	US Treasury[1] / Agency	Credit Quality Rating AAA	AA	A	BBB	BB	B	CCC	C	Not Rated
U.S. Treasuries	$190,498	$190,498									
U.S. Agencies	114,924	15		110,518							4,391
Corporate Bonds	17,626		631	50	8,066	8,650	80				149
Mutual Funds—Bonds	69,185		8,213	1,846	567	1,200	6,683	6,485	2,506	232	41,453
Total Debt Instruments	$392,233	$190,513	$8,844	$112,414	$8,633	$9,850	$6,763	$6,485	$2,506	$232	$45,993

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

Interest Rate Risk

The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to interest rate risk. As of June 30, 2025, debt investments and maturities of the system and its foundations (that utilize governmental accounting standards) follow (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in years) Less Than 1	1 to 5	6 to 10	More Than 10	Undetermined
U.S. Treasuries	$ 190,498	$ 4,739	$ 180,748	$ 4,887	124	
U.S. Agencies	114,924	29,280	81,847	1,432	2,365	
Corporate Bonds	17,626	979	11,428	4,796	423	
Mutual Funds—Bonds	69,185		14,716	11,419	130	42,920
Total Debt Investments	$ 392,233	$ 34,998	$ 288,739	$ 22,534	$ 3,042	$ 42,920

The investments of certain foundations of the System are not included in these disclosures because these foundations utilize private-sector accounting standards. These foundations reported investments at fair value in the amount of $605.494 million.

3. Tennessee Housing Development Agency (THDA)

The Agency is authorized to establish policies for its funds to meet the requirements of bond resolutions and state statute. Funds are invested similarly to state policies.

The Agency's investment policy states that its portfolios will be diversified in order to reduce the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The Agency may invest 100 percent of its portfolio in U.S. government securities due to the absence of credit risk. A minimum of five percent of the daily fair value of total investments must mature within five years. No more than 50 percent of the daily fair value of the combined portfolios can be invested in maturities greater than 15 years without approval of the Bond Finance Committee.

Credit Risk

The Agency's investments as of June 30, 2025, were rated by Standard and Poor's and/or Moody's as follows (expressed in thousands):

Rated Debt Instruments	Fair Value	US Treasury / Agency	Credit Quality Rating AAA	AA+	Not Rated
U.S. Agency Coupon	$ 126,567			$ 126,567	
U.S. Treasury Coupon	114,010	114,010			
U.S. Agency Discount	480,877		480,877		
Government Mortgage-backed Securities	408,668			127,604	281,064
Total Debt Instruments	$ 1,130,122	$ 114,010	$ 480,877	$ 254,171	$ 281,064

In addition to these investments, the agency has $165,651,934 invested in a money market fund. This fund is measured at amortized cost and has a Standard and Poor's rating of AAA.

Concentration of Credit Risk

At June 30, 2025, more than 5 percent of the Agency's investments are invested in the following single issuers (expressed in thousands):

Issuer	Fair Value	Percentage
Federal Home Loan Bank	$ 228,196	20.19
Federal Home Loan Mortgage Corp	337,470	29.86
Federal National Mortgage Admin	169,382	14.99
Government National-Mortgage Association	281,064	24.87

Interest Rate Risk

As of June 30, 2025, the Agency had the following debt investments and effective duration (expressed in thousands):

Investment Type	Fair Value	Effective Duration (Years)
U.S. Agency Coupon	$ 126,567	1.035
U.S. Agency Discount	480,877	0.051
Government Mortgage-backed Securities*	408,668	5.194
Total	$ 1,016,112	

*Modified Duration was used in the place of Effective Duration on pass through investments where average life was used instead of PSA speed.

State and Local Government Securities (SLGS), in the amount of $114.010 million have an effective duration of 0.189 years

NOTE 5

Fair Value Measurements

A. Primary Government

The fair value of assets held at June 30, 2025, represents the price that would be received were the asset to be sold or the liability transferred in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by Generally Accepted Accounting Principles (GAAP). The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Investments Measured at Fair Value
Governmental Funds
(expressed in thousands)

Governmental Funds	Investment Aggregation	GAAP Hierarchy Level 1	GAAP Hierarchy Level 2	GAAP Hierarchy Level 3	NAV	Total Investments
Education Fund	Commingled Funds	$ 1,278,895				$ 1,278,895
	Corporate Asset Backed		$ 529	$ 26		555
	Corporate Bonds		450			450
	Corporate Mortgage Backed		117	7		124
	Government Asset Backed		25			25
	Government Mortgage Backed		631			631
	US Government Agencies		17			17
	US Government Treasuries	1,042	95			1,137
Chairs of Excellence	Commingled Funds	351,407				351,407
	Corporate Asset Backed		29,033	1,427		30,460
	Corporate Bonds		24,681			24,681
	Corporate Mortgage Backed		6,417	381		6,798
	Government Asset Backed		1,353			1,353
	Government Mortgage Backed		34,637			34,637
	US Government Agencies		906			906
	US Government Treasuries	57,215	5,237			62,452
K-12 Mental Health Fund	US Government Treasuries	58,578				58,578
	Government Mortgage Backed		49,944			49,944
	Corporate Bonds		32,732			32,732
	Corporate Asset Backed		90,145	34,549		124,694
State Funds Investment Portfolio	US Government Treasuries	58,170				58,170
	Government Mortgage Backed		60,346			60,346
Total Investments - Governmental Funds		$ 1,805,307	$ 337,295	$ 36,390	$ -	$ 2,178,992

Investments Measured at Fair Value
Fiduciary Funds
(expressed in thousands)

Fiduciary Funds	Investment Aggregation	GAAP Hierarchy Level 1	GAAP Hierarchy Level 2	GAAP Hierarchy Level 3	NAV	Total Investments
Tennessee Retiree	US Government Agencies		$ 123,440			$ 123,440
Group Trust	US Government Treasuries	$ 5,306,505	14,800			5,321,305
	Government Mortgage Backed	55,953	5,109,957			5,165,910
	Government Asset Backed		56,453			56,453
	Municipal Bonds		26,656			26,656
	Commercial Mortgage Backed		250,028	$ 53,451		303,479
	Corporate Asset Backed Securities		865,635	42,036		907,671
	Corporate Bonds		3,486,719	12,744		3,499,463
	Corporate Equities	34,836,818		37,171		34,873,989
	Preferred Stocks	92,775	29,874	4,005		126,654
	Limited Partnership Units			1,544,997	$15,154,949	16,699,946
	Real Estate			3,280,131	3,531,175	6,811,306
Employee Group OPEB Trust	Commingled Funds	679,198				679,198
	US Government Treasuries	279,037	43,968			323,005
	Government Mortgage Backed		245,760			245,760
	Corporate Bonds		185,498			185,498
	Commercial Mortgage Backed			2,975		2,975
College Savings Plans	Commingled Funds	425,833				425,833
Other private purpose trust fund	Commingled Funds	44,477				44,477
Defined Contribution Pension Plan Fund	Commingled Funds	12,771,071				12,771,071
Deferred Compensation Plan Fund	Commingled Funds	907,224				907,224
Higher Education 403(b) Plan Fund	Commingled Funds	930,435				930,435
External Retirement Investment Fund	Limited Partnership Units				3,017	3,017
Total Investments - Fiduciary Funds		$ 56,329,326	$ 10,438,788	$ 4,977,510	$18,689,141	$90,434,765

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

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

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

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

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

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

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

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

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

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

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

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

Investments measured at NAV	Strategy	Number of Funds	NAV	Remaining Life	Redemption Terms	Redemption Restrictions
Limited Partnership	Traditional private equity and strategic lending	214	$15,154,949	Various	N/A	Various transfer and sale restrictions
Real Estate Limited Partnerships	Real Estate Commingled Investments	45	3,531,175	N/A	N/A	Various transfer and sale restrictions
Limited Partnerships	Traditional Private Equity	5	3,017	Various	N/A	Various transfer and sale restrictions

Traditional Private Equity and Strategic Lending: The private equity asset class is categorized into two component portfolios: traditional and strategic lending. Generally speaking, the types of private equity strategies include: venture capital, buyout, natural resource, secondaries, special situations, tactical, structured credit, and high yield debt. The majority of these investments have an approximate life of 10 years or greater and are considered illiquid. During the life of the partnerships, distributions are received as underlying partnership investments are realized. Transfer or sales of the partnership interest are restricted over the life of the partnership. The TRGT has no

plans to liquidate any of these investments. In addition, the state holds limited partnership units for the External Retirement Investment Fund. These assets are held until maturity, at which time the proceeds are invested into TRGT.

Real Estate Commingled Investments: The real estate asset class is comprised of two different investment types: direct investments and commingled investments. A commingled investment is a pooled investment vehicle comprised of real estate investments that is overseen by an external investment manager or general partner. Generally speaking, the commingled real estate investment strategies include: office, retail, industrial, multi-family, and diversified. The majority of these investments have an approximate life of 10 years or greater and are considered illiquid. A portion of the commingled funds are evergreen, meaning that they have an infinite life. These are considered open-end funds. During the life of the pooled investment vehicle, distributions are received as underlying investments are realized. Transfer or sale of the interest are restricted over the life of the investment. The TRGT has no plans to liquidate any of these investments.

B. Component Units

University of Tennessee

The university categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The university has the following recurring fair value measurements as of June 30, 2025 (expressed in thousands):

		Fair Value Measurements Using		
Investments and other assets by fair value level	6/30/2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. Treasuries	$ 400,083	$ 400,083		
U.S. Agencies	974,583		$ 974,583	
Municipal bonds	-			
Corporate bonds	221		221	
Corporate commercial paper	170,876		170,876	
Total debt securities	1,545,763	400,083	1,145,680	-
Corporate stock				
Domestic	6,438	6,398		40
International	241	241		
Total equity securities	6,679	6,639	-	40
Pooled investment vehicles (ETFs; Open-end funds with published and non-published values)				
Equity	408,881	408,881		
Bonds	55,979	55,510	469	
Balanced	19	19		
Real Estate	294	294		
Total pooled investment vehicles	465,173	464,704	469	
Real estate gifts	1,053			1,053
Assets held by others	6,929			6,929
Other assets	41,582		41,582	

(continued)

(continued)		Fair Value Measurements Using		
Investments and other assets by fair value level	6/30/2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Private capital investments				
Private equities	333,123			333,123
Private credit/debit	73,358			73,358
Private real assets	124,804			124,804
Private, other	2,688			2,688
Total private capital investments	533,973			533,973
Hedge funds				
Long/short equity	100,649		41,248	59,401
Credit	37,242			37,242
Diversified	71,776		16,457	55,319
Total hedge funds	209,667		57,705	151,962
Investments measured at the Net Asset Value (NAV)				
Pooled investment vehicles (other open-end funds)	609,364			
Limited partnerships	106,729			
Total investments measured at NAV	716,093			
Total investments and cash equivalents	$3,526,912			

Debt securities−The fair value of the majority of the debt securities category at June 30, 2025, was determined based on Level 1 and Level 2 inputs. The fair value of U.S. Treasury and Agency securities, commercial paper, as well as corporate bonds was based on Level 1 and Level 2 inputs. The university utilizes third-party pricing services and guidance provided by custodians and trading counterparties for fair value estimates of these investments. In addition, it takes into account the nature of the securities, trading activity, and availability of comparable securities in the marketplace.

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

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

Real estate gifts-Level 3 inputs were utilized for the fair value calculations of this investment category. It contains direct real estate holdings of $1.053 million, the valuation of which is determined by periodic appraisals.

Assets held by others-This category consists of separately invested portfolios of $6.929 million. These are managed externally for the benefit of the university, and pricing is provided by third parties.

Private capital investments–The fair value of the private capital category at June 30, 2025, was determined based on Level 3 inputs. These investments center on three primary categories: private equity which invests in private companies, private credit/debt which lends directly to companies or invests in distressed debt, and real assets which invests in inflation-hedging strategies and assets. Valuation methods such as the income method and/or multiple analysis are examples of those commonly utilized by managers to determine the fair value of these assets and are typically unobservable to the university. The university's private capital investments have $261.385 million of unfunded commitments at June 30, 2025.

Hedge funds–Most hedge funds invest in a mix of public securities, with varying degrees of liquidity, and private securities for which pricing may not be readily available. Each fund's fair value is determined by its portfolio ASC 820 classification(s) as of the measurement date. Hedge funds are divided into three sub-categories. The first is long/short equity, a strategy that typically invests in common stock by both buying shares and selling shares short. These strategies work across the global equity markets. The second category, entitled credit, focuses almost exclusively on fixed income instruments, which can include various types of bonds, derivative instruments, and loans. These strategies also invest in multiple jurisdictions around the world. The final category, diversified, is comprised of strategies that often overlap in approach and frequently employ more than one strategy within a single vehicle.

Net asset value (NAV) investments general redemption terms

The table below provides a summary of the liquidity terms and conditions of those investments with value measured using net asset value (expressed in thousands):

Hedge Funds	NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Open-end funds	$ 609,364		daily, quarterly	2 days- 30 days
Limited partnerships	106,729	$ 16,451	none, monthly, quarterly	30 days- 90 days

State University and Community College System

The system categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The system has the following recurring fair value measurements as of June 30, 2025 (expressed in thousands):

		Fair Value Measurements Using		
Investments by fair value level	6/30/2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. Treasuries	$ 190,498	$ 190,392	$ 106	
U.S. Agencies	114,924	58,423	56,501	
Corporate bonds	17,626	12,192	5,434	
Mutual bond funds	28,633	28,348	285	
Other	6,916		6,916	
Total debt securities	358,597	289,355	69,242	
Equity securities				
Corporate stock	38,117	38,117		
Mutual equity funds	52,934	52,924	10	
Real estate	5,200			5,200
Equity REITs	2,530	2,530		
Private Equities	1,995			1,995
Hedge funds	6,825	1,234	5,591	
Other	1,523	262	1,261	
Total equity securities	109,124	95,067	6,862	7,195
Investments measured at the Net Asset Value (NAV)				
Mutual bond funds	40,552			
Mutual equity funds	186,646			
Equity REITs	74			
Private equities	21,429			
Hedge funds	6,298			
Natural resources	2,101			
Other	18,958			
Total investments measured at NAV	276,058			
FASB foundations' investments at fair value	533,102	443,252	31,322	58,528
FASB foundations' investments at NAV	72,393			
Total FASB foundations' investments	605,495			
Total investments and cash equivalents	$1,349,274			

Assets classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Assets classified in Level 2 of the fair value hierarchy are valued at amounts provided by statements from investment companies and use of a third-party investment manager (US agencies), use of a third-party investment manager (US Treasuries), price quotes for identical or similar assets in non-active markets (corporate bonds), use of third-party pricing services and guidance provided by custodians and trading counterparties for fair value estimates (mutual bond funds and mutual equity funds). Assets classified in Level 3 are valued based on modeling techniques that are unobservable to the system.

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

Investments measured at NAV	NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Mutual bond funds	$ 40,552		Daily, monthly	5 business days
Mutual equity funds	186,646		Daily, monthly	5 business days
Equity REITs	74		not applicable	not applicable
Private equities	21,429	3,878	not applicable	not applicable
Hedge funds	6,298		Various	Various
Natural resources	2,101	290	not applicable	not applicable
Other	18,958	2,570	Daily	not applicable

The assets of the multi-strategy bond fund are allocated among strategies in proportions that Commonfund Asset Management Company considers beneficial for a fully diversified fixed income portion of an educational endowment. There are currently no redemption restrictions on the multi-strategy bond funds, although they could be put in place in extraordinary circumstances, such as any period during which the New York Stock Exchange is closed other than customary weekend or holiday closings, or during which trading thereon is restricted or there exists any emergency affecting the practicability of disposal of portfolio securities of the fund or the practicability of determining net asset value. It is not probable that the system will sell an investment for an amount different from the NAV per share.

Tennessee Housing Development Agency

The agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The agency has the following recurring fair value measurements as of June 30, 2025 (expressed in thousands):

			Fair Value Measurements Using	
Investments by fair value level		6/30/2025		Significant Other Observable Inputs (Level 2)
Debt securities				
U.S. Agency Coupon	$	126,567	$	126,567
U.S. Agency Discount		480,877		480,877
Government Mortgage-backed Securities		408,668		408,668
Total fair value securities	$	1,016,112	$	1,016,112
U.S. Treasury Coupon		114,010		
Total debt securities	$	1,130,122		

The U.S. Treasury Coupon is a state and Local Government Security specifically designed for state and local government arbitrage rules. These securities are non-marketable and valued at cost.

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

NOTE 6

Receivables

Receivables at June 30, 2025, other than lease receivables and loans receivable, for the state's individual major funds and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following (expressed in thousands):

Primary Government

	Accounts including Due From Other Governments	Taxes and Certain Other Licenses, Fees, and Permits	Other	Total Receivables	Allowance for Uncollectibles	Net Total Receivables
Governmental activities:						
General	$ 4,129,580	$ 3,007,267	$ 1	$7,136,848	$ (135,580)	$7,001,268
Education	273,274	897,049	1,618	1,171,941	(40,947)	1,130,994
Highway	214,901	104,730	15,233	334,864	(100)	334,764
Capital projects	23,780			23,780		23,780
State shared taxes		172,612		172,612	(4,042)	168,570
Nonmajor governmental funds	572,960	36,840	7,221	617,021	(531)	616,490
Internal service funds	17,306			17,306	(7,464)	9,842
Total-governmental activities	$ 5,231,801	$ 4,218,498	$24,073	$9,474,372	$ (188,664)	$9,285,708
Amounts not expected to be collected within one year		$ 187,193				$ 187,193
Business-type activities:						
Employment security	$ 252,580	$ 82,682	$ 8,814	$ 344,076	$ (160,404)	$ 183,672
Nonmajor enterprise funds	2,751			2,751	(675)	2,076
Total-business-type activities	$ 255,331	$ 82,682	$ 8,814	$ 346,827	$ (161,079)	$ 185,748

NOTE 7
Capital Assets

A. Primary Government

Capital asset activity for the year ended June 30, 2025, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 3,053,941	$ 151,232	$ (3,049)	$ 3,202,124
Infrastructure	28,027,300	776,975	(35,585)	28,768,690
Construction in progress	1,364,860	1,240,215	(893,686)	1,711,389
Software in development	8,914	222,117	(201,441)	29,590
Capital assets, being depreciated or amortized:				
Structures and improvements	3,420,520	126,605	(43,577)	3,503,548
Machinery and equipment	2,940,928	441,244	(81,275)	3,300,897
Right to use leases and subscriptions:				
Land	3,097	-	(82)	3,015
Structures and improvements	366,669	77,925	(13,865)	430,729
Machinery and equipment	39,473	11,218	(4,662)	46,029
Subscription-based IT arrangements	118,951	153,706	(27,264)	245,393
Total capital assets	39,344,653	3,201,237	(1,304,486)	41,241,404
Less accumulated depreciation or amortization for:				
Structures and improvements	(1,617,505)	(75,897)	32,230	(1,661,172)
Machinery and equipment	(2,043,982)	(343,038)	59,743	(2,327,277)
Right to use leases	(113,645)	(59,985)	17,091	(156,539)
Subscription-based IT arrangements	(46,173)	(71,508)	27,264	(90,417)
Total accumulated depreciation or amortization	(3,821,305)	(550,428)	136,328	(4,235,405)
Governmental activities capital assets, net	$ 35,523,348	$2,650,809	$ (1,168,158)	$37,005,999
Business-Type activities:				
Capital assets, not being depreciated:				
Construction in progress	$ 209,536	$ 9,469	$ (219,005)	$ -
Capital assets, being depreciated or amortized:				
Infrastructure	-	219,005	-	219,005
Total capital assets	209,536	228,474	(219,005)	219,005
Less accumulated depreciation or amortization for:				
Infrastructure	-	(5,763)	-	(5,763)
Business-Type activities capital assets, net	$ 209,536	$ 222,711	$ (219,005)	$ 213,242

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

Governmental activities:	
General government	$ 26,723
Education	8,458
Health and social services	260,762
Law, justice and public safety	68,383
Recreation and resource development	17,637
Regulation of business and professions	2,220
Transportation	36,437
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	129,808
Total depreciation or amortization expense – governmental activities	$ 550,428
Business-Type activities:	
Other	$ 5,763

Highway Construction Commitments— At June 30, 2025, the Department of Transportation had contractual commitments of approximately $867.4 million for construction of various highway projects. Funding of these future expenditures is expected to be provided from federal grants ($861.1 million) and general obligation bond authorizations ($6.3 million).

B. Discretely Presented Component Units

Capital asset activity for the year ended June 30, 2025, for the discretely presented component units was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Component Units:				
Capital assets, not being depreciated:				
Art and collections	$ 11,031	$ 16	$ -	$ 11,047
Land	284,941	3,922	(1,230)	287,633
Construction in progress	1,103,757	918,463	(335,672)	1,686,548
Capital assets, being depreciated or amortized:				
Infrastructure	1,048,835	36,986	(2,871)	1,082,950
Structures and improvements	8,502,525	311,432	(2,804)	8,811,153
Machinery and equipment	1,463,039	145,101	(55,572)	1,552,568
Right to use assets:				
Land	6,162	2,159		8,321
Infrastructure	3,353			3,353
Structures and improvements	99,426	61,625	(6,113)	154,938
Machinery and equipment	8,795	10,019	(926)	17,888
Other	1,376	221		1,597
Subscription-based IT arrangements	192,336	160,871	(13,002)	340,205
Total capital assets	12,725,576	1,650,815	(418,190)	13,958,201
Less accumulated depreciation or amortization for:				
Infrastructure	(568,282)	(44,782)	2,387	(610,677)
Structures and improvements	(3,309,683)	(188,243)	2,105	(3,495,821)
Machinery and equipment	(966,656)	(99,531)	51,354	(1,014,833)
Right to use assets	(38,177)	(19,183)	6,179	(51,181)
Subscription-based IT arrangements	(54,140)	(39,354)	7,968	(85,526)
Total accumulated depreciation or amortization	(4,936,938)	(391,093)	69,993	(5,258,038)
Component Units capital assets, net	$ 7,788,638	$ 1,259,722	$ (348,197)	$ 8,700,163

The University of Tennessee foundations and certain State University and Community College System foundations utilize FASB standards; therefore, only the June 30, 2025, balances are available as follows (expressed in thousands):

	Ending Balance
Capital assets, not being depreciated:	
Art and collections	$ 875
Land	20,522
Construction in progress	64,007
Total capital assets, not being depreciated	85,404
Capital assets, being depreciated:	
Infrastructure	5,771
Structures and improvements	278,086
Machinery and equipment	32,090
Right to use asset	14,409
Total capital assets being depreciated	330,356
Less: total accumulated depreciation	(129,464)
Total capital assets, being depreciated, net	200,892
Total capital assets, net	$ 286,296

NOTE 8

Interfund Balances, Payables and Receivables

A. Interfund Balances

Interfund balances at June 30, 2025, for the state's individual major funds; nonmajor governmental and internal service funds, in the aggregate; and fiduciary funds by type consist of the following (expressed in thousands):

Due From

DUE TO	General	Education	Highway	Capital Projects	Nonmajor Governmental Funds	Employment Security	Internal Service Funds	Custodial Funds	Total
General		$ 120	$ 426	$ 485	$ 373	$ 514	$1,095		$ 3,013
Education	$37,057								37,057
Highway	6,115								6,115
Capital Projects	5,569	24	193		357		306		6,449
Nonmajor Governmental Funds					19				19
Employment Security	179								179
Internal Service Funds	13,217				6		6	$ 1,193	14,422
Custodial Funds	3								3
Total	$62,140	$ 144	$ 619	$ 485	$ 755	$ 514	$1,407	$ 1,193	$67,257

B. Component Units Payables

Component units' accounts payable to the primary government at June 30, 2025, consisted of the following (expressed in thousands):

Payable From Component Units

PAYABLE TO	Tennessee Education Lottery	State University and Community College System	University of Tennessee	Nonmajor Component Units	Total
PRIMARY GOVERNMENT:					
General		$ 194	$ 35	$ 17	$ 246
Education	$ 120,887	71			120,958
Capital Projects		3,835	15	1,910	5,760
Nonmajor Governmental Funds			1,810		1,810
Internal Service Funds		34	4	34	72
Total	$ 120,887	$ 4,134	$ 1,864	$ 1,961	$128,846

C. Component Units Receivables

Component units' accounts receivable from the primary government at June 30, 2025 consisted of the following (expressed in thousands):

Receivable from Primary Government

Receivable to Component Units:	General	Education	Highway	Capital Projects	Nonmajor Governmental Funds	Internal Service Funds	Total
Tennessee Housing Development Agency	$ 5,713						$ 5,713
State University and Community College System	14,309	$ 9,809	$ 998	$ 1,904	$ 3,766	$ 176	30,962
University of Tennessee	21,400	12,483	971	16,327	2,849	442	54,472
Nonmajor Component Units	2,480						2,480
Total	$43,902	$22,292	$1,969	$18,231	$ 6,615	$ 618	$93,627

NOTE 9

Interfund Transfers

Transfers between the various primary government funds for fiscal year ended June 30, 2025, are as follows (expressed in thousands):

	Transfers In								
Transfers Out	General	Education	Highway	Capital Projects	Nonmajor Governmental Funds	Sewer Treatment	Nonmajor Enterprise Funds	Internal Service Funds	Total
General		$ 1,051,589	$ 117,537	$ 397,218	$ 22,097	$ 8,138	$ 116,358	$165,514	$1,878,451
Education				49,920					49,920
Highway	3,244								3,244
Capital Projects		96,451							96,451
Nonmajor Governmental Funds	80,824		87,700	5,907				659	175,090
Nonmajor Enterprise Funds		1,618							1,618
Internal Service Funds								244	244
Total	$84,068	$ 1,149,658	$ 205,237	$ 453,045	$ 22,097	$ 8,138	$ 116,358	$166,417	$2,205,018

Transfers are generally used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted resources from the general fund to finance various programs accounted for in other funds in accordance with statute or budgetary authorizations.

In the fiscal year ended June 30, 2025, the general fund transferred $1.9 billion to other funds in accordance with statute or budgetary authorizations for the following purposes: $113 million for highway expenditures, $532 million for capital outlay expenditures, $1 billion to subsidize the activities of the education fund, $7 million to subsidize superfund remediation activities, $9 million for OPEB expenditures in various funds, $26 million to provide appropriations to internal service funds, $3.3 million for debt service payments, $100 million to provide hurricane Helene emergency assistance, and $38 million to provide appropriations to finance various programs in other funds.

The highway fund received a transfer from the debt service fund for $87.7 million to cancel authorized and unissued highway bonds. These authorizations were originally recorded in the highway fund to fund a portion of their budget.

NOTE 10

Leases and Subscription-Based Information Technology Arrangements (SBITAs)

A. Lease Liabilities

The state routinely leases various facilities, vehicles, and office and operational equipment. The lease contracts often include variable payments, residual value guarantees, and termination penalties that are not known or certain to be made at the time of the lease liability measurement. These are recognized as expenses in the period that they occur. For fiscal year ended June 30, 2025, there were no variable usage-based lease payments, termination penalties, or residual value guarantee payments. The following is a schedule of future principal and interest payments due for leases (expressed in thousands):

For the Year(s) Ended June 30	Principal	Interest
2026	$ 53,297	$ 10,863
2027	43,961	9,121
2028	35,421	7,740
2029	32,661	6,585
2030	29,940	5,498
2031 - 2035	97,380	15,375
2036 - 2040	41,039	3,129
2041 - 2045	1,608	329
2046 - 2050	334	169
2051 - 2055	478	115
Thereafter	619	39
Total	$ 336,738	$ 58,963

B. Lease Receivables

The state, as lessor, leases structures and improvements to third parties under the provisions of various lease agreements for a laboratory facility and a parking structure. If there is no stated rate on the lease contract, the state uses its own estimated incremental borrowing rate as the discount rate to measure the receivables. Early termination of these agreements is conditioned under certain contingent events occurring such as impairment of the underlying assets or default of the terms of the agreements by either party. The discount rates used to measure the lease receivable range from 2.67% to 3.51%. During the fiscal year ended June 30, 2025, the state had $373 thousand in current lease receivables and $4.7 million in noncurrent lease receivables and recognized total lease-related revenue of $289 thousand in governmental activities. There was no additional revenue for variable and other payments not included in the measurement of the lease receivables.

C. Subscription-Based Information Technology Arrangements (SBITAs)

The state routinely enters into arrangements for the use of vendor-provided information technology in its daily operations. The contracts often include variable payments and termination penalties that are not known or certain at the time of the SBITA liability measurement. These expenses are recognized in the period in which they occur. For fiscal year ended June 30, 2025, the state paid $4.6 million for variable performance based SBITA payments and made no termination penalty payments. The following is a schedule of future principal and interest payments due for SBITAs (expressed in thousands).

For the Year(s) Ended June 30	Principal	Interest
2026	$ 52,812	$ 4,522
2027	43,549	2,262
2028	31,346	645
2029	5,944	232
2030	2,439	88
2031 - 2033	1,218	68
Total	$ 137,308	$ 7,817

NOTE 11

Long-Term Liabilities

A. General Obligation Bonds

Bonds Payable at June 30, 2025, are shown below (expressed in thousands):

Governmental activities:	Amount
General obligation bonds, 1.9% to 5.2%, due in generally decreasing amounts of principal and interest from $122.4 million in 2026 to $26.1 million in 2043	$ 949,625
General obligation refunding bonds, 2015 Series B, 3% to 5%, principal and interest due in amounts from $1.7 million in 2026 to $14.3 million in 2029	45,725
General obligation refunding bonds, 2016 Series B, 5%, principal and interest due in amounts from $21.2 million in 2026 to $9.6 million in 2032	96,070
General obligation refunding bonds, 2016 Series C, 2.07% to 2.67%, principal and interest due in the amount of $8 million in 2026 to $2.5 million in 2032	36,540
General obligation refunding bonds, 2021 Series A, 5%, principal and interest due in amounts from $7.7 million in 2026 to $6.3 million in 2033	46,375
General obligation refunding bonds, 2021 Series B, 0.86% to 1.98%, principal and interest due in amounts from $67.8 million in 2026 to $13.7 million in 2036	340,250
Total bonds outstanding	1,514,585
Plus unamortized bond premium	160,233
Total bonds payable	$ 1,674,818

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

Prior-Year Defeasance of Debt

In current and prior years, the state defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on old bonds. Accordingly, the assets held in non-state administered trust accounts and the liability for the defeased bonds are not included in the state's financial statements. The entirety of these trust account assets are covered under trust agreements where the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not strictly prohibited. On June 30, 2025, $114.5 million of bonds outstanding are considered defeased.

B. General Obligation Commercial Paper

Governmental activities commercial paper payable at June 30, 2025, is shown below (expressed in thousands):

	Commercial Paper
General obligation commercial paper, interest rates at 3.5% tax exempt and 4.45% for taxable, varying maturities	$ 3,681

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

The TCRS has agreed to serve as standby commercial paper purchaser for commercial paper issued by the Funding Board of the State of Tennessee. By serving as a standby commercial paper purchaser, the TCRS receives an annual

fee of 35 basis points on the $350 million maximum issuance under this agreement during times when both Moody's and Standard and Poor's investment ratings assigned to the State of Tennessee's general obligation bonds are Aaa and AAA, respectively; 45 basis points during times when either Moody's or Standard and Poor's has assigned ratings of Aa and AA, respectively; or 55 basis points during times when either Moody's or Standard and Poor's has assigned ratings lower than Aa and AA, respectively. In the unlikely event that the TCRS would be called upon to purchase the commercial paper, the TCRS would receive interest at a rate equal to prime plus 150 basis points subject to a floor of 5 percent (5%); provided, however, in no event shall the Standby Purchase Rate be in excess of the maximum rate as defined in Section 47-14-103, Tennessee Code Annotated. The Program expires and the Standby Purchase Agreement terminates on July 1, 2026. At June 30, 2025, $3.7 million of commercial paper was outstanding ($2 million tax exempt and $1.7 million federally taxable); this left an unused CP capacity of $346.3 million. Commercial paper payable under this Program qualifies for reporting as a non-current liability because provisions in the Commercial Paper Resolution permit refinancing the paper on a long-term basis.

C. Pledged Revenues

General obligation bonds and commercial paper constitute direct general obligations of the state for the payment of principal and interest on which there is also pledged the full faith and credit of the state, and a charge and lien upon all fees, taxes and other revenues and funds allocated to the state's general fund, debt service fund and highway fund and, if necessary, upon the first fees, taxes, revenues and funds thereafter received and allocated to such funds, unless such fees, taxes, revenues and funds are legally restricted for other purposes. The charge and lien on fees, taxes and other revenues in favor of the bonds is subject to a specific pledge of "Special Taxes" in favor of state general obligation bonds issued prior to July 1, 2013. "Special Taxes" consist of the annual proceeds of a tax of five cents per gallon upon gasoline, the annual proceeds of special tax of one cent per gallon upon petroleum products, one-half of the annual proceeds of motor vehicle registration fees now or hereafter required to be pledged the full faith and credit of the state, and the annual proceeds of the franchise taxes imposed by the franchise tax law of the state. The final maturity of general obligation bonds issued prior to July 1, 2013 is October 1, 2032. Thereafter, or upon the earlier retirement of all general obligation bonds issued prior to July 1, 2013, this pledge of "Special Taxes" will expire. For fiscal year 2025, $1.6 billion or 66 percent of the above revenue streams were pledged for the payment of principal and interest on all general obligation bonds issued prior to July 1, 2013.

D. Other Debt

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

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

E. Debt Service Requirements to Maturity

Debt service requirements to maturity for all general obligation bonds payable at June 30, 2025, are as follows (expressed in thousands):

For the Year(s) Ended June 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Total Requirements
2026	$ 170,615	$ 58,240	$ 228,855
2027	162,185	52,670	214,855
2028	156,320	46,986	203,306
2029	147,445	41,406	188,851
2030	122,035	36,335	158,370
2031-2035	436,165	120,487	556,652
2036-2040	235,336	48,889	284,225
2041-2043	84,484	7,882	92,366
	$ 1,514,585	$ 412,895	$ 1,927,480

Debt service requirements to maturity for commercial paper payable at June 30, 2025, are as follows (expressed in thousands):

For the Year(s) Ended June 30	Commercial Paper Payable Principal	Commercial Paper Payable Interest	Total Requirements
2026	$ 3,681	$ 47	$ 3,728

Debt service requirements to maturity for all emergency first responder annuities at June 30, 2025, are as follows (expressed in thousands):

For the Year(s) Ended June 30	Emergency First Responder Annuity Principal	Emergency First Responder Annuity Interest	Total Requirements
2026	$ 3,400	$ -	$ 3,400
2027	3,150	-	3,150
2028	2,200	-	2,200
2029	900	-	900
	$ 9,650	$ -	$ 9,650

Debt service requirements to maturity for all financed purchases at June 30, 2025, are as follows (expressed in thousands):

For the Year(s) Ended June 30	Financed Purchase Principal	Financed Purchase Interest	Total Requirements
2026	1,262	33	1,295
2027	282	1	283
	$ 1,544	$ 34	$ 1,578

F. General Obligation Bonds Authorized and Unissued

A summary of general obligation bonds authorized and unissued at June 30, 2025, is shown below (expressed in thousands). It is anticipated that a significant amount of these bonds will not be issued but will be canceled because of sufficient fund balances.

Purpose	Unissued 7/1/2024	Authorized	Canceled	Unissued 6/30/2025
Highway	$ 923,700	$ 80,000	$ 87,700	$ 916,000
Higher Education	33,611	467,547	756	500,402
Children's services	-	81,100	-	81,100
Military	-	271,900	-	271,900
General government	45,868	134,000	5,150	174,718
Totals	$ 1,003,179	$1,034,547	$ 93,606	$ 1,944,120

G. Changes in Long-Term Liabilities

A summary of changes in long-term obligations for the year ended June 30, 2025 follows (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds and commercial paper governmental funds	$1,743,264	$ 2,425	$(190,180)	$1,555,509	$155,638
Bonds and commercial paper internal service funds	142,295	-	(19,305)	122,990	14,977
Right-to-use leases - governmental funds	25,353	30,532	(8,263)	47,622	8,391
Right-to-use leases - internal service funds	279,522	58,611	(49,017)	289,116	44,906
Right-to-use SBITA - governmental funds	49,911	75,746	(55,669)	69,988	30,929
Right-to-use SBITA - internal service funds	13,851	75,480	(22,011)	67,320	21,883
Right-to-use SBITA accrued interest - governmental funds	-	1,305	-	1,305	1,305
Right-to-use SBITA accrued interest - internal service funds	-	2,400	-	2,400	2,400
Financed purchase	2,726	-	(1,182)	1,544	1,262
Compensated absences - net	906,377	865	-	907,242	198,098
Emergency responder	8,700	4,500	(3,550)	9,650	3,400
Governmental activities Long-term debt	$3,171,999	$251,864	$(349,177)	$3,074,686	$483,189
Other long-term liabilities					
Pension				367,068	-
Other postemployment benefits				717,503	36,861
Pollution remediation				81,329	29,246
Unstructured claims and judgements				301,496	162,091
Total other long-term liabilities				$1,467,396	$228,198
Total governmental activities				$4,542,082	$711,387
Total long-term governmental liabilities				$3,830,695	
Business-type activities:					
Deposits payable				$ 13,266	

*Please see Note 10 for additional information related to right-to-use leases and subscriptions.

Governmental activities include all governmental funds and internal service funds. Typically, agencies accounted for in the general fund, internal service funds, and special revenue funds liquidate right-to-use-leases, right-to-use SBITA, OPEB and pension liabilities. Claims and judgments are obligations of the highway fund (special revenue fund), risk management fund (internal service fund), debt service fund and the general fund. Typically, pollution remediation is liquidated from the general fund and highway fund.

NOTE 12

Payables

Payables as of June 30, 2025, were as follows (expressed in thousands):

	Vendors	Salaries and Benefits	Accrued Interest	Due To Other Governments	Other	Total Payables
Governmental activities:						
General	$4,556,659	$144,309		$2,374,988	$1,361,631	$8,437,587
Education	86,142	5,447		530,634	461	622,684
Highway	301,354	11,641		235,408	857	549,260
Capital projects	147,139	-		-	-	147,139
State shared taxes	-	-		160,858	-	160,858
Nonmajor governmental funds	29,928	3,096	$ 15,578	39,877	2,967	91,446
Internal service funds	219,949	9,152	878	261	90	230,330
Total— governmental activities	$5,341,171	$173,645	$ 16,456	$3,342,026	$1,366,006	$10,239,304
Business-type activities:						
Employment security				$ 67,291	$ 3,553	$ 70,844
Sewer treatment loan			$ 374	-	-	374
Nonmajor enterprise funds	$ 85,104		186	16	-	85,306
Total—business-type activities	$ 85,104		$ 560	$ 67,307	$ 3,553	$ 156,524

NOTE 13

Governmental Fund Balances

Balances as of June 30, 2025, were as follows (expressed in thousands):

	Restricted Purposes	Committed Purposes	Assigned Purposes
General Fund			
General operations:			
Legislature			$ 104,633
Constitutional offices	$ 11,438	$ 34,655	84,998
Administrative services		76,650	2,758,223
General government		1,121	
Children's services	2,540	73	10,436
Public health	25,416	263,078	1,508,858
Human services	6,059	4,874	46,419
Business and industry development	9,667		982,829
Judicial	45,571	19,037	50,574
Natural resources	12,506	138,198	131,890
Public safety		241,658	534,520
Agriculture	482	2,601	84,203
Employment and business regulation	11,303	103,148	186,350
Other	209,277	13,712	57,236
Total general fund	$ 334,259	$ 898,805	$ 6,541,169
Education Fund			
After school program	$ 22,858		
Lottery for education	191,477		
Energy efficient school initiative	2,177		
TN Promise Scholarship Endowment Fund	936,261		
Other	1,242	$ 233,143	$ 453,887
Total education fund	$ 1,154,015	$ 233,143	$ 453,887
Highway Fund			
State matching	$ 965,096		
Railway, aeronautics, and waterway program		$ 371,473	
State aid		3,180,809	
Future highway projects			$ 644,254
Railroad inspection		3,074	
Aeronautics Economic Development			25,420
Other			77,102
Total highway fund	$ 965,096	$ 3,555,356	$ 746,776
Capital Projects Fund			
Total capital projects fund	$ 353,686		$ 5,273,621
Nonmajor Governmental Funds			
Debt service	$ 3,162		$ 29,200
Chairs of excellence	410,972		
Criminal injuries		$ 7,104	
Wildlife resources	91,855	29,263	
Underground storage tanks	68,752		
Enhanced emergency 911	30,067	7,206	
Environmental protection		88,241	
Solid and hazardous waste	57	139,180	
Parks acquisition		119,254	
Public health		122,353	
Other	234,868	71,098	
Total nonmajor governmental funds	$ 839,733	$ 583,699	$ 29,200

Budget Stabilization Accounts

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

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

The lesser of:

a) At least 10 percent (10%) of the estimated growth in state tax revenues to be allocated to the general fund and education fund.

b) An amount to maintain the account at eight percent (8%) of the estimated tax revenues allocated to the general fund and education fund.

Amounts available in the revenue fluctuation reserve may be used by the Commissioner of Finance and Administration to offset shortfalls in state tax revenues which may occur and for which funds are not otherwise available. Upon determining that it is likely that amounts in the revenue fluctuation reserve will be required to be utilized to meet a shortfall of state tax revenue, the Commissioner shall report this determination immediately to the Chairs of the Finance, Ways, and Means Committees of the Senate and the House of Representatives. Subject to specific provisions of the general appropriations bill, an amount not to exceed the greater of one hundred million dollars ($100,000,000) or one half (1/2) of the amount available in the reserve may be used by the Commissioner to meet expenditure requirements in excess of budgeted appropriation levels. The General Fund's Reserve for Revenue Fluctuations is reported as unassigned fund balance and has a balance of $2.2 billion as of June 30, 2025.

(2) Education Fund's General Shortfall Reserve Account. In accordance with *Tennessee Code Annotated* (TCA) 4-51-111, the state transferred one hundred million dollars ($100,000,000) from the Lottery for Education Account to the General Shortfall Reserve Account. The resources of this account may be used when the net lottery proceeds are not sufficient to meet the amount appropriated for educational programs and other purposes consistent with Article XI, Section 5 of the Constitution of Tennessee. In the event this account is drawn upon in any fiscal year, the account shall be brought back to its prior level in subsequent fiscal years.

In addition to the $100 million mentioned, the State Funding Board may recommend appropriation of funds to the account if it is deemed to have an inadequate balance. Likewise, the State Funding Board may recommend appropriation of funds from the account if adequate funds are deemed to be available in the account and if such funds are needed for educational programs and other authorized purposes, provided that the appropriation of funds from the account would not bring its balance below $100 million. As of June 30, 2025, this account has a balance of $100 million and is reported as restricted fund balance in the education fund.

NOTE 14

Component Units

A. Component Units – Condensed Financial Statements

Below are the condensed financial statements of the component units for the State of Tennessee as of June 30, 2025 (expressed in thousands):

Condensed Statement of Net Position
Component Units

	Tennessee Housing Development Agency	Tennessee Education Lottery	State University and Community College System	University of Tennessee	Nonmajor Component Units	Total Component Units
Assets						
Cash, investments, and other assets	$4,750,445	$250,316	$ 2,306,655	$2,219,259	$187,501	$9,714,176
Due from primary government	5,713		30,962	54,472	2,480	93,627
Due from other component units					1,927,117	1,927,117
Restricted assets	127,574	61	1,846,628	2,739,344	387,790	5,101,397
Capital assets, net	3,194	17,456	5,030,217	3,803,069	132,523	8,986,459
Total assets	4,886,926	267,833	9,214,462	8,816,144	2,637,411	25,822,776
Deferred outflows	4,981		181,181	147,099	31,714	364,975
Liabilities						
Accounts payable and other current liabilities	128,710	127,748	347,062	386,860	26,637	1,017,017
Due to primary government		120,887	4,134	1,864	1,961	128,846
Due to other component units			715,986	1,211,131		1,927,117
Long-term liabilities	4,095,676	19,137	614,380	537,964	2,400,343	7,667,500
Total liabilities	4,224,386	267,772	1,681,562	2,137,819	2,428,941	10,740,480
Deferred inflows	2,561		156,394	202,878	5,517	367,350
Net position						
Net investment in capital assets	3,194	650	4,225,966	2,437,388	131,050	6,798,248
Restricted	602,238	61	1,575,373	2,762,595	7,715	4,947,982
Unrestricted	59,528	(650)	1,756,348	1,422,563	95,902	3,333,691
Total net position	$ 664,960	$ 61	$ 7,557,687	$6,622,546	$234,667	$15,079,921

Condensed Statement of Activities
Component Units

	Tennessee Housing Development Agency	Tennessee Education Lottery	State University and Community College System	University of Tennessee	Nonmajor Component Units	Total
Expenses	$778,905	$1,707,984	$3,601,490	$3,344,589	$349,387	$9,782,355
Program Revenues						
Charges for services	198,014	1,702,374	948,587	1,195,613	168,240	4,212,828
Operating grants and contributions	613,060	25	1,262,911	1,515,676	43,162	3,434,834
Capital grants and contributions			807,895	101,178		909,073
Total program revenues	811,074	1,702,399	3,019,393	2,812,467	211,402	8,556,735
Net program revenues (expense)	32,169	(5,585)	(582,097)	(532,122)	(137,985)	(1,225,620)
General Revenues						
Payments from primary government	148		1,303,802	898,149	121,286	2,323,385
Unrestricted grants and contributions			70,432	98	9,740	80,270
Unrestricted investment earnings (losses)	305	5,552	234,132	134,725	2,486	377,200
Miscellaneous			5,550	6,203		11,753
Total general revenues	453	5,552	1,613,916	1,039,175	133,512	2,792,608
Contributions to permanent funds			23,107	80,353		103,460
Change in net position	32,622	(33)	1,054,926	587,406	(4,473)	1,670,448
Net Position- July 1, restated	632,338	94	6,502,761	6,035,140	239,140	13,409,473
Net Position - June 30	$664,960	$ 61	$7,557,687	$6,622,546	$234,667	$15,079,921

Significant transactions between the major component units–State University and Community College System, University of Tennessee (UT) and the Tennessee Education Lottery Corporation (TELC)–and the primary government consist of the following:

- State appropriations from the education fund in the amount of $1.336 billion were made to the State University and Community College System and $899 million to UT.
- Capital project expenditures in the amount of $565.1 million were made for the State University and Community College System and $90.8 million to UT in the form of expenditures in the capital projects fund for projects at these school systems.
- The State University and Community College System paid the primary government $42.8 million to reimburse the state for projects that were not a part of the capital appropriations.
- The TELC generated net lottery proceeds of $412.3 million for the state's Lottery for Education Account.

The most significant transaction among component units is that in which the Tennessee State School Bond Authority, a nonmajor component unit, makes loans to the University of Tennessee and the State University and Community College System to finance certain capital projects. At June 30, 2025, the Authority's loan receivable (expressed in thousands) consisted of:

	Current	Noncurrent
State University and Community College System	$ 45,051	$ 667,033
University of Tennessee	56,664	1,149,978
Total	$ 101,715	$ 1,817,011

B. Major Component Units – Long-Term Debt

Tennessee Housing Development Agency (THDA)
Bonds Payable at June 30, 2025, is shown below (expressed in thousands):

Housing finance program bonds, and residential finance program bonds, various series, .13% to 6.534%, due in amounts of principal and interest ranging from $273.3 million in 2026 to $135.1 million in 2056	$3,854,110
Plus unamortized bond premium	65,398
Less unamortized bond discount	(263)
Total bonds payable	$3,919,245

The revenue bonds listed above are not obligations of the state. They are secured by pledges from the facilities to which they relate and by certain other revenues, fees, and assets of the THDA.

Bond sales during the year ended June 30, 2025, included the following issues:

- December 2024—Residential Finance program bonds of $255.5 million
- May 2025— Residential Finance program bonds of $250 million

On December 19, 2024, the agency issued $255,525,000 in Residential Finance Program Bonds, Issue 2024-3.

On May 29, 2025, the agency issued $250,000,000 in Residential Finance Program Bonds, Issue 2025-1.

Redemption of Bonds and Notes
During the year ended June 30, 2025, bonds were retired at par before maturity in the Housing Finance Program in the amount of $1,460,000 and in the Residential Finance Program in the amount of $243,315,000. The respective carrying values of the bonds were $1,525,336 and $251,215,556. This resulted in revenue to the Housing Finance Program of $65,336 and to the Residential Finance Program of $7,900,556.

Debt Service requirements to maturity for bonds payable at June 30, 2025, are as follows (expressed in thousands):

For the Year(s) Ended June 30	Revenue Bonds Principal	Revenue Bonds Interest	Total Requirements
2026	$ 119,435	$ 153,861	$ 273,296
2027	127,260	155,615	282,875
2028	127,590	151,736	279,326
2029	130,955	147,639	278,594
2030	134,440	143,281	277,721
2031-2035	598,815	649,123	1,247,938
2036-2040	617,260	536,503	1,153,763
2041-2045	674,150	402,713	1,076,863
2046-2050	699,265	249,084	948,349
2051-2055	494,565	91,585	586,150
2056	130,375	4,720	135,095
	$ 3,854,110	$ 2,685,860	$ 6,539,970

The agency's bond resolutions govern the outstanding bonds payable for all bond programs in the amount of $3,854,110 (expressed in thousands). The bond resolutions contain a provision that in an event of default, the trustee can declare all bonds due and payable and can sell program loans and investment securities for payments to bondholders.

The outstanding bonds payable of $3,854,110 (expressed in thousands) are secured by a pledge of all assets in each of the respective bond resolutions.

The Agency has a line of credit in the amount of $40,000,000. The unused portion as of June 30, 2025 is $35,479,378.

C. Nonmajor Component Units – Long-Term Debt

Tennessee Local Development Authority (TLDA)
Bonds Payable at June 30, 2025, is shown below (expressed in thousands):

Revenue bonds, 4.25% to 4.375%, due in generally decreasing amounts of principal and interest from $273 thousand in 2026 to $21 thousand in 2029	$ 315
Plus unamortized bond premium	-
Less unamortized bond discount	(3)
Total bonds payable	$ 312

The revenue bonds listed above are not obligations of the state. They are secured by pledges of resources from the facilities to which they relate and by certain other revenues, fees, and assets of TLDA. Debt Service requirements to maturity for TLDA's revenue bonds payable at June 30, 2025, are as follows (expressed in thousands):

For the Year(s)	Revenue Bonds		Total
Ended June 30	Principal	Interest	Requirements
2026	$ 260	$ 13	$ 273
2027	15	2	17
2028	20	2	22
2029	20	1	21
	$ 315	$ 18	$ 333

Events of Default

Debt outstanding under the Tennessee Local Development Authority State Loan Program is secured by monthly payments of principal and interest made by local governments in accordance with the loan agreements. Under these loan agreements, local governments agree to levy fees, rates or charges for services provided by the project and/or ad valorem taxes sufficient to pay debt service requirements. Additional security includes a pledge of state-shared taxes, a debt service reserve, and a Statutory Reserve.

In the event of default, the General Bond Resolution empowers the Trustee to institute any action or proceedings of law or equity for the collection of all payments due and unpaid under a loan agreement and to require the Authority to withhold state-shared taxes to the extent permitted by law and the terms of the loan agreement. In the event a local government should fail to make a timely and full payment with respect to the loan agreement, the Secretary or Assistant Secretary to the Authority will notify the Commissioner of Finance and Administration ("the Commissioner") that the local government has failed to pay loan repayments due and payable with respect to a project and pursuant to the loan agreement and request the Commissioner to notify the local government of the default. The Commissioner shall deliver written notice by certified mail to the local government of such failure within 5 days of such failure. In the event the local government unit fails to remit the required payment or payments within 60 days of receipt of such notice, the Commissioner shall, without further authorization, withhold such sum or part of such sum from the state-shared taxes of the local government to make it current with respect to the unpaid loan. The balance of any deficit would be secured first by the debt service reserve and then the Statutory Reserve.

Upon the event of default of principal and interest due on bonds or notes, the Authority shall notify the Trustee of such event and the corrective action, if any, the Authority intends to take. Upon the occurrence of an event of default of which the Trustee has actual knowledge and at all times thereafter while such default shall continue, the Trustee shall become vested with all the estate, property, rights, trusts, duties and obligations of the trustee and shall take

possession or supervision over the funds and account created under the General Bond Resolution and collect and receive all revenues and other monies in the same manner as the Authority and shall act in place of the Authority in the exercise of all rights and duties. The trustee shall give written notice by mail to all the registered holders of the bonds within 60 days after having obtained actual knowledge of default. Upon the occurrence and continuance of an event of default the trustee: (1) for and on behalf of the holders of the bonds, shall have the same rights which are possessed by the bondholders; (2) shall be authorized to proceed, in its own name and as trustee of an express trust; (3) may pursue any available remedy by action at law or suit in equity to enforce the payment of principal and interest and premium, if any, on the bonds; (4) may file such proofs of claim and other papers or documents as may be necessary; and (5) may, and upon written request of the holders of the bonds of not less than a majority in principal amount of the bonds then outstanding, proceed to protect and enforce all rights of the bondholders and the trustee as permitted by the General Bond Resolution and the laws of the State of Tennessee.

Tennessee State School Bond Authority (TSSBA)

Bonds and Revolving Credit Facility Payable at June 30, 2025, are shown below (expressed in thousands):

Revenue bonds, various Series, 0.6% to 5.8%, due in varying amounts of principal and interest from $180.7 million in 2026 to $6.3 million in 2056	$2,208,140
Plus unamortized bond premium	126,768
Less unamortized bond discount	(9)
Total bonds payable	$2,334,899
Revolving credit facility, interest rates ranging from 1.79% to 5.69%, varying maturities	$ 59,728

The revenue bonds and credit facility listed above are not obligations of the state. They are secured by pledge of resources from the facilities to which they relate and by certain other revenues, fees, and assets of the TSSBA.

Debt Service requirements to maturity for TSSBA's bonds payable at June 30, 2025, are as follows (expressed in thousands):

For the Year(s) Ended June 30	Revenue Bonds Principal	Revenue Bonds Interest	Total Requirements
2026	$ 101,715	$ 78,994	$ 180,709
2027	277,450	73,366	350,816
2028	314,095	63,755	377,850
2029	97,715	54,692	152,407
2030	98,010	51,382	149,392
2031-2035	420,405	217,082	637,487
2036-2040	368,935	149,765	518,700
2041-2045	298,680	85,407	384,087
2046-2050	153,090	35,924	189,014
2051-2055	71,905	8,436	80,341
2056	6,140	154	6,294
	$ 2,208,140	$ 818,957	$ 3,027,097

The Authority may issue taxable and/or tax-exempt bonds. Proceeds for the tax-exempt bonds issued after September 1, 1986, are subject to the 1986 Tax Reform Act. The Authority invests, records, and reports these proceeds in the manner set forth by the U.S. Treasury and Internal Revenue Service to maintain the tax-exempt status of the bonds. Arbitrage liabilities, when applicable, are reported as a current accrued liability. As of June 30, 2025, the Authority did not have a liability for arbitrage.

On May 6, 2025, the Authority issued the 2025 Series A bonds (2025A) and the 2025 Series B Bonds (Federally Taxable) (2025B). The 2025A tax-exempt bonds were sold in the amount of $164,290,000 and generated an original issue premium of $10,337,518. The 2025B taxable bonds were sold at par in the amount of $53,645,000. The 2025A and 2025B bonds were issued to prepay $132,007,622 of the principal amount of the revolving credit

loans outstanding. The balance of the proceeds of the 2025A and 2025B bonds will be used to pay for construction costs of certain projects and various costs of issuance.

Revolving Credit Facility Program
The Authority issues short-term debt to finance certain capital projects for the State's higher education institutions. The RCA permits loans (the Revolving Credit Facility or RCF) to be made from time to time (and prepayments and reborrowings) in an aggregate principal amount outstanding at any time not to exceed $300,000,000. The RCA with Wells Fargo Bank, National Association, and US Bank, National Association expired and on May 1, 2024, the Authority entered into a RCA with Bank of America, National Association. As of the closing of the RCA, the current amount not to exceed was $200,000,000 and is subject to increase or decrease at the discretion of the Authority with an aggregate principal amount outstanding at any time not to exceed $300,000,000. The RCF may be issued and the proceeds utilized to fund either tax-exempt or taxable loans. As of June 30, 2025, of the $200,000,000, $17,897,615 of tax-exempt RCF loans and $41,829,954 of taxable RCF loans were outstanding and $140,272,431 was unused.

Events of Default
Debt issued and outstanding under the Higher Education Facilities Programs is secured by a payment from the annual financing charges by the Tennessee Board of Regents and the Board of Trustees of the University of Tennessee (the "Boards"). In the event the Authority has been notified that one of the Boards does not have sufficient funds to make a full payment, the Assistant Secretary to the Authority will notify the Commissioner of Finance and Administration that the Board has failed to pay and request the Commissioner to intercept sufficient available appropriations. The Commissioner will, within one business day, notify his accounting staff to withhold the Legislative appropriations as may be required to make the Board whole with respect to the unpaid annual financing charges.

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

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

D. Component Units – Changes in Long-Term Liabilities

A summary of changes in long-term obligations for the year ended June 30, 2025, follows (expressed in thousands):

Changes in Long-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue bonds, notes, and loans payable:					
University of Tennessee (UT)	$1,112,803	$315,008	$(221,169)	$1,206,642	$ 56,664
State University and Community College System (SUCCS)	723,110	62,166	(64,592)	720,684	47,429
Tennessee Housing Development Agency (THDA)	3,725,143	512,858	(318,756)	3,919,245	208,205
Nonmajor component units	2,281,694	359,273	(244,809)	2,396,158	102,320
Long-term debt	$7,842,750	$1,249,305	$(849,326)	$8,242,729	$414,618
Other long-term liabilities:					
Compensated absences - Net					
UT	219,526	3,109	-	222,635	60,084
SUCCS	269,838	152,282	-	422,120	76,065
THDA	5,626	-	(27)	5,599	1,583
Tennessee Education Lottery Corporation (TELC)	1,659	83	-	1,742	1,199
Nonmajor component units	2,800	356	-	3,156	1,362
Due to grantors, unearned revenue, annuities payable, prizes annuities payable:					
UT	19,479	3,215	(6,077)	16,617	
SUCCS	8,692	5,578	(1,162)	13,108	
TELC	533	121	(65)	589	
THDA	132,596	6,127	(10,053)	128,670	
Escrow deposits and arbitrage rebate payable:					
THDA	35,621	60,778	(56,344)	40,055	17,281
Lease					
UT	33,046	42,847	(29,657)	46,236	6,266
SUCCS	47,112	13,093	(14,012)	46,193	7,120
TELC	1,826	16,519	(1,539)	16,806	209
Nonmajor component units	393	18	(155)	256	146

(continued)

Changes in Long-term Liabilities

(continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Subscription-based IT arrangements					
UT	24,460	67,112	(17,719)	73,853	12,158
SUCCS	41,464	30,944	(26,359)	46,049	19,781
Nonmajor component units				-	
Pension:					
UT				59,301	
SUCCS				78,310	
THDA				2,107	
Nonmajor component units				773	
Component units long-term liabilities	$8,687,421	$1,651,487	$(1,012,495)	$9,466,904	$617,872

The change in the compensated absences liability is presented as a net change.

The Tennessee State School Bond Authority, a nonmajor component unit, issues revenue bonds to make loans to higher education institutions in the state. The nonmajor component units' bonds payable includes the indebtedness on which the University of Tennessee and the State University and Community College System's loans payable are based.

The University of Tennessee component units are not included in the above schedule. At year end, University of Tennessee foundations' long-term liabilities amounted to $119.323 million ($5.795 million due within one year).

E. Endowments – Component Units

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

The University of Tennessee chooses to spend only a portion of the investment income (including changes in the value of investments) each year. Under the spending plan established by the University, 4.5 percent of a seven-year moving average of the fair value of endowment investments has been authorized for expenditure. The remaining amount after distributions, if any, is retained to be used in future years when the amount computed using the spending plan exceeds the investment income. At June 30, 2025, net appreciation of $301.921 million is available to be spent, of which $254.868 million is restricted to specific purposes.

While some State University and Community College System institutions/foundations spend all investment income, others choose to spend only a portion of the investment income (including changes in the value of investments) each year. Under the various spending plans established by each institution/foundation, different percentages and/or amounts have been authorized for expenditure. The remaining amounts, if any, are retained to be used in future years when the amounts computed using the spending plans exceed the investment income. At June 30, 2025, net appreciation of $55.889 million is available to be spent, of which $55 million is restricted to specific purposes.

NOTE 15

Risk Management

A. Teacher Group Insurance

The Teacher Group Insurance Fund, a public entity risk pool, was established in January 1986 to provide a program of health insurance coverage for the teachers and other education system employees of the political subdivisions of the state. In accordance with Tennessee Code Annotated 8-27-302, all local education agencies are eligible to participate. Fund members at June 30, 2025, included 131 local education agencies and one education cooperative, with 60,302 active teachers and support personnel enrolled in one of four health care options: premier preferred provider organization plan (PPO), standard preferred provider organization plan (PPO), limited preferred provider organization plan (PPO), or the consumer driven health plan with health savings account (CDHP/HSA). The state does not retain any risk for losses by this fund.

The Teacher Group Insurance Fund assumes responsibility for: determining plan benefits and eligibility, establishing premiums sufficient to fund plan obligations, recording and reporting financial transactions accurately, reporting enrollment to vendors, processing of claims submitted for services provided to plan participants, communicating with plan participants, and complying with appropriate state and federal laws and regulations. Plan participants are required to: pay premiums on time, file claims for services received, report changes in eligibility of themselves or their dependents, and ensure that only eligible expenses are paid by the plan. Individuals who cancel coverage may be required to demonstrate a qualifying event to rejoin the plan. Employers must wait twenty-four months before rejoining the plan should the employer elect to withdraw from the plan.

The Teacher Group Insurance Fund establishes claims liabilities for self-insured options based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. Teachers and providers have 13 months to file medical claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using actuarial and statistical techniques to produce current estimates. Adjustments to claims liabilities are charged or credited to expense in the period in which they are made. The Teacher Group Insurance Fund considers investment income in determining if a premium deficiency exists.

The Teacher Group Insurance Fund issues separate financial statements that may be obtained by writing the Department of Finance and Administration, Division of Accounts, 312 Rosa L. Parks Avenue, 21st Floor William R. Snodgrass Tennessee Tower, Nashville, TN 37243-0298 or by calling (615) 532-5823.

As discussed above, the Teacher Group Insurance Fund establishes a liability for both reported and unreported expenses. The following represents changes in those aggregate liabilities during the past two years (expressed in thousands):

	2025	2024
Unpaid claims at beginning of year	$ 53,881	$ 43,435
Incurred claims:		
Provision for insured events of the current year	939,755	840,024
Increase (decrease) in provision for insured events of prior years	(4,476)	8,077
Total incurred claims expenses	935,279	848,101
Payments:		
Claims attributable to insured events of the current year	892,812	787,516
Claims attributable to insured events of prior years	48,171	50,139
Total payments	940,983	837,655
Total unpaid claims at end of year	$ 48,177	$ 53,881

B. Local Government Group Insurance

The Local Government Group Insurance Fund, a public entity risk pool, was established in July 1991 to provide a program of health insurance coverage for employees of local governments and quasi-governmental organizations that were established for the primary purpose of providing services for or on the behalf of state and local governments. In accordance with Tennessee Code Annotated 8-27-401 and 8-27-702, all local governments and quasi-governmental organizations described above are eligible to participate. Fund members at June 30, 2025, included 70 counties, 224 municipalities and 75 quasi-governmental organizations, with 16,547 active employees maintaining coverage through one of four options: premier preferred provider organization plan (PPO), standard preferred provider organization plan (PPO), limited preferred provider organization plan (PPO), or the consumer driven health plan with health savings account (CDHP/HSA). The state does not retain any risk for losses by this fund.

The Local Government Group Insurance Fund assumes responsibility for: determining plan benefits and eligibility, establishing premiums sufficient to fund plan obligations, recording and reporting financial transactions accurately, reporting enrollment to vendors, the processing of claims submitted for services provided to plan participants, communicating with plan participants, and complying with appropriate state and federal laws and regulations. Plan participants are required to: pay premiums on time, file claims for services received, report changes in eligibility of themselves or their dependents, and ensure that only eligible expenses are paid by the plan. Individuals who cancel coverage may be required to demonstrate a qualifying event to rejoin the plan. Employers must wait twenty-four months before rejoining the plan should the employer elect to withdraw from the plan.

The Local Government Group Insurance Fund establishes claims liabilities for self-insured options based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using actuarial and statistical techniques to produce current estimates. Adjustments to claims liabilities are charged or credited to expense in the period in which they are made. The Local Government Group Insurance Fund considers investment income in determining if a premium deficiency exists.

The Local Government Group Insurance Fund issues separate financial statements that may be obtained by writing the Department of Finance and Administration, Division of Accounts, 312 Rosa L. Parks Avenue, 21st Floor William R. Snodgrass Tennessee Tower, Nashville, TN 37243-0298 or by calling (615) 532-5823.

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

	2025	2024
Unpaid claims at beginning of year	$ 11,659	$ 11,608
Incurred claims:		
Provision for insured events of the current year	238,413	211,188
Increase (decrease) in provision for insured events of prior years	3,339	(1,233)
Total incurred claims expenses	241,752	209,955
Payments:		
Claims attributable to insured events of the current year	225,181	199,833
Claims attributable to insured events of prior years	14,510	10,071
Total payments	239,691	209,904
Total unpaid claims at end of year	$ 13,720	$ 11,659

C. Risk Management Fund

It is the policy of the state not to purchase commercial insurance for the risks associated with casualty losses for general liability, automobile liability, medical malpractice liability, and workers' compensation. By statute, the maximum liability for general liability, automobile liability, and medical malpractice liability is $300 thousand per person and $1 million per occurrence. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund (RMF). The state self-insures against property and cyber liability losses through the RMF. The state purchases commercial insurance for real property, crime, and fidelity coverage on the state's officials and employees above the limits of the RMF. For property coverage, the deductible for an individual state agency is based on a tiered deductible system that accounts for averaged losses over a three-year period and the type of loss. The RMF is responsible for property losses of $7.5 million per occurrence for all perils and is responsible for an additional annual aggregate of $25 million. Purchased insurance coverage is responsible for losses exceeding these limits to the maximum insurance coverage of $800 million per year for perils other than earthquake and flood, which are capped at $50 million each per year. For cyber coverage, the agency is responsible for $300 thousand, and RMF is responsible for $1.2 million per occurrence and an additional annual aggregate of $10 million. Settled claims resulting from these risks have not exceeded maximum commercial insurance coverage in any of the past three fiscal years.

The RMF liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated annually to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. The present value of the casualty liability as actuarially determined was $109.39 million (discounted at 3.75 percent) at June 30, 2025 and $94.63 million (discounted at 4.00 percent) at June 30, 2024. The accrued liability for incurred property losses was $31.96 million at June 30, 2025 and $25.1 million at June 30, 2024. The changes in the balances of the claims liabilities during fiscal years 2024 and 2025 were as follows (expressed in thousands):

	2024-2025	2023-2024
Beginning of Fiscal Year Liability	$ 256,104	$ 237,666
Current Year Claims and Changes in Estimates	61,370	66,734
Claim Payments	(47,317)	(48,296)
Balance at Fiscal Year-End	$ 270,157	$ 256,104

The RMF held $323 million in cash at June 30, 2025 and $299 million in cash at June 30, 2024 that is designated for payment of these claims.

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

D. Employee Group Insurance

The Employee Group Insurance Fund, an entity other than a pool, was established in 1979 to provide a program of health insurance coverage for the employees of the state with the risk retained by the state; therefore, it is accounted for as an Internal Service Fund. In accordance with Tennessee Code Annotated 8-27-202 and 8-27-204, all state employees and certain former employees with work related injuries are eligible to participate. Fund members at June 30, 2025, included 64,753 active employees enrolled in one of three options: premier preferred provider organization plan (PPO), standard preferred provider organization plan (PPO), or the consumer driven health plan with health savings account (CDHP/HSA).

The Employee Group Insurance Fund establishes claims liabilities for self-insured options based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using actuarial and statistical techniques to produce current estimates. Adjustments to claims liabilities are charged or credited to expense in the period in which they are made. The Employee Group Insurance Fund considers investment income in determining if a premium deficiency exists.

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

	2025	2024
Unpaid claims at beginning of year	$ 65,608	$ 57,454
Incurred claims:		
Provision for insured events of the current year	1,199,444	1,057,241
Increase (decrease) in provision for insured events of prior years	11,678	6,716
Total incurred claims expenses	1,211,122	1,063,957
Payments:		
Claims attributable to insured events of the current year	1,125,013	993,013
Claims attributable to insured events of prior years	74,429	62,790
Total payments	1,199,442	1,055,803
Total unpaid claims at end of year	$ 77,288	$ 65,608

NOTE 16

Other Postemployment Benefits (OPEB)

For the year ended June 30, 2025, primary government employers reported $53.2 million of net OPEB assets, $717.5 million of total OPEB liability, $362.1 million of deferred outflows of resources related to OPEB, $294.3 million of deferred inflows of resources related to OPEB, $87.9 million of OPEB expense and $112.2 million of deferred outflows for benefits paid subsequent to the measurement date. Component unit employers reported $26.4 million of net OPEB assets, $33.7 million of deferred outflows of resources related to OPEB, $220.6 million of deferred inflows of resources related to OPEB, $(47.5) million of OPEB expense, and $25.1 million of deferred outflows for benefits paid subsequent to the measurement date. These totals are aggregated for all OPEB plans applicable for the above employers for which they participate. Details of the primary government amounts are shown below (expressed in thousands):

	Employee Group OPEB Plan	Tennessee Plan (state)	Teacher Group OPEB Plan	Tennessee Plan (k-12)	Total
Net OPEB assets	$ 53,183				$ 53,183
Total OPEB liability		$ 148,941	$ 392,041	$ 176,521	717,503
Deferred outflows of resources	203,251	12,638	100,220	46,002	362,111
Deferred inflows of resources	136,844	29,646	55,929	71,887	294,306
OPEB expense	32,275	3,300	39,392	12,948	87,915
Contributions/benefits subsequent to measurement date	75,346	7,625	17,560	11,676	112,207

A. Closed Employee Group OPEB Plan

1. General information about the OPEB plan

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

Benefits provided−The EGOP is offered to provide health insurance coverage to eligible retired and disabled participants and is the only postemployment benefit provided to eligible pre-65 participants. Benefits are established and amended by an insurance committee created by Tennessee Code Annotated (TCA) 8-27-201. All retirees and disabled employees of the primary government and certain component units, who are eligible and choose coverage, and who have not yet reached the age of 65 are enrolled in this plan. All members have the option of choosing between the premier preferred provider organization (PPO) plan, standard PPO plan or the wellness healthsavings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members receive the same plan benefits as active employees, at a blended premium rate that considers the cost of active and retired employees. This creates an implicit subsidy for the retirees. The retirees' cost is then directly subsidized, by the employers, based on years of service. Therefore, retirees with 30 years of service are subsidized 80 percent; 20 but less than 30 years, 70 percent; and less than 20 years, 60 percent. Tennessee highway patrol members who retire with at least 25 years of service shall receive 80 percent of the scheduled premium, regardless of date of hire. Also, any commissioned member of the Tennessee Wildlife Resources Agency or Tennessee Bureau of Investigation who retires with at least 25 years of service shall receive 80 percent of the scheduled premium.

Employees covered by benefit terms−At July 1, 2024, the following employees were covered by the benefit terms of the EGOP:

	Primary Government	Component Units
Inactive employees currently receiving benefit payments	3,849	1,814
Inactive employees entitled to but not yet receiving benefit payments	68	22
Active employees eligible for benefit payments	19,261	12,874
	23,178	14,710

Contributions−Annually, an insurance committee, created in accordance with Tennessee Code Annotated (TCA) 8-27-201, establishes the required contributions to the plan by member employees through the premiums established to approximate claims cost for the year. Pre-age 65 retired members of the EGOP pay a premium based on a blended rate that considers the cost of active and retired employees as well as their individual years of service. These payments are made to the OPEB Trust. Employers currently contribute to the OPEB Trust based on an actuarially determined contribution (ADC) rate calculated in a manner to meet the funding goals of the state. During the fiscal year ended June 30, 2025, the total ADC for primary government and component unit employers was $42.8 million and $25.2 million, respectively. The OPEB Trust recognized contributions of $75.3 million from the primary government and $25.1 million from the component units during the reporting period. The state general assembly has the authority to change the contribution requirements of the employers participating in the EGOP.

2. Net OPEB Assets

The primary government and component unit employers' EGOP related net OPEB assets of $53.2 million and $26.4 million, respectively, was measured as of June 30, 2024, and was determined by an actuarial valuation as of June 30, 2024.

Actuarial assumptions−The total OPEB liability in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	10.68 percent for 2025, decreasing annually to an ultimate rate of 4.50 percent for 2038 and later years
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2024, valuations were the same as those employed in the July 1, 2022, Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS) for Group 1 employees. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016-June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee mortality table for General Employees for non-disabled pre-retirement mortality, with mortality improvement projected generationally with MP-2021 from the central year. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6 percent load for males and a 14 percent load for females, projected generationally from 2010 with MP-2021. 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 percent load, projected generationally with MP-2021.

Long-term expected rate of return−The long-term expected rate of return of 6.5 percent on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major

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

	Allocation Range		
Asset Class	Minimum	Maximum	Target Allocation
Equities	0%	80%	26%
Fixed income and short-term securities	20%	100%	52%
Real estate	0%	20%	3%
Private equity and strategic lending	0%	40%	17%
Cash and cash equivalents	0%	25%	2%
			100%

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

Asset Class	Long-term Expected Real Rate of Return
U.S. equity - large cap	4.55%
U.S. equity - small cap	5.04%
Developed market international equity	4.45%
Emerging market international equity	4.65%
Cash (Gov't)	2.00%
Private equity and strategic lending	5.43%
U.S. fixed income	3.28%
Real estate	4.16%

Discount rate−The discount rate used to measure the total OPEB liability was 6.5 percent. This represents a .5 percent increase over the discount rate of 6 percent used at the prior measurement date. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only member contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on these assumptions, the OPEB Trust fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on OPEB Trust investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

EGOP- Primary government	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (asset) (a)-(b)
Balances at June 30, 2023	$ 843,418	$ 577,230	$ 266,188
Changes for the year:			
Service cost	24,583		24,583
Interest	50,671		50,671
Differences between expected and actual experience	(7,071)		(7,071)
Change in assumptions	(32,092)		(32,092)
Contributions from employer		345,479	(345,479)
OPEB plan net investment income		98,672	(98,672)
Changes in proportion and differences between contributions and proportionate share of contributions	1,558	(87,131)	88,689
Benefit payments	(50,931)	(50,931)	-
Net changes	(13,282)	306,089	(319,371)
Balances at June 30, 2024	$ 830,136	$ 883,319	$ (53,183)

EGOP- Component units	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (asset) (a)-(b)
Balances at June 30, 2023	$ 421,101	$ 288,199	$ 132,902
Changes for the year:			
Service cost	12,202		12,202
Interest	25,150		25,150
Differences between expected and actual experience	(3,510)		(3,510)
Change in assumptions	(15,929)		(15,929)
Contributions from employer		39,549	(39,549)
OPEB plan net investment income		48,974	(48,974)
Changes in proportion and differences between contributions and proportionate share of contributions	(1,558)	87,131	(88,689)
Benefit payments	(25,429)	(25,429)	-
Net changes	(9,074)	150,225	(159,299)
Balances at June 30, 2024	$ 412,027	$ 438,424	$ (26,397)

Changes in assumptions− The discount rate increased from 6 percent to 6.5 percent. This change decreased the total OPEB liability by approximately 3.5 percent. The medical and drug trend rate assumptions were updated to reflect more recent experience, and a change was made in expected per capita health claims to reflect more recent information as of the measurement date. These changes increased the total OPEB liability by approximately 4.4 percent.

Sensitivity of the net OPEB liability (asset) to changes in the discount rate−The following presents the primary government and component unit employers net OPEB liability (asset) related to the EGOP, as well as what the net OPEB liability (asset) would be if calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current discount rate (expressed in thousands):

	1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
Primary government	$ 9,733	$ (53,183)	$ (111,046)
Component units	1,267	(26,397)	(52,284)

Sensitivity of the net OPEB liability (asset) to changes in the healthcare cost trend rate−The following presents the primary government and component unit employers net OPEB liability (asset) related to the EGOP, as well as

what the net OPEB liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (9.68 percent decreasing to 3.50 percent) or 1-percentage-point higher (11.68 percent decreasing to 5.50 percent) than the current healthcare cost trend rate (expressed in thousands):

	Healthcare Cost Trend Rate		
	1% Decrease (9.68% decreasing to 3.50%)	(10.68% decreasing to 4.50%)	1% Increase (11.68% decreasing to 5.50%)
Primary government	$ (124,127)	$ (53,183)	$ 28,125
Component units	(59,855)	(26,397)	11,610

OPEB plan fiduciary net position− Detailed information about the State of Tennessee Postemployment Benefits Trust fiduciary net position is available in the separately issued financial report. This trust was established to accumulate the assets used to pay benefits for participants in the EGOP.

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

OPEB expense−For the fiscal year ended June 30, 2025, the primary government recognized OPEB expense of $32.3 million. Component unit employers recognized OPEB expense of $(47.5) million.

Deferred outflows of resources and deferred inflows of resources− For the fiscal year ended June 30, 2025, the primary government and component unit employers reported deferred outflows of resources and deferred inflows of resources related to OPEB paid by the EGOP from the following sources (expressed in thousands):

EGOP- Primary government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		$ 25,877
Changes of assumptions	$ 48,982	63,385
Difference between projected and actual earnings on plan investments		40,191
Changes in proportion and differences between contributions and proportionate share of contributions	154,269	7,391
Contributions subsequent to the measurement date	75,346	
Total	$ 278,597	$ 136,844
EGOP- Component units	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		$ 12,844
Changes of assumptions	$ 24,312	31,460
Difference between projected and actual earnings on plan investments		19,948
Changes in proportion and differences between contributions and proportionate share of contributions	9,432	156,310
Contributions subsequent to the measurement date	25,141	
Total	$ 58,885	$ 220,562

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

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

EGOP- Primary government		
For the year ended June 30:		
	2026	$ 636
	2027	30,552
	2028	21,753
	2029	9,794
	2030	3,672
EGOP- Component units		
For the year ended June 30:		
	2026	$ (64,332)
	2027	(39,687)
	2028	(43,399)
	2029	(31,386)
	2030	(8,014)

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

B. Closed Tennessee OPEB Plan

1. General information about the OPEB plan

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

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

Employees covered by benefit terms−At July 1, 2024, the following employees of the state and certain component units were covered by the benefit terms of the TNP:

	Primary Government	Component Units
Inactive employees currently receiving benefit payments	10,787	7,583
Inactive employees entitled to but not yet receiving benefit payments	5,228	2,882
Active employees	21,312	15,169
	37,327	25,634

In accordance with TCA 8-27-209, the state insurance committees established by TCAs 8-27-201, 8-27-301, and 8-27-701 determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the State of Tennessee paid $5 million and $2.7 million to the TNP for OPEB benefits as they came due for primary government and component unit employees, respectively.

2. Total OPEB Liability

The state's total OPEB liabilities of $89.7 million and $59.3 million, related to benefits offered to primary government and component unit employees, respectively, was measured as of June 30, 2024, and was determined by an actuarial valuation as of June 30, 2024.

Actuarial assumptions−The total OPEB liability in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2024, valuations were the same as those employed in the July 1, 2022 Pension Actuarial Valuation for Group 1 employees in the 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, 2016 - June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. Pre-retirement mortality rates employed in this valuation are taken from the PUB-2010 Headcount-weighted Employee mortality table for General Employees projected generationally with MP-2021 from 2010. Post-retirement rates are taken from Headcount-weighted Below Median Healthy Annuitant tables and adjusted with a 6 percent load for males and a 14 percent load for females, projected generationally from 2010 with MP-2021. Mortality rates for disabled 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 percent load projected generationally from 2018 with MP-2021.

Discount rate−The discount rate used to measure the total OPEB liability was 3.93 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 Bond Buyer GO 20-Bond Municipal Bond Index. This is a change of .28 percent from the prior year discount rate of 3.65 percent.

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

TNP **State Employees**	Total OPEB Liability
Balances at June 30, 2023	$ 94,457
Changes for the year:	
Service cost	1,217
Interest	3,380
Differences between expected and actual experience	(906)
Change in assumptions	(2,757)
Changes in proportion and differences between contributions and proportionate share of contributions	(451)
Benefit payments	(5,280)
Net changes	(4,797)
Balances at June 30, 2024	$ 89,660

Component unit employees	Total OPEB Liability-continued
Balances at June 30, 2023	$ 61,660
Changes for the year:	
Service cost	804
Interest	2,235
Differences between expected and actual experience	(599)
Change in assumptions	(1,823)
Changes in proportion and differences between contributions and proportionate share of contributions	451
Benefit payments	(3,447)
Net changes	(2,379)
Balances at June 30, 2024	$ 59,281
Total OPEB Liability- Primary Government	$ 148,941

Changes in assumptions− The discount rate was changed from 3.65 percent as of the beginning of the measurement period to 3.93 percent as of June 30, 2024. This change in assumption decreased the total OPEB liability by 2.98 percent. The medical and drug trend rate assumptions were updated to reflect more recent experience as of the measurement date. This has zero impact on the liability for state and component unit employees due to the flat rate subsidy offered to retirees.

Sensitivity of the total OPEB liability to changes in the discount rate−The following presents the state's total OPEB liability for state and component unit retirees participating in the TNP, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.93 percent) or 1-percentage-point higher (4.93 percent) than the current discount rate (expressed in thousands):

	1% Decrease (2.93%)	Discount Rate (3.93%)	1% Increase (4.93%)
State employees	$ 100,364	$ 89,660	$ 80,614
Component unit employees	65,970	59,281	53,592

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

OPEB expense−For the fiscal year ended June 30, 2025, the state recognized OPEB expense of $1.7 million and $1.6 million, for the primary government and component unit retirees, respectively.

Deferred outflows of resources and deferred inflows of resources−For the fiscal year ended June 30, 2025, the state reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TNP from the following sources (expressed in thousands):

TNP **State employees**	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 3,307	$ 1,489
Changes of assumptions	4,301	16,357
Changes in proportion and differences between contributions and proportionate share of contributions	160	899
Payments subsequent to the measurement date	4,952	
Total	$ 12,720	$ 18,745
Component unit employees	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 2,186	$ 985
Changes of assumptions	2,844	10,815
Changes in proportion and differences between contributions and proportionate share of contributions	899	160
Payments subsequent to the measurement date	2,673	
Total	$ 8,602	$ 11,960

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

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

TNP **State employees** For the year ended June 30:		
	2026	$ (2,356)
	2027	(4,303)
	2028	(3,158)
	2029	(649)
	2030	(511)
Component unit employees For the year ended June 30:		
	2026	$ (1,366)
	2027	(2,427)
	2028	(1,811)
	2029	(191)
	2030	(236)

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

C. Special Funding Situation

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

1. General information about the OPEB plan

Plan description−The Tennessee Department of Finance and Administration administers the closed TGOP as well as the closed TNP. Both plans are considered to be multiple-employer defined benefit plans that are used to provide postemployment benefits other than pensions. However, for accounting purposes, these plans will be treated as single-employer plans. All eligible pre-65 retired teachers and disability participants of local education agencies, who choose coverage, participate in the TGOP. All eligible post-65 retired teachers and disability participants of local education agencies, who choose coverage, participate in the TNP. The TNP also includes eligible retirees of the primary government, certain component units of the state, and certain local governmental entities. These plans are closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits provided−The state offers the TGOP to provide health insurance coverage to eligible pre-65 retired teachers and disabled participants of local education agencies. The TNP is offered to help fill most of the coverage gaps created by Medicare for eligible post-65 retired teachers and disabled participants of local education agencies. This insurance coverage is the only postemployment benefit provided to retirees. The TN plan does not include pharmacy. An insurance committee created in accordance with TCA 8-27-301 establishes and amends the benefit terms of the TGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness healthsavings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the TGOP, receive the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Individual employers may also provide a direct subsidy, according to their own policies and TCA. The state, as a governmental nonemployer contributing entity, provides a direct subsidy for eligible retirees' premiums, based on years of service. Therefore, retirees with 30 or more years of service will receive 45 percent; 20 but less than 30 years, 35 percent; and less than 20 years, 20 percent of the scheduled premium. In accordance with TCA 8-27-209, benefits of the TNP are established and amended by cooperation of insurance committees created by TCA 8-27-201, 8-27-301 and 8-27-701. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible and also receive a benefit from the Tennessee Consolidated Retirement System may participate in this plan. All plan members receive the same plan benefits at the same premium rates. Many retirees receive direct subsidies toward their premium cost; however, participating employers determine their own policy in this regard. The state, as a governmental nonemployer contributing entity, contributes to the premiums of eligible retirees of local education agencies based on years of service. Therefore, retirees with 30 years of service receive $50 per month; 20 but less than 30 years, $37.50; and 15 but less than 20 years, $25. The TGOP and TNP are funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

An insurance committee, created in accordance with TCA 8-27-301, establishes the required payments to the TGOP by member employers and employees through the blended premiums established for active and retired employees. For the TNP, insurance committees, created in accordance with TCAs 8-27-201, 8-27-301, and 8-27-701, cooperate to establish the required payments to the plan by member employers and employees through the premiums established for retired members. Claims liabilities of the plans are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2025, the state paid $17.6 million and $11.7 million to the TGOP and TNP, respectively, for OPEB benefits as they came due.

Actuarial assumptions−The total OPEB liability in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	Health trend for the TGOP is 10.68 percent in 2025, decreasing annually to an ultimate rate of 4.50 percent for 2038 and later years. As it relates to the TNP, the premium subsidies provided to retirees in the Tennessee Plan are assumed to remain unchanged for the entire projection, therefore trend rates are not applicable.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2024, valuations were the same as those employed in the July 1, 2022 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS) for Group 1 employees. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 - June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the PUB-2010 Headcount-weighted Employee mortality table for Teacher Employees for non-disabled pre-retirement mortality, with mortality improvement projected generationally with MP-2021 from 2010. Post-retirement tables are Headcount-weighted Teacher Below Median Healthy Annuitant and adjusted with a 19 percent load for males and a 18 percent load for females, projected generationally from 2010 with MP-2021. 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 percent load, projected generationally from 2018 with MP-2021.

Discount rate−The discount rate used to measure the total OPEB liability was 3.93 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 Bond Buyer GO 20-Bond Municipal Bond Index.

Sensitivity of proportionate share of collective total OPEB liability to changes in the discount rate−The following presents the state's proportionate share of the collective total OPEB liability for the special funding situations related to the TGOP and TNP, as well as what the share of the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.93 percent) or 1-percentage-point higher (4.93 percent) than the current discount rate (expressed in thousands):

	1% Decrease (2.93%)	Discount Rate (3.93%)	1% Increase (4.93%)
Share of collective total OPEB liability- TGOP	$ 420,850	$ 392,041	$ 364,637
Share of collective total OPEB liability- TNP	202,079	176,521	155,494

Sensitivity of proportionate share of collective total OPEB liability to changes in the healthcare cost trend rate−The following presents the state's proportionate share of the collective total OPEB liability for the special funding situations related to the TGOP, as well as what the share of the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (9.68 percent decreasing to 3.50 percent) or 1-percentage-point higher (11.68 percent decreasing to 5.50 percent) than the current healthcare cost trend rate. Premium subsidies in the TNP are projected to remain unchanged, and, consequently, trend rates are not applicable (expressed in thousands):

	Healthcare Cost Trend Rates		
	1% Decrease (9.68% decreasing to 3.50%)	(10.68% decreasing to 4.50%)	1% Increase (11.68% decreasing to 5.50%)
Share of collective total OPEB liability- TGOP	$ 353,025	$ 392,041	$ 437,038

2. Total OPEB Liability

At June 30, 2025, the state reported a liability of $392.1 million and $176.5 million for its proportionate shares of the collective total OPEB liability from special funding situations related to the TGOP and TNP, respectively. The total OPEB liabilities were measured as of June 30, 2024, by an actuarial valuation dated June 30, 2024. The state's portion of the collective total OPEB liability was based on a projection of the state's long-term share of contributions to the OPEB plan relative to the projected share of benefit payments of all participating employers, actuarially determined. At June 30, 2024, the state's proportion of the collective total LEA employer liabilities for the TGOP and TNP was 32.2 percent and 74.8 percent, respectively. This resulted in a change in proportion from the prior measurement date of (.7) percent and 6 percent to the TGOP and TNP, respectively.

Changes in assumptions− The discount rate was changed from 3.65 percent as of the beginning of the measurement period to 3.93 percent as of June 30, 2024. This change in assumption decreased the total OPEB liability. Other changes in assumptions include adjustments to health trend rates and coverage acceptance rates.

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

OPEB expense− For the year ended June 30, 2025, the state recognized OPEB expense of $39.4 million and $12.9 million in the TGOP and TNP, respectively, related to special funding situations. At June 30, 2025, the state reported deferred outflows of resources and deferred inflows of resources related to OPEB, as a result of special funding situations, from the following sources (expressed in thousands):

TGOP	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 14,611	$ 15,670
Changes of assumptions	51,977	28,931
Changes in proportion and differences between benefits paid and proportionate share of benefits paid	33,632	11,328
Payments subsequent to the measurement date	17,560	
Total	$ 117,780	$ 55,929

TNP	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 7,331	$ 9,612
Changes of assumptions	24,315	59,126
Changes in proportion and differences between benefits paid and proportionate share of benefits paid	14,356	3,149
Payments subsequent to the measurement date	11,676	
Total	$ 57,678	$ 71,887

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

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

TGOP		
For the year ended June 30:		
	2026	$ 7,152
	2027	7,455
	2028	8,580
	2029	8,995
	2030	7,378
	Thereafter	4,731
TNP		
For the year ended June 30:		
	2026	$ (2,456)
	2027	(4,795)
	2028	(5,035)
	2029	(6,141)
	2030	(3,713)
	Thereafter	(3,745)

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

D. State of Tennessee Postemployment Benefits Trust

The State of Tennessee Postemployment Benefits Trust (OPEB Trust) was established for the purpose of pre-funding OPEB accrued by employees of the state and certain component units. While the trustees have the discretion to also establish a trust for the purpose of pre-funding OPEB accrued by authorized employees of local education agencies, at this time, the OPEB Trust is limited to eligible pre-65 retirees that participate in the EGOP. Please refer to section A of this note for the EGOP plan description, information on plan investments, and any actuarial assumptions not listed in sections that follow. Actuarial procedures were used to roll forward the total OPEB liability, as determined in the employer reporting valuation, to the OPEB plan's fiscal year end. The OPEB Trust is reported as a fiduciary fund in the accompanying financial statements.

Management of the underlying plan being served by the OPEB Trust is vested in the insurance committee established in TCA 8-27-201. The trustees of the OPEB Trust were established in TCA 8-27-801 to be the four trustees designated in TCA 8-27-205(f). These designated individuals include the Commissioner of Finance and Administration; the Chair of the Finance, Ways and Means Committee of the Senate; the Chair of the Finance, Ways and Means Committee of the House of Representatives and the chair of the consolidated retirement board. The trustees are responsible for the establishment of any trust for the purpose of pre-funding OPEB, as well as for the adoption of an investment policy authorizing how assets in the OPEB Trust may be invested. The investment of OPEB Trust assets is administered by the state treasurer.

Rate of return−For the year ended June 30, 2025, the annual money-weighted rate of return on investments was 9.72 percent. The money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

Net OPEB liability (asset)−The components of the net OPEB liability (asset) for the OPEB Trust at June 30, 2025, were as follows (expressed in thousands):

Total OPEB liability	$1,271,376
Plan fiduciary net position	(1,484,674)
Net OPEB liability (asset)	$(213,298)
Plan fiduciary net position as a percentage of the total OPEB liability	116.78%

Discount rate−The discount rate used to measure the total OPEB liability was 6.5 percent.

Sensitivity of net OPEB liability (asset) to changes in the discount rate− The following presents the net OPEB liability (asset) of the OPEB Trust, as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current discount rate (expressed in thousands).

	1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
Net OPEB Liability (asset)	$ (123,203)	$ (213,298)	$ (296,845)

Sensitivity of net OPEB liability (asset) to changes in the healthcare cost trend rate− The following presents the net OPEB liability (asset) of the OPEB Trust, as well as what the net OPEB liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (9.68 percent decreasing to 3.50 percent) or 1-percentage-point higher (11.68 percent decreasing to 5.50 percent) than the current healthcare cost trend rate (expressed in thousands).

	Healthcare Cost Trend Rates		
	1% Decrease (9.68% decreasing to 3.50%)	(10.68% decreasing to 4.50%)	1% Increase (11.68% decreasing to 5.50%)
Net OPEB Liability (asset)	$ (328,031)	$ (213,298)	$ (82,080)

NOTE 17

Pension plans

A. Tennessee Consolidated Retirement System (TCRS)

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

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

B. Defined Benefit Plan

Closed State and Higher Education Employee Pension Plan

1. General information about the pension plan

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

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

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

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

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to July 2 of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the

current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by benefit terms−At the measurement date of June 30, 2024, the following employees of the state and the four component units mentioned above were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	64,038
Inactive employees entitled to but not yet receiving benefits	32,641
Active employees	25,799
	122,478

Contributions−Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees are non-contributory, except for a small group of public safety officers and judges. The state makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2025, employer contributions by the state were $352 million based on an average rate of 22.73 percent of covered payroll. For the year ended June 30, 2025, employer contributions by the four previously mentioned component units were $130.4 million based on an average rate of 22.21 percent of covered payroll.

By law, employer contributions are required to be paid. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

2. Net Pension Liability (Asset)

The net pension liability of the state, as well as that of the four previously mentioned component units, was measured as of June 30, 2024, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions−The total pension liability as of June 30, 2024, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2024, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016, through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

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

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

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

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

Primary Government	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 6/30/23	$ 14,413,484	$ 13,618,487	$ 794,997
Effects of change in proportion	79,480	75,096	4,384
Adjusted balance at 6/30/2023	14,492,964	13,693,583	799,381
Changes for the year:			
Service cost	118,528		118,528
Interest	957,747		957,747
Differences between expected and actual experience	365,793		365,793
Contributions-employer		562,375	(562,375)
Contributions-employees		246	(246)
Net investment income		1,322,773	(1,322,773)
Benefit payments, including refunds of employee contributions	(845,283)	(845,283)	-
Administrative expense		(4,915)	4,915
Other		(117)	117
Net changes	$ 596,785	$ 1,035,079	$ (438,294)
Balance at 6/30/24	$ 15,089,749	$ 14,728,662	$ 361,087

Component Units	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 6/30/23	$ 5,601,414	$ 5,292,455	$ 308,959
Effects of change in proportion	(79,480)	(75,096)	(4,384)
Adjusted balance at 6/30/2023	5,521,934	5,217,359	304,575
Changes for the year:			
Service cost	45,160		45,160
Interest	364,909		364,909
Differences between expected and actual experience	139,370		139,370
Contributions-employer		214,269	(214,269)
Contributions-employees		94	(94)
Net investment income		503,987	(503,987)
Benefit payments, including refunds of employee contributions	(322,059)	(322,059)	-
Administrative expense		(1,873)	1,873
Other		(44)	44
Net changes	$ 227,380	$ 394,374	$ (166,994)
Balance at 6/30/24	$ 5,749,314	$ 5,611,733	$ 137,581

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

Primary Government

		Current Discount Rate	
	1% Decrease (5.75%)	(6.75%)	1% Increase (7.75%)
Net pension liability (asset)	$ 2,159,282	$ 361,087	$ (1,145,955)

Component Units

		Current Discount Rate	
	1% Decrease (5.75%)	(6.75%)	1% Increase (7.75%)
Net pension liability (asset)	$ 822,703	$ 137,581	$ (436,618)

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

Pension expense−For the year ended June 30, 2025, the state and the four mentioned component units recognized pension expense of $460.8 million and $166.7 million, respectively.

Deferred outflows of resources and deferred inflows of resources−For the year ended June 30, 2025, the state and its four component units mentioned reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 182,896	
Net difference between projected and actual earnings on pension plan investments		$ 159,233
Effects of change in proportion	$ 1,221	
Contributions subsequent to the measurement date of June 30, 2024	$ 352,002	

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2024,” will be recognized as a reduction to net pension liability in the following measurement period.

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

Year Ended June 30:		
2026	$	(21,639)
2027		209,063
2028		(80,905)
2029		(81,635)
	$	24,884

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

Component Units	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 69,685	
Net difference between projected and actual earnings on pension plan investments		$ 60,669
Effects of change in proportion		$ 1,221
Contributions subsequent to the measurement date of June 30, 2024	$ 130,429	

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2024,” will be recognized as a reduction to net pension liability in the following measurement period.

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

Year Ended June 30:		
2026	$	(9,931)
2027		79,654
2028		(30,826)
2029		(31,102)
	$	7,795

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

4. Payable to the Pension Plan

At June 30, 2025, the state reported a payable of $12 million, and the four mentioned component units reported a payable of $9.6 million for the outstanding amount of contributions to the pension plan required at year ended June 30, 2025.

State and Higher Education Employee Retirement Plan

1. General information about the pension plan

Plan description−Employees of the state and four of its discretely presented component units becoming members of TCRS after June 30, 2014, are provided with pensions through the State and Higher Education Employee Retirement Plan. This plan is one of several comprising the TCRS administered Public Employee Retirement Plan, an agent, multiple-employer defined benefit pension plan. The four discretely presented component units are the

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

Benefits provided−Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the State and Higher Education Employee Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90, in which the member's age and years of service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by multiplying the member's highest five consecutive year average compensation by 1.0 percent multiplied by the member's years of service credit. A reduced early retirement benefit is available at age 60 with 5 years of service credit or pursuant to the rule of 80 in which member's age and years of service credit total 80. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit, but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.
Members and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to July 2 of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by benefit terms−At the measurement date of June 30, 2024, the following employees of the state and the four component units mentioned above were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	518
Inactive employees entitled to but not yet receiving benefits	30,449
Active employees	36,431
	67,398

Contributions−Contributions for state and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of their salary. Employers make contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the State and Higher Education Employee Retirement Plan are required to be paid. Employer contributions by the state for the year ended June 30, 2025, to the State and Higher Education Employee Retirement Plan were $48.1 million, which is 2.85 percent of covered payroll. Employer contributions by the four previously mentioned component units were $23.5 million, which is 2.73 percent of covered payroll.

The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

2. Net Pension Liability (Asset)
The net pension liability of the state, as well as that of the four previously mentioned component units, was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions−The total pension liability as of June 30, 2024, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2024, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016, through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

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

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

Primary Government	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 6/30/23	$ 466,122	$ 470,902	$ (4,780)
Effects of change in proportion	6,254	6,318	(64)
Adjusted balance at 6/30/2023	472,376	477,220	(4,844)
Changes for the year:			
Service cost	107,513		107,513
Interest	38,958		38,958
Differences between expected and actual experience	30,026		30,026
Contributions-employer		39,664	(39,664)
Contributions-employees		75,368	(75,368)
Net investment income		51,875	(51,875)
Benefit payments, including refunds of employee contributions	(5,480)	(5,480)	-
Administrative expense		(1,727)	1,727
Other		492	(492)
Net changes	$ 171,017	$ 160,192	$ 10,825
Balance at 6/30/24	$ 643,393	$ 637,412	$ 5,981

Component Units	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 6/30/23	$ 236,412	$ 238,838	$ (2,426)
Effects of change in proportion	(6,254)	(6,318)	64
Adjusted balance at 6/30/2023	230,158	232,520	(2,362)
Changes for the year:			
Service cost	52,384		52,384
Interest	18,981		18,981
Differences between expected and actual experience	14,630		14,630
Contributions-employer		19,326	(19,326)
Contributions-employees		36,722	(36,722)
Net investment income		25,275	(25,275)
Benefit payments, including refunds of employee contributions	(2,670)	(2,670)	-
Administrative expense		(841)	841
Other		240	(240)
Net changes	$ 83,325	$ 78,052	$ 5,273
Balance at 6/30/24	$ 313,483	$ 310,572	$ 2,911

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

Primary Government

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	$ 138,116	$ 5,981	$ (93,907)

Component Units

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	$ 67,295	$ 2,911	$ (45,755)

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

Pension expense−For the year ended June 30, 2025, the state and the four previously mentioned component units recognized pension expense of $40.6 million and $19.5 million, respectively.

Deferred outflows of resources and deferred inflows of resources−For the year ended June 30, 2025, the state and its four component units mentioned reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 39,353	$ 3,714
Assumption changes	$ 9,265	
Net difference between projected and actual earnings on pension plan investments		$ 6,621
Effects of change in proportion	$ 1,007	$ 414
Contributions subsequent to the measurement date of June 30, 2024	$ 48,096	

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2024,” will be recognized as a reduction to net pension liability in the following measurement period.

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

Year Ended June 30:	
2026	$ 3,233
2027	11,885
2028	4,329
2029	4,302
2030	5,892
Thereafter	9,235
	$ 38,876

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

Component Units	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 19,174	$ 1,810
Assumption changes	$ 4,514	
Net difference between projected and actual earnings on pension plan investments		$ 3,226
Effects of change in proportion	$ 414	$ 1,007
Contributions subsequent to the measurement date of June 30, 2024	$ 23,514	

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2024," will be recognized as a reduction to net pension liability in the following measurement period.

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

Year Ended June 30:	
2026	$ 1,289
2027	5,504
2028	1,837
2029	1,934
2030	2,832
Thereafter	4,663
	$ 18,059

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

4. Payable to the Pension Plan

At June 30, 2025, the state reported a payable of $1.8 million and the four previously mentioned component units reported a payable of $1.9 million for the outstanding amount of contributions to the pension plan required at year ended June 30, 2025.

C. Defined Contribution Plan

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

Optional Retirement Plan (ORP) – The ORP is a defined contribution plan. The ORP was established by state statute in Title 8, Chapter 25, Part 2 of the TCA. This statute also sets out the plan provisions. The plan provisions may be amended by the Tennessee General Assembly. The ORP was designed to provide benefits at retirement to faculty and staff of the State University and Community College System institutions and the University of Tennessee system who are exempt from the overtime provision of the Fair Labor Standards Act and who waive membership in the TCRS. As of June 30, 2025, there were 37,610 ORP accounts with balances, of those 13,354 are from active members.

Employer and employee contribution amounts are set in statute and made on a pre-tax basis. For employees employed prior to July 1, 2014, plan members are noncontributory. The State of Tennessee institutions of higher education contribute 10 percent of the employee's base salary, plus 1 percent on the part of the employee's base salary in excess of the social security wage base. For employees hired after June 30, 2014, plan members will contribute 5 percent to the ORP, and the State of Tennessee institutions of higher education will contribute 9 percent of the employee's base salary. For fiscal year ended June 30, 2025, the State of Tennessee institutions of higher education recognized pension expenses of $110.9 million for their contributions to the ORP and reported a related total liability of $1.9 million at June 30, 2025.

Members are immediately 100 percent vested in the employer contributions made pursuant to the ORP. The Tennessee Department of Treasury has selected investment vendors who offer a variety of investment products in which members are responsible for selecting how the contributions are invested. Each member makes the decision when to reallocate future contributions or when to transfer funds from one investment product to another.

State of Tennessee 401(k) Plan – The State of Tennessee 401(k) Plan is a defined contribution plan established pursuant to the Internal Revenue Code, Section 401(k). IRC Sections 401(k) establishes participation, contribution, and withdrawal provisions for the plan. The plan is available to state and higher education employees, K-12 public school employees, and employees of political subdivisions that elect to participate. A 401(k) participant directs contributions to specific investment products made available by the plan's service provider.

The plan is completely voluntary for employees hired prior to July 1, 2014. Pursuant to Public Chapter No. 259 of Public Acts of 2013, employees of the state and its higher education institutions and local education agencies hired after June 30, 2014, are automatically enrolled to contribute 2 percent of salary to the state's 401(k) plan with the employer contributing an additional 5 percent to the plan. Employees may opt out of the 2 percent auto enrollment. Such contribution rates may only be amended by the Tennessee General Assembly. There are certain automatic cost controls and unfunded liability controls in the defined benefit plan where the employees participate that may impact the non-matching 5 percent employer contribution to the 401(k) plan. For the fiscal year ended June 30, 2025, employees of the state and four of its discretely presented component units that participated in the 401(k) plan were eligible for a $1 match for every $1 contributed up to $50 per month. The funding of this match is subject to state appropriations each year. The four discretely presented component units are the Tennessee Student Assistance Corporation, the Tennessee Housing Development Agency, the State University and Community College System, and the University of Tennessee. Employees will vest immediately to both the employee and the employer match.

During fiscal year ended June 30, 2025, the plan had 119,712 active members from the state and its higher education institutions, 85,750 from the local education agencies, and 20,249 from the political subdivisions. For fiscal year ended June 30, 2025, the state and the four mentioned component units recognized pension expenses of $178.8 million for their contributions to the Section 401(k) plans and reported a related liability of $6.4 million at June 30, 2025.

NOTE 18

External Investment Pools

A. State Pooled Investment Fund

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

B. Tennessee Retiree Group Trust

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

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

NOTE 19

Contingencies and Commitments

A. Litigation

The State is a defendant in a number of lawsuits or is subject to potentially be named as a party to lawsuits or other assessments that are associated with its normal governmental operations. Although the outcomes are uncertain, some of these litigations could involve substantial losses. Those unfavorable outcomes, which could result in future programmatic costs, will be addressed in future budgets. Other potential losses resulting from unfavorable verdicts in legal proceedings are estimated to cost the state approximately $141 million. This would have a .27% impact on the budget.

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

B. Tobacco settlement

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

C. Opioid Settlement

Tennessee has signed on to various opioid-related legal agreements with certain manufacturers, distributors, and retailers to resolve legal claims for their role in the opioid crisis. Though some of these are national settlements, some of the agreements are the result of one-state agreements. The rules regarding the use of the settlement funds are generally the same among the agreements, including the requirement for funds to be used for opioid abatement.

As a result of the agreements that are in effect at June 30, 2025, the state has recognized a receivable of $671.4 million, with $558 million of the receivable amount being deposited into an opioid abatement fund pursuant to TCA 9-4-1301.

Other opioid-related settlements and claims will be subject to approval by the state, local governments, and the relevant courts.

D. Pollution Remediation Obligations

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

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

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

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

During the fiscal year, the state spent $19.9 million for remediation activities and had an expected recovery of $774 thousand from responsible parties. At June 30, 2025, the state had a pollution remediation obligation of $81.3 million and an estimated potential recovery of $4.6 million from other responsible parties.

E. Federal Grants

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

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

F. SBITA Commitments

As of June 30, 2025, the state has several SBITAs that have not yet commenced, with future subscription and capitalizable implementation payments committed of $3 million, on an undiscounted basis, over various periods extended to December 31, 2027.

Note 20

Tax Abatements

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

A. Manufacturing and Industrial Machinery Program

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

B. Job Creation Program

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

Included within this program area established under TCA 67-4-2109 is also a film/qualified production credit for 40% or 50% of qualified payroll expenses. This abatement promotes qualified film and entertainment productions and associated job opportunities in Tennessee. Abatements will only be granted after a qualified production completes an application and business plan and receives a determination by the commissioner of Economic and Community Development and Revenue that the qualified production is in the best interests of the state based on the investment made, jobs created, impact to the community, and any other matters deemed appropriate by the commissioners.

C. Community Investment Program

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

D. Development Opportunity Program

This program provides for credits on franchise and excise taxes for investments contributing to small and rural development and brownfield development opportunities. The programs are established under TCA 67-4-2009 and TCA 67-4-2109. The amount of the small and rural development abatement is calculated using 10% of the financial institution's contribution to the rural or small business opportunity fund. The amount of the brownfield development credit is based on the location and amount of the investment. Abatements are obtained through a business plan filed before the contribution is made. Recapture provisions for the small and rural development program provide that, if at the close of the tenth year of the period during which the credit is allowed, the taxpayer

or its assignee has received repayment, or retains any right to repayment, the department is entitled to recapture the credit allowed by increasing the franchise or excise tax liability given to the financial institution.

The following table shows the amount of taxes abated by the state during the fiscal year ended June 30, 2025:

Tax Abatement Program	Amount of Taxes Abated (in thousands)
Manufacturing and Industrial Machinery Program	$40,659
Job Creation Program	90,597
Community Investment Program	73,086
Development Opportunity Program	3,369

E. Warehouse or Distribution Facility and Qualified Data Center Programs and Qualified Production Programs

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

The warehouse or distribution program is established under TCA 67-6-102(46)(H). Abatements may be granted to taxpayers who make capital investments in excess of $10 million or more in a qualified, new or expanded warehouse or distribution facility. The qualified data center program is established under TCA 67-6-102(81). Abatements may be granted to taxpayers who make a required capital investment in excess of $100 million and create at least 15 net new full-time employee jobs in a qualified data center. The qualified production program is established under TCA 67-6-323. Abatements may be granted to taxpayers that produce a film, series, esports event, or video game in Tennessee. These abatements are obtained through an application and/or business plan that includes an estimate of the qualified investments. Approved applicants will receive a certificate of exemption that may be presented to vendors at the time of purchase of eligible equipment and/or software.

Since the tax returns filed with the state do not require the exempt sales or purchases to be reported by category, the amount of exempt purchases made by qualified warehouse, distribution centers, qualified data centers, or qualified productions is only available in the books and records of the vendors and their customers. Thus, the estimate of the gross dollar amount, on an accrual basis, by which the state’s tax revenues were reduced by these exemptions, is not available. However, based on the applications received and approved during the fiscal year, the estimated software and equipment purchase amounts total $7 billion.

Note 21

Impairments and Insurance Recoveries

For the year ended June 30, 2025, an impairment loss of $5.8 million was recorded in the health and social services function of the Statement of Activities because of the obsolescence of internally generated software used by the Division of TennCare.

Note 22

Subsequent Events

A. Primary government

Subsequent to June 30, the State issued $5 million in general obligation tax-exempt commercial paper.

B. Component units

Subsequent to June 30, the Tennessee Housing Development Authority had the following revenue bond issuances: Series 2025-2 in September 2025 in the amount of $160 million and Series 2025-3 in December 2025 in the amount of $104 million.

Subsequent to June 30, the Tennessee State School Bond Authority (TSSBA) has issued $70 million in revolving credit facility loan funds.

REQUIRED SUPPLEMENTARY INFORMATION

Infrastructure Assets Reported Using the Modified Approach

A. Roadways

Measurement Scale
The state uses a condition assessment method called the Maintenance Quality Assurance (MQA) program. The MQA program consists of 55 roadway characteristics, and each characteristic is grouped into one of six elements. The elements are: mainline pavement, roadway shoulder, roadside, drainage, traffic, and ramps. The MQA provides a condition assessment, in the form of a Level-of-Service (LOS) grade, for roadway assets by evaluating roadway segments. Each segment measures a 0.10 of a mile (528 feet) and is randomly selected each fiscal year. The LOS grade for each individual characteristic is given an "A," or 4.0, through "F," or 0.0, with 4.0 being a perfect grade. The grade is calculated by dividing the total deficiency by the total inventory for each characteristic. This results in a score for each element. Each element score is then multiplied by a weighted element score and the six weighted scores are summed to the overall score.

Established Condition Level
The state intends to maintain roadways so that the reported condition level each year does not fall below 3.006 for MQA.

Assessed Conditions
The following table presents the MQA of all rated segments.

For the Period Ended	Maintenance Quality Assurance
06/30/25	3.670
06/30/24	3.494
06/30/23	3.437

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

For the Period Ended	Estimated	Actual
06/30/25	$ 739,727	$ 1,036,335
06/30/24	683,862	837,400
06/30/23	572,770	918,226
06/30/22	544,780	713,373
06/30/21	547,685	582,408

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

B. Bridges

Measurement Scale
The state maintains information on its 8,434 bridges in compliance with the National Bridge Inventory (NBI) guidelines established by the Federal Highway Administration. Bridges are inspected at least once every two years, and the results are coded on a 0 to 9 scale (with 9 being the most desirable). A bridge coded 4 or less for its deck, superstructure, or substructure, or coded 2 or less for its structural evaluation or waterway adequacy, is classified as "structurally deficient." A structurally deficient bridge is inadequate to carry legal loads, whether caused by structural deterioration, obsolete design standards, or an insufficient waterway opening. A bridge coded 3 or less for its structural evaluation, deck geometry, vertical or horizontal underclearance, water adequacy, or approach roadway alignment is classified as "functionally obsolete." A functionally obsolete bridge cannot properly accommodate the current traffic.

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

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

For the Two-Year Period Ended	Percentage of Deck Area Not Structurally Deficient or Functionally Obsolete
06/30/24	83%
06/30/22	83%
06/30/20	85%

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

For the Period Ended	Estimated	Actual
06/30/25	$ 79,500	$ 169,180
06/30/24	79,500	129,124
06/30/23	65,000	64,846
06/30/22	54,000	96,609
06/30/21	54,000	84,646

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

Other Postemployment Benefits Information

A. Schedule of Changes in the Net OPEB Liability and Related Ratios

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

CLOSED EMPLOYEE GROUP OPEB PLAN
Primary Government

	2018	2019	2020	2021	2022	2023	2024	2025
Total OPEB liability								
Service cost	$ 47,219	$ 42,521	$ 44,521	$ 26,249	$ 26,936	$ 23,686	$ 22,512	$ 24,583
Interest	28,003	32,021	34,324	46,916	44,735	46,349	45,909	50,671
Changes of benefit terms	-	-	-	-	-	5,693	-	-
Differences between actual and expected experience	-	(37,420)	(14,447)	(25,201)	(2,113)	(11,433)	(4,903)	(7,071)
Changes of assumptions	(40,226)	46,108	(149,693)	(25,485)	10,364	(20,088)	64,359	(32,092)
Changes in proportion and differences between contributions and proportionate share of contributions	-	(29,514)	20,618	(4,221)	(5,693)	1,078	621	1,558
Benefit payments	(61,649)	(57,061)	(61,238)	(54,077)	(53,449)	(48,679)	(53,361)	(50,931)
Net change in total OPEB liability	(26,653)	(3,345)	(125,915)	(35,819)	20,780	(3,394)	75,137	(13,282)
Total OPEB liability-beginning	942,627	915,974	912,629	786,714	750,895	771,675	768,281	843,418
Total OPEB liability-ending (a)	$ 915,974	$ 912,629	$ 786,714	$ 750,895	$ 771,675	$ 768,281	$ 843,418	$ 830,136
Plan fiduciary net position								
Contributions-employer	$ -	$ -	$ 260,984	$ 103,683	$ 99,095	$ 97,571	$ 396,859	$ 345,479
Net investment income	-	-	3,487	(2,975)	63,591	(47,206)	41,725	98,672
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	(59,031)	(1,541)	(1,317)	(2,419)	(104,472)	(87,131)
Benefit payments, including refunds of employee contributions	-	-	(61,238)	(54,077)	(53,449)	(48,679)	(53,361)	(50,931)
Net change in plan fiduciary net position	-	-	144,202	45,090	107,920	(733)	280,751	306,089
Plan fiduciary net position-beginning	-	-	-	144,202	189,292	297,212	296,479	577,230
Plan fiduciary net position-ending (b)	$ -	$ -	$ 144,202	$ 189,292	$ 297,212	$ 296,479	$ 577,230	$ 883,319
Net OPEB liability (asset) - ending (a)-(b)	$ 915,974	$ 912,629	$ 642,512	$ 561,603	$ 474,463	$ 471,802	$ 266,188	$ (53,183)
Covered-employee payroll	$1,369,106	$1,416,041	$ 1,463,373	$ 1,414,478	$ 1,371,486	$ 1,406,936	$ 1,387,730	$ 1,461,703
Net OPEB liability (asset) as a percentage of covered-employee payroll	66.90%	64.45%	43.91%	39.70%	34.59%	33.53%	19.18%	-3.64%

In fiscal year 2019, the state transitioned the EGOP from a pay-as-you-go arrangement to a prefunding arrangement where assets are accumulated in a qualified trust and benefits are paid directly from that trust.
The amounts reported for each fiscal year were determined as of the prior fiscal year-end.
This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

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

CLOSED EMPLOYEE GROUP OPEB PLAN
Component Units

	2018	2019	2020	2021	2022	2023	2024	2025
Total OPEB liability								
Service cost	$ 21,990	$ 22,020	$ 21,458	$ 12,876	$ 13,544	$ 11,857	$ 11,240	$ 12,202
Interest	13,041	16,582	16,543	23,015	22,494	23,202	22,921	25,150
Changes of benefit terms	-	-	-	-	-	2,850	-	-
Differences between actual and expected experience	-	(19,378)	(6,963)	(12,362)	(1,063)	(5,723)	(2,448)	(3,510)
Changes of assumptions	(18,733)	23,877	(72,147)	(12,502)	5,211	(10,056)	32,133	(15,929)
Changes in proportion and differences between contributions and proportionate share of contributions	-	29,514	(20,618)	4,221	5,693	(1,078)	(621)	(1,558)
Benefit payments	(28,710)	(26,573)	(31,713)	(26,063)	(26,220)	(24,477)	(26,712)	(25,429)
Net change in total OPEB liability	(12,412)	46,042	(93,440)	(10,815)	19,659	(3,425)	36,513	(9,074)
Total OPEB liability-beginning	438,979	426,567	472,609	379,169	368,354	388,013	384,588	421,101
Total OPEB liability-ending (a)	$ 426,567	$ 472,609	$ 379,169	$ 368,354	$ 388,013	$ 384,588	$ 421,101	$ 412,027
Plan fiduciary net position								
Contributions-employer	$ -	$ -	$ 40,502	$ 49,339	$ 49,514	$ 44,656	$ 41,194	$ 39,549
Net investment income	-	-	1,681	(1,460)	31,975	(23,630)	20,833	48,974
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	59,031	1,541	1,317	2,419	104,472	87,131
Benefit payments, including refunds of employee contributions	-	-	(31,713)	(26,063)	(26,220)	(24,477)	(26,712)	(25,429)
Net change in plan fiduciary net position	-	-	69,501	23,357	56,586	(1,032)	139,787	150,225
Plan fiduciary net position-beginning	-	-	-	69,501	92,858	149,444	148,412	288,199
Plan fiduciary net position-ending (b)	$ -	$ -	$ 69,501	$ 92,858	$ 149,444	$ 148,412	$ 288,199	$ 438,424
Net OPEB liability (asset)- ending (a)-(b)	$ 426,567	$ 472,609	$ 309,668	$ 275,496	$ 238,569	$ 236,176	$ 132,902	$ (26,397)
Covered-employee payroll	$ 1,353,254	$ 1,339,543	$ 1,260,809	$1,183,016	$1,117,645	$1,064,733	$ 1,009,015	$1,015,292
Net OPEB liability (asset) as a percentage of covered-employee payroll	31.52%	35.28%	24.56%	23.29%	21.35%	22.18%	13.17%	-2.60%

In fiscal year 2019, the state transitioned the EGOP from a pay-as-you-go arrangement to a prefunding arrangement where assets are accumulated in a qualified trust and benefits are paid directly from that trust.
The amounts reported for each fiscal year were determined as of the prior fiscal year-end.
This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

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

CLOSED TENNESSEE OPEB PLAN
State Employees

	2018	2019	2020	2021	2022	2023	2024	2025
Total OPEB liability								
Service cost	$ 2,560	$ 2,046	$ 1,480	$ 1,599	$ 2,288	$ 1,865	$ 1,167	$ 1,217
Interest	3,455	3,790	3,792	3,719	2,762	2,317	3,174	3,380
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between actual and expected experience	-	(3,200)	(870)	(535)	(1,437)	(84)	5,027	(906)
Changes of assumptions	(9,094)	(743)	1,843	19,166	(15,829)	(15,585)	(822)	(2,757)
Changes in proportion and differences between contributions and proportionate share of contributions	-	(3,531)	1,591	(225)	(589)	2	(309)	(451)
Benefit payments	(4,588)	(4,696)	(4,833)	(4,955)	(5,077)	(5,075)	(5,153)	(5,280)
Net change in total OPEB liability	(7,667)	(6,334)	3,003	18,769	(17,882)	(16,560)	3,084	(4,797)
Total OPEB liability-beginning	118,044	110,377	104,043	107,046	125,815	107,933	91,373	94,457
Total OPEB liability-ending	$ 110,377	$ 104,043	$ 107,046	$ 125,815	$ 107,933	$ 91,373	$ 94,457	$ 89,660
Covered-employee payroll	$ 1,420,835	$1,541,486	$ 1,575,865	$ 1,561,360	$ 1,527,025	$1,523,258	$1,546,516	$1,633,680
Total OPEB liability as a percentage of covered-employee payroll	7.77%	6.75%	6.79%	8.06%	7.07%	6.00%	6.11%	5.49%

Component Unit Employees

	2018	2019	2020	2021	2022	2023	2024	2025
Total OPEB liability								
Service cost	$ 1,551	$ 1,353	$ 940	$ 1,022	$ 1,480	$ 1,207	$ 762	$ 804
Interest	2,093	2,507	2,409	2,376	1,787	1,499	2,072	2,235
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between actual and expected experience	-	(2,117)	(553)	(342)	(930)	(55)	3,282	(599)
Changes of assumptions	(5,511)	(492)	1,171	12,244	(10,239)	(10,082)	(536)	(1,823)
Changes in proportion and differences between contributions and proportionate share of contributions	-	3,531	(1,591)	225	589	(2)	309	451
Benefit payments	(2,780)	(2,845)	(3,197)	(3,148)	(3,244)	(3,283)	(3,333)	(3,447)
Net change in total OPEB liability	(4,647)	1,937	(821)	12,377	(10,557)	(10,716)	2,556	(2,379)
Total OPEB liability-beginning	71,531	66,884	68,821	68,000	80,377	69,820	59,104	61,660
Total OPEB liability-ending	$ 66,884	$ 68,821	$ 68,000	$ 80,377	$ 69,820	$ 59,104	$ 61,660	$ 59,281
Covered-employee payroll	$ 1,574,315	$1,524,863	$ 1,484,617	$ 1,414,167	$ 1,342,569	$1,307,592	$1,244,291	$1,237,488
Total OPEB liability as a percentage of covered-employee payroll	4.25%	4.51%	4.58%	5.68%	5.20%	4.52%	4.96%	4.79%

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

B. Schedule of Contributions

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

CLOSED EMPLOYEE GROUP OPEB PLAN
Primary Government

	2019	2020	2021	2022	2023	2024	2025
Actuarially determined contribution	$ 88,739	$ 95,731	$ 87,287	$ 81,439	$ 74,380	$ 69,835	$ 42,791
Contributions in relation to the actuarially determined contribution	260,984	103,683	99,096	97,570	396,859	345,479	75,346
Contribution deficiency (excess)	(172,245)	(7,952)	(11,809)	(16,131)	(322,479)	(275,644)	(32,555)
Covered-employee payroll	$ 1,463,373	$ 1,414,478	$ 1,371,486	$ 1,406,936	$ 1,387,730	$ 1,461,703	$ 1,462,884
Total OPEB contributions as a percentage of covered-employee payroll	17.83%	7.33%	7.23%	6.93%	28.60%	23.64%	5.15%

Component Units

	2019	2020	2021	2022	2023	2024	2025
Actuarially determined contribution	$ 47,071	$ 49,665	$ 49,787	$ 44,864	$ 41,354	$ 39,708	$ 25,192
Contributions in relation to the actuarially determined contribution	40,502	49,339	49,514	44,656	41,194	39,549	25,141
Contribution deficiency (excess)	6,569	326	273	208	160	159	51
Covered-employee payroll	$ 1,260,809	$ 1,183,016	$ 1,117,645	$ 1,064,733	$ 1,009,015	$ 1,015,292	$ 961,198
Total OPEB contributions as a percentage of covered-employee payroll	3.21%	4.17%	4.43%	4.19%	4.08%	3.90%	2.62%

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

Notes to Schedule of Contributions
Valuation Date: Actuarially determined contribution rates are calculated based on valuations as of June 30 two years prior to the fiscal year, in which the ADC is calculated.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	12 years
Asset valuation	5 year smoothed
Inflation	2.25 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation.
Investment rate of return	6.5 percent
Retirement age	Pattern of retirement determined by experience study
Mortality	The mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee mortality table for General Employees for non-disabled pre-retirement mortality, with mortality improvement projected generationally with MP-2021 from the central year. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2021. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally with MP-2021.

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

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

CLOSED TEACHER GROUP OPEB PLAN

	2018	2019	2020	2021	2022	2023	2024	2025
State's proportion of the collective total OPEB liability	29%	26%	28%	28%	30%	31%	33%	32%
State's proportionate share of the collective total OPEB liability	$256,924	$216,247	$232,297	$260,059	$305,828	$314,185	$370,396	$ 392,041

CLOSED TENNESSEE OPEB PLAN

	2018	2019	2020	2021	2022	2023	2024	2025
State's proportion of the collective total OPEB liability	54%	75%	73%	76%	77%	78%	69%	75%
State's proportionate share of the collective total OPEB liability	$215,044	$206,298	$222,668	$266,093	$218,593	$179,599	$184,098	$ 176,521

There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 related to these two OPEB plans.

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

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

Pension Plan Information

A. Schedules of Changes in Net Pension Liability

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total pension liability										
Service cost	$ 200,001	$ 193,571	$ 183,931	$ 181,736	$ 175,903	$ 171,553	$ 166,681	$ 182,152	$ 166,146	$ 163,688
Interest	1,044,475	1,089,027	1,117,928	1,146,606	1,180,782	1,206,046	1,235,137	1,226,163	1,270,003	1,322,656
Differences between actual and expected experience	170,534	(30,039)	97,904	83,828	(29,767)	39,450	(212,751)	345,696	488,089	505,163
Changes of assumptions			406,329				969,659			
Benefit payments, including refunds of employee contributions	(788,612)	(840,494)	(874,626)	(914,064)	(955,844)	(992,367)	(1,029,468)	(1,060,925)	(1,116,107)	(1,167,342)
Net change in total pension liability	626,398	412,065	931,466	498,106	371,074	424,682	1,129,258	693,086	808,131	824,165
Total pension liability-beginning	14,120,632	14,747,030	15,159,095	16,090,561	16,588,667	$16,959,741	$ 17,384,423	$ 18,513,681	$ 19,206,767	$ 20,014,898
Total pension liability-ending (a)	$ 14,747,030	$15,159,095	$ 16,090,561	$ 16,588,667	$ 16,959,741	$ 17,384,423	$ 18,513,681	$ 19,206,767	$ 20,014,898	$ 20,839,063
Plan fiduciary net position										
Contributions-employer	$392,466	$366,962	$360,337	$436,666	$433,581	$435,177	$426,984	$677,593	$815,583	$776,644
Contributions-employee	915	1,176	625	406	864	374	318	560	826	340
Net investment income	407,762	350,633	1,481,770	1,167,919	1,096,732	757,315	3,984,023	(724,289)	1,200,715	1,826,760
Benefit payments, including refunds of employee contributions	(788,612)	(840,494)	(874,626)	(914,064)	(955,844)	(992,367)	(1,029,468)	(1,060,925)	(1,116,107)	(1,167,342)
Administrative expense	(2,803)	(3,654)	(3,741)	(3,930)	(3,420)	(3,170)	(2,984)	(3,016)	(5,368)	(6,788)
Other	17,333	2,158	2,067	(14,702)	2,411	1,206	543	(46)	(110)	(161)
Net change in plan fiduciary net position	27,061	(123,219)	966,432	672,295	574,324	198,535	3,379,416	(1,110,123)	895,539	1,429,453
Plan fiduciary net position-beginning	13,430,682	13,457,743	13,334,524	14,300,956	14,973,251	$15,547,575	$ 15,746,110	$ 19,125,526	$ 18,015,403	$ 18,910,942
Plan fiduciary net position-ending (b)	$ 13,457,743	$13,334,524	$ 14,300,956	$ 14,973,251	$ 15,547,575	$ 15,746,110	$ 19,125,526	$ 18,015,403	$ 18,910,942	$ 20,340,395
Net pension liability (asset)-ending (a)-(b)	$ 1,289,287	$ 1,824,571	$ 1,789,605	$ 1,615,416	$ 1,412,166	$ 1,638,313	$ (611,845)	$ 1,191,364	$ 1,103,956	$ 498,668
Plan fiduciary net position as a percentage of total pension liability	91.26%	87.96%	88.88%	90.26%	91.67%	90.58%	103.30%	93.80%	94.48%	97.61%
Covered payroll	$ 2,540,327	$ 2,375,501	$ 2,333,672	$ 2,280,469	$ 2,213,382	$ 2,173,446	$ 2,073,599	$ 2,051,258	$ 2,060,797	$ 2,144,283
Net pension liability (asset) as a percentage of covered payroll	50.75%	76.81%	76.69%	70.84%	63.80%	75.38%	-29.51%	58.08%	53.57%	23.26%

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

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total pension liability										
Service cost	$ 7,431	$ 18,693	$ 33,132	$ 46,815	$ 57,928	$ 71,903	$ 80,629	$ 100,182	$ 126,228	$ 159,897
Interest	279	1,883	4,504	8,091	12,715	18,489	25,448	32,837	43,274	57,939
Differences between actual and expected experience	(1,164)	689	272	451	(931)	1,920	(10,427)	3,271	21,866	44,656
Changes of assumptions			1,638				26,903			
Benefit payments, including refunds of employee contributions	(10)	(233)	(1,290)	(2,079)	(3,306)	(4,791)	(5,303)	(7,982)	(7,421)	(8,150)
Net change in total pension liability	6,536	21,032	38,256	53,278	66,406	87,521	117,250	128,308	183,947	254,342
Total pension liability-beginning		6,536	27,568	65,824	$119,102	$ 185,508	$ 273,029	$ 390,279	$ 518,587	$ 702,534
Total pension liability-ending (a)	$ 6,536	$ 27,568	$ 65,824	$ 119,102	$ 185,508	$ 273,029	$ 390,279	$ 518,587	$ 702,534	$ 956,876
Plan fiduciary net position										
Contributions-employer	$4,214	$11,923	$20,449	$28,663	$15,572	$19,803	$22,790	$27,136	$45,184	$58,990
Contributions-employee	5,154	15,113	25,927	36,495	45,105	55,381	61,650	71,269	88,816	112,090
Net investment income	142	600	6,595	9,733	13,806	12,953	89,487	(19,863)	40,751	77,150
Benefit payments, including refunds of employee contributions	(10)	(233)	(1,290)	(2,079)	(3,306)	(4,791)	(5,303)	(7,982)	(7,421)	(8,150)
Administrative expense	(183)	(726)	(1,244)	(1,699)	(1,869)	(2,142)	(2,296)	(2,722)	(1,626)	(2,568)
Other			134			53	456	662	509	732
Net change in plan fiduciary net position	9,317	26,677	50,571	71,113	69,308	81,257	166,784	68,500	166,213	238,244
Plan fiduciary net position-beginning		9,317	35,994	86,565	157,678	226,986	308,243	475,027	543,527	709,740
Plan fiduciary net position-ending (b)	$ 9,317	$ 35,994	$ 86,565	$ 157,678	$ 226,986	$ 308,243	$ 475,027	$ 543,527	$ 709,740	$ 947,984
Net pension liability (asset)-ending (a)-(b)	$ (2,781)	$ (8,426)	$ (20,741)	$ (38,576)	$ (41,478)	$ (35,214)	$ (84,748)	$ (24,940)	$ (7,206)	$ 8,892
Plan fiduciary net position as a percentage of total pension liability	142.55%	130.56%	131.51%	132.39%	122.36%	112.90%	121.71%	104.81%	101.03%	99.07%
Covered payroll	$ 107,086	$ 305,424	$ 518,664	$ 727,339	$ 900,952	$ 1,105,290	$ 1,223,688	$ 1,410,333	$ 1,764,454	$ 2,219,726
Net pension liability (asset) as a percentage of covered payroll	(2.60%)	(2.76%)	(4.00%)	(5.30%)	(4.60%)	(3.19%)	(6.93%)	(1.77%)	(0.41%)	0.40%

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

B. Schedules of Contributions

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

	2016	2017	2018	2019	2020	2021	2022	2023*	2024	2025
Actuarially determined contribution	$ 366,114	$ 360,434	$ 435,455	$ 433,581	$ 435,177	$ 426,985	$ 427,593	$ 465,583	$ 476,644	$ 482,431
Contributions in relation of the actuarially determined contribution	366,114	360,434	435,455	433,581	435,177	426,985	677,593	815,583	776,644	482,431
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ (250,000)	$ (350,000)	$ (300,000)	$ -
Covered payroll	$2,375,501	$2,333,672	$2,280,469	$2,213,382	$2,173,446	$2,073,599	$2,051,258	$2,060,797	$2,144,283	$2,135,874
Contributions as a percentage of covered payroll	15.41%	15.44%	19.09%	19.59%	20.02%	20.59%	33.03%	39.58%	36.22%	22.59%

* These amounts have been revised from prior year reported.

Notes to Schedule of Contributions

Valuation Date: Actuarially determined contribution rates for 2025 were calculated based on the June 30, 2023, actuarial valuation.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Various
Asset valuation	10-year smoothed within a 20 percent corridor to fair value
Inflation	2.25 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Investment rate of return	6.75 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.125 percent

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially determined contribution	$ 6,446	$ 6,232	$ 9,820	$ 15,572	$ 19,803	$ 22,790	$ 27,136	$ 45,184	$ 58,990	$ 71,610
Contributions in relation of the actuarially determined contribution	12,016	20,339	28,611	15,572	19,803	22,790	27,136	45,184	58,990	71,610
Contribution deficiency (excess)	$ (5,570)	$ (14,107)	$(18,791)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$305,424	$518,664	$727,339	$ 900,952	$1,105,290	$1,223,688	$1,410,333	$1,764,454	$2,219,726	$ 2,546,478
Contributions as a percentage of covered payroll	3.93%	3.92%	3.93%	1.73%	1.79%	1.86%	1.92%	2.56%	2.66%	2.81%

Notes to Schedule of Contributions

Valuation Date: Actuarially determined contribution rates for 2025 were calculated based on the June 30, 2023, actuarial valuation.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Various
Asset valuation	10-year smoothed within a 20 percent corridor to fair value
Inflation	2.25 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Investment rate of return	6.75 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.125 percent

The Closed State and Higher Education Employee Pension Plan and the State and Higher Education Employee Retirement Plan are parts of TCRS, a public employee retirement system. The information of the annual money-weighted rate of return of the system is presented in TCRS's financial report which can be obtained at https://treasury.tn.gov.

State of Tennessee Postemployment Benefits Trust Information

A. Schedule of Changes in the Plan Net OPEB Liability and Related Ratios

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

	2019	2020	2021	2022	2023	2024	2025
Total OPEB liability							
Service cost	$65,979	$40,419	$40,282	$38,849	$36,964	$35,102	$38,257
Interest	50,851	72,620	70,591	69,384	70,180	69,801	77,632
Changes in benefit terms	-	-	-	-	9,495	-	-
Differences between actual and expected experience	-	(37,425)	(25,926)	(32,751)	(18,332)	(15,420)	(22,028)
Changes of assumptions	(199,731)	(31,242)	(29,109)	16,235	(24,516)	112,354	(41,302)
Benefit payments, including refunds of employee contributions	(92,951)	(80,140)	(75,864)	(73,155)	(80,073)	(76,360)	(72,532)
Net change in total OPEB liability	($175,852)	($35,768)	($20,026)	$18,562	($6,282)	$125,477	($19,973)
Total OPEB liability-beginning	1,385,238	1,209,386	1,173,618	1,153,592	1,172,154	1,165,872	1,291,349
Total OPEB liability-ending (a)	$1,209,386	$1,173,618	$1,153,592	$1,172,154	$1,165,872	$1,291,349	$1,271,376
Plan fiduciary net position							
Contributions-employer	$301,486	$153,022	$148,609	$142,226	$438,053	$385,028	$100,487
Net investment income	5,167	(4,435)	91,762	(70,836)	62,558	147,646	134,976
Benefit payments, including refunds of employee contributions	(92,951)	(80,140)	(75,864)	(73,155)	(80,073)	(76,360)	(72,532)
Administrative expense	-	-	-	-	-	-	-
Net change in plan fiduciary net position	213,702	68,447	164,507	(1,765)	420,538	456,314	$162,931
Plan fiduciary net position-beginning	-	213,702	282,149	446,656	444,891	865,429	1,321,743
Plan fiduciary net position-ending (b)	$213,702	$282,149	$446,656	$444,891	$865,429	$1,321,743	$1,484,674
Net OPEB liability (asset)-ending (a)-(b)	$995,684	$891,469	$706,936	$727,263	$300,443	($30,394)	($213,298)
Plan fiduciary net position as a percentage of total OPEB liability	17.67%	24.04%	38.72%	37.95%	74.23%	102.35%	116.78%

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

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

B. Schedule of Contributions

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

	2019	2020	2021	2022	2023	2024	2025
Actuarially determined contribution	$135,810	$145,397	$137,075	$126,303	$115,734	$109,543	$67,983
Contributions in relation of the actuarially determined contribution	301,486	153,022	148,609	142,226	438,053	385,028	100,487
Contribution deficiency (excess)	($165,676)	($7,625)	($11,534)	($15,923)	($322,319)	($275,485)	($32,504)

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

Notes to Schedule of Contributions

Valuation Date: Actuarially determined contribution rates are calculated based on valuations as of June 30 two years prior to the fiscal year, in which the ADC is calculated.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	12 years
Asset valuation	5 year smoothed
Inflation	2.25 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation.
Investment rate of return	6.5 percent
Retirement age	Pattern of retirement determined by experience study
Mortality	The mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee mortality table for General Employees for non-disabled pre-retirement mortality, with mortality improvement projected generationally with MP-2021 from the central year. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2021. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally with MP-2021.

C. Schedule of Investment Returns

Schedule of Investment Returns State of Tennessee Postemployment Benefits Trust

	2019	2020	2021	2022	2023	2024	2025
Annual money-weighted rate of return, net of investment expense	6%	-0.95%	29.76%	-14.23%	8.76%	13.37%	9.72%

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

STATE OF TENNESSEE
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Required Supplementary Information
Major Governmental Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	General			
	Budgeted Amounts			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES				
Taxes	$ 13,189,130	$ 13,189,130	$ 13,044,989	$ (144,141)
Licenses, fines, fees, and permits	533,750	614,550	648,909	34,359
Investment income	525,050	525,050	1,042,605	517,555
Federal	20,552,974	22,248,825	17,490,302	(4,758,523)
Departmental services	2,577,414	2,699,818	2,943,658	243,840
Opioid and tobacco settlements	150,000	150,000	126,987	(23,013)
Other	46,700	46,700	176,175	129,475
Total revenues	37,575,018	39,474,073	35,473,625	(4,000,448)
EXPENDITURES				
General government				
Legislative	181,891	182,591	75,373	107,218
Secretary of State	111,154	111,154	61,701	49,453
Comptroller	174,828	180,258	148,278	31,980
Treasurer	120,774	129,383	82,449	46,934
Governor	7,233	7,584	7,492	92
Commissions	138,165	141,065	111,999	29,066
Finance and Administration	1,025,280	939,337	410,193	529,144
General Services	100,853	62,086	55,775	6,311
Revenue	154,219	161,258	35,165	126,093
Miscellaneous Appropriations	2,793	2,793	-	2,793
Health and social services				
Veterans Services	15,632	23,834	21,730	2,104
Labor and Workforce Development	458,693	466,468	246,316	220,152
TennCare	20,052,987	20,111,085	18,608,959	1,502,126
Mental Health	703,166	742,446	718,964	23,482
Intellectual Disabilities	481,767	558,694	480,615	78,079
Health	1,533,180	1,577,754	1,266,059	311,695
Human Services	4,946,780	5,068,103	3,324,524	1,743,579
Children's Services	1,409,198	1,518,514	1,469,046	49,468
Law, justice, and public safety				
Judicial	620,171	634,151	567,871	66,280
Correction	1,448,895	1,482,548	1,402,559	79,989
Probation and Paroles	12,370	12,986	12,336	650
Military	195,298	1,021,105	700,776	320,329
Bureau of Criminal Investigation	155,819	173,612	163,382	10,230
Safety	1,120,214	1,139,890	614,802	525,088
Recreation and resources development				
Agriculture	330,008	408,595	255,080	153,515
Tourist Development	126,821	133,019	89,226	43,793
Environment and Conservation	2,101,119	2,126,835	800,243	1,326,592
Economic and Community Development	1,894,617	2,852,466	449,637	2,402,829
Regulation of business and professions				
Commerce and Insurance	246,953	257,451	157,582	99,869
Financial Institutions	36,133	36,941	25,734	11,207
Total expenditures	39,907,011	42,264,006	32,363,866	9,900,140
Excess (deficiency) of revenues over (under) expenditures	(2,331,993)	(2,789,933)	3,109,759	5,899,692
OTHER FINANCING SOURCES (USES)				
Insurance claims recoveries	4,164	4,164	4,164	-
Transfers in	84,068	84,068	84,068	-
Transfers out	(2,438,081)	(1,878,451)	(1,878,451)	-
Total other financing sources (uses)	(2,349,849)	(1,790,219)	(1,790,219)	-
Net change in fund balances	(4,681,842)	(4,580,152)	1,319,540	5,899,692
Fund balances (budgetary basis), July 1	9,807,496	9,807,496	9,807,496	-
Fund balances (budgetary basis), June 30	$ 5,125,654	$ 5,227,344	$ 11,127,036	$ 5,899,692

STATE OF TENNESSEE
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Required Supplementary Information
Major Governmental Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	Education			
	Budgeted Amounts			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES				
Taxes	$ 8,460,900	$ 8,460,900	$ 8,643,690	$ 182,790
Licenses, fines, fees, and permits	5,869	5,869	5,832	(37)
Investment income	175	175	8,789	8,614
Federal	1,657,334	1,952,077	1,736,038	(216,039)
Departmental services	99,897	103,157	90,049	(13,108)
Other	519,900	519,900	430,404	(89,496)
Total revenues	10,744,075	11,042,078	10,914,802	(127,276)
EXPENDITURES				
K-12 Education	9,494,042	9,905,450	9,118,432	787,018
Higher education	2,952,316	3,077,213	2,877,215	199,998
Total expenditures	12,446,358	12,982,663	11,995,647	987,016
Excess (deficiency) of revenues over (under) expenditures	(1,702,283)	(1,940,585)	(1,080,845)	859,740
OTHER FINANCING SOURCES (USES)				
Transfers in	1,709,288	1,709,288	1,149,658	(559,630)
Transfers out	(50,000)	(99,920)	(99,920)	-
Total other financing sources (uses)	1,659,288	1,609,368	1,049,738	(559,630)
Net change in fund balance	(42,995)	(331,217)	(31,107)	300,110
Fund balances (budgetary basis), July 1	936,018	936,018	936,018	-
Fund balances (budgetary basis), June 30	$ 893,023	$ 604,801	$ 904,911	$ 300,110

	Highway			
	Budgeted Amounts			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES				
Taxes	$ 764,600	$ 764,600	$ 755,777	$ (8,823)
Licenses, fines, fees, and permits	335,943	335,943	359,918	23,975
Investment income	-	-	150,141	150,141
Federal	1,473,811	5,026,679	1,571,674	(3,455,005)
Departmental services	54,351	234,481	63,376	(171,105)
Other	10,945	10,945	12,692	1,747
Total revenues	2,639,650	6,372,648	2,913,578	(3,459,070)
EXPENDITURES				
Transportation	8,214,110	11,951,347	3,222,772	8,728,575
Total expenditures	8,214,110	11,951,347	3,222,772	8,728,575
Excess (deficiency) of revenues over (under) expenditures	(5,574,460)	(5,578,699)	(309,194)	5,269,505
OTHER FINANCING SOURCES (USES)				
Bond authorizations	87,700	-	-	-
Insurance claims recoveries	-	2,530	2,530	-
Transfers in	-	205,237	205,237	-
Transfers out	(3,244)	(3,244)	(3,244)	-
Total other financing sources (uses)	84,456	204,523	204,523	-
Net change in fund balance	(5,490,004)	(5,374,176)	(104,671)	5,269,505
Fund balances (budgetary basis), July 1	5,421,026	5,421,026	5,421,026	-
Fund balances (budgetary basis), June 30	$ (68,978)	$ 46,850	$ 5,316,355	$ 5,269,505

	State Shared Taxes			
	Budgeted Amounts			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
REVENUES				
Taxes	$ 1,609,600	$ 1,609,600	$ 1,828,245	$ 218,645
Licenses, fines, fees, and permits	-	-	6,319	6,319
Total revenues	1,609,600	1,609,600	1,834,564	224,964
EXPENDITURES				
General government	1,834,564	1,834,564	1,834,564	-
Total expenditures	1,834,564	1,834,564	1,834,564	-
Excess (deficiency) of revenues over (under) expenditures	(224,964)	(224,964)	-	224,964

STATE OF TENNESSEE
Required Supplementary Information
Note to RSI
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

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

	General	Education	Highway
Revenues			
Actual amount (budgetary basis)		$ 10,914,802	
The revenues for the Tennessee Promise Scholarship Endowment Fund are not included in the annually adopted budget.		125,722	
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds		$ 11,040,524	
Expenditures			
Actual amount (budgetary basis)	$ 32,363,866	$ 11,995,647	$ 3,222,772
The expenditures for the Tennessee Promise Scholarship Endowment Fund are not included in the annually adopted budget.	-	24,062	-
Capital outlay from right-to-use leases and subscriptions are not included in the annual adopted budget.	96,073	477	9,651
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 32,459,939	$ 12,020,186	$ 3,232,423
Other financing sources (uses)			
Actual amount (budgetary basis)	$ (1,790,219)	$ 1,049,738	$ 204,523
The transfers out to the Tennessee Promise Scholarship Endowment Fund were eliminated in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.	-	50,000	-
Financing sources from right-to-use leases and subscriptions are not included in the annual adopted budget.	96,073	477	9,651
Total other financing sources (uses) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ (1,694,146)	$ 1,100,215	$ 214,174

2. Budgetary Process

The law requires the Governor to submit a recommended budget to the General Assembly annually. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the departments in the general fund, the special revenue funds (except Fraud and Economic Crime, Agricultural Promotion Boards, and Tennessee Promise Scholarship Endowment Fund, included in the Education Trust Fund), and for the debt service fund. The General Assembly enacts the budget through passage of specific departmental appropriations, the sum of which may not exceed estimated revenues. Before signing the Appropriations Act, the Governor may veto or reduce any specific appropriation, subject to legislative override. Once passed and signed, the budget becomes the state's financial plan for the coming year.

Budgetary control is maintained at the department level. Budget revisions during the year, reflecting program changes or intradepartmental transfers of an administrative nature, may be affected with certain executive and legislative branch approval.

Generally, appropriations lapse at the end of each fiscal year. It is the state's budgetary practice to appropriate matching dollars for jointly funded projects in the year of federal apportionment for the highway fund, and these appropriations do not lapse at year-end but are reappropriated for subsequent year expenditure. There were no outstanding encumbrances reported as of June 30, 2025. In order to provide sufficient funding for several programs during the year, supplemental appropriations of $607 million were required.

Reclassifications: Budgetary expenditures related to lease payments are reclassified from expenditures by function to debt service for GAAP reporting.

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SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds—A description of these funds is found later in this section.

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

Permanent Funds—A description of these funds is found later in this section.

STATE OF TENNESSEE
Combining Balance Sheet
Nonmajor Governmental Funds - By Fund Type
June 30, 2025
(Expressed in Thousands)

	Special Revenue Funds	Debt Service Fund	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	$ 826,762	$ 22,113	$ 16,555	$ 865,430
Investments	46,858	-	850,300	897,158
Receivables, net	598,986	11,259	6,245	616,490
Due from other funds	19	-	-	19
Due from component units	-	-	1,810	1,810
Loans receivable	-	1,412	-	1,412
Prepayments and others	25	-	-	25
Total assets	$ 1,472,650	$ 34,784	$ 874,910	$ 2,382,344
LIABILITIES				
Accounts payable and accruals	75,863	20	-	75,883
Due to other funds	431	-	324	755
Due to component units	3,199	-	3,416	6,615
Unearned revenue	10	-	-	10
Total liabilities	79,503	20	3,740	83,263
DEFERRED INFLOWS OF RESOURCES	509,300	2,402	-	511,702
FUND BALANCES				
Nonspendable				
Permanent fund and endowment corpus	$ -	$ -	$ 334,747	$ 334,747
Restricted	424,715	3,162	411,856	839,733
Committed	459,132	-	124,567	583,699
Assigned	-	29,200	-	29,200
Total fund balances	883,847	32,362	871,170	1,787,379
Total liabilities, deferred inflows of resources and fund balances	$ 1,472,650	$ 34,784	$ 874,910	$ 2,382,344

STATE OF TENNESSEE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - By Fund Type
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	Special Revenue Funds	Debt Service Fund	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes:				
Sales and use	$ 8,850	$ 101,959	$ -	$ 110,809
Fuel	25,120	87,700	-	112,820
Business	-	149,641	-	149,641
Other	62,582	-	-	62,582
Licenses, fines, fees, and permits	376,975	2,700	183	379,858
Investment income	37,577	16,017	77,949	131,543
Federal	62,946	-	-	62,946
Departmental services	30,037	550	-	30,587
Other	8	-	-	8
Total revenues	604,095	358,567	78,132	1,040,794
EXPENDITURES				
General government	35,085	-	-	35,085
Education	-	-	11,465	11,465
Health and social services	65,951	-	3,771	69,722
Law, justice, and public safety	9,086	-	-	9,086
Recreation and resources development	312,047	-	36	312,083
Regulation of business and professions	162,223	-	-	162,223
Debt service:				
Principal	367	158,887	-	159,254
Interest	92	60,530	-	60,622
Debt issuance costs	-	1,573	-	1,573
Capital outlay	77	-	-	77
Total expenditures	584,928	220,990	15,272	821,190
Excess (deficiency) of revenues over (under) expenditures	19,167	137,577	62,860	219,604
OTHER FINANCING SOURCES (USES)				
Right-to-use leases and subscriptions	77	-	-	77
Insurance claims recoveries	240	-	-	240
Transfers in	18,787	3,310	-	22,097
Transfers out	(909)	(151,446)	(22,735)	(175,090)
Total other financing sources (uses)	18,195	(148,136)	(22,735)	(152,676)
Net change in fund balances	37,362	(10,559)	40,125	66,928
Fund balances, July 1	846,485	42,921	831,045	1,720,451
Fund balances, June 30	$ 883,847	$ 32,362	$ 871,170	$ 1,787,379

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STATE OF TENNESSEE
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Debt Service Fund
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	Debt Service Fund		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ 339,300	$ 339,300	$ -
Licenses, fines, fees, and permits	2,700	2,700	-
Investment income	16,017	16,017	-
Departmental services	550	550	-
Total revenues	358,567	358,567	-
EXPENDITURES			
Debt service	220,990	220,990	-
Total expenditures	220,990	220,990	-
Excess (deficiency) of revenues over (under) expenditures	137,577	137,577	-
OTHER FINANCING SOURCES (USES)			
Transfers in	3,310	3,310	-
Transfers out	(151,446)	(151,446)	-
Total other financing sources (uses)	(148,136)	(148,136)	-
Net change in fund balances	(10,559)	(10,559)	-
Fund balances (budgetary basis), July 1	42,921	42,921	-
Fund balances (budgetary basis), June 30	$ 32,362	$ 32,362	$ -

NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

STATE OF TENNESSEE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2025
(Expressed in Thousands)

	Wildlife Resources Agency	Criminal Injuries Compensation	Solid Waste	Help America Vote
ASSETS				
Cash and cash equivalents	$ 75,456	$ 3,162	$ 25,843	$ 27,086
Investments	46,858	-	-	-
Receivables, net	9,253	5,807	795	46
Due from other funds	-	-	-	-
Prepayments and others	-	-	-	-
Total assets	$ 131,567	$ 8,969	$ 26,638	$ 27,132
LIABILITIES				
Accounts payable and accruals	10,975	1,816	5,636	25,023
Due to other funds	363	49	-	-
Due to component units	1,325	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	12,663	1,865	5,636	25,023
DEFERRED INFLOWS OF RESOURCES	-	-	-	-
FUND BALANCES				
Restricted	$ 91,855	$ -	$ -	$ 2,109
Committed	27,049	7,104	21,002	-
Total fund balances	118,904	7,104	21,002	2,109
Total liabilities, deferred inflows of resources and fund balances	$ 131,567	$ 8,969	$ 26,638	$ 27,132

STATE OF TENNESSEE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2025
(Expressed in Thousands)

continued on next page

Environmental Protection	Hazardous Waste	Parks Acquisition	Supreme Court Boards	Underground Storage Tanks	Enhanced Emergency 911 Service	Driver Education
$ 88,244	$ 121,244	$ 122,990	$ 4,048	$ 70,918	$ 24,393	$ 1,448
-	-	-	-	-	-	-
-	811	4,358	1	1,743	15,723	59
-	-	-	-	-	-	-
-	-	-	-	-	-	-
$ 88,244	$ 122,055	$ 127,348	$ 4,049	$ 72,661	$ 40,116	$ 1,507
3	3,820	8,094	180	3,909	1,595	12
-	-	-	-	-	19	-
-	-	-	-	-	-	-
-	-	-	9	-	-	-
3	3,820	8,094	189	3,909	1,614	12
-	-	-	-	-	1,229	-
$ -	$ 57	$ -	$ 3,860	$ 68,752	$ 30,067	$ -
88,241	118,178	119,254	-	-	7,206	1,495
88,241	118,235	119,254	3,860	68,752	37,273	1,495
$ 88,244	$ 122,055	$ 127,348	$ 4,049	$ 72,661	$ 40,116	$ 1,507

STATE OF TENNESSEE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2025
(Expressed in Thousands)

	Abandoned Land Program	Agricultural Non-Point Water Pollution	Salvage Title Enforcement	Agricultural Promotion Boards
ASSETS				
Cash and cash equivalents	$ 8,897	$ 16,660	$ 6,113	$ 532
Investments	-	-	-	-
Receivables, net	21	1,040	-	35
Due from other funds	-	-	-	-
Prepayments and others	-	-	-	25
Total assets	$ 8,918	$ 17,700	$ 6,113	$ 592
LIABILITIES				
Accounts payable and accruals	163	418	106	147
Due to other funds	-	-	-	-
Due to component units	-	199	-	-
Unearned revenue	-	-	-	-
Total liabilities	163	617	106	147
DEFERRED INFLOWS OF RESOURCES	-	-	-	-
FUND BALANCES				
Restricted	$ 7,358	$ -	$ -	$ -
Committed	1,397	17,083	6,007	445
Total fund balances	8,755	17,083	6,007	445
Total liabilities, deferred inflows of resources and fund balances	$ 8,918	$ 17,700	$ 6,113	$ 592

STATE OF TENNESSEE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2025
(Expressed in Thousands)

Drycleaner's Environmental Response	Agricultural Regulatory Fund	Tennessee Public Utility Commission	Fraud and Economic Crime	Vehicle Tag and Analogous Fees	Opioid Abatement Fund	Total Nonmajor Special Revenue Funds
$ 6,141	$ 25,886	$ 8,557	$ 3,273	$ 2,942	$ 182,929	$ 826,762
-	-	-	-	-	-	46,858
-	790	8	-	748	557,748	598,986
-	-	19	-	-	-	19
-	-	-	-	-	-	25
$ 6,141	$ 26,676	$ 8,584	$ 3,273	$ 3,690	$ 740,677	$ 1,472,650
183	-	319	-	3,190	10,274	75,863
-	-	-	-	-	-	431
-	-	-	-	-	1,675	3,199
-	-	1	-	-	-	10
183	-	320	-	3,190	11,949	79,503
-	-	-	-	-	508,071	509,300
$ -	$ -	$ -	$ -	$ -	$ 220,657	$ 424,715
5,958	26,676	8,264	3,273	500	-	459,132
5,958	26,676	8,264	3,273	500	220,657	883,847
$ 6,141	$ 26,676	$ 8,584	$ 3,273	$ 3,690	$ 740,677	$ 1,472,650

STATE OF TENNESSEE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	Wildlife Resources Agency	Criminal Injuries Compensation	Solid Waste	Help America Vote
REVENUES				
Taxes:				
Sales and use	$ -	$ -	$ -	$ -
Fuel	4,819	-	-	-
Other	23,571	-	2,555	-
Licenses, fines, fees, and permits	51,240	8,432	8,090	-
Investment income	5,540	172	1,206	98
Federal	48,792	5,331	195	991
Departmental services	24,160	-	-	-
Other	-	8	-	-
Total revenues	158,122	13,943	12,046	1,089
EXPENDITURES				
General government	-	14,217	-	1,048
Health and social services	-	-	-	-
Law, justice, and public safety	-	-	-	-
Recreation and resources development	157,302	-	15,207	-
Regulation of business and professions	-	-	-	-
Debt service:				
Principal	33	-	-	-
Interest	1	-	-	-
Capital outlay	17	-	-	-
Total expenditures	157,353	14,217	15,207	1,048
Excess (deficiency) of revenues over (under) expenditures	769	(274)	(3,161)	41
OTHER FINANCING SOURCES (USES)				
Right-to-use leases and subscriptions	17	-	-	-
Insurance claims recoveries	240	-	-	-
Transfers in	11,617	-	10	-
Transfers out	(659)	-	-	-
Total other financing sources (uses)	11,215	-	10	-
Net change in fund balances	11,984	(274)	(3,151)	41
Fund balances, July 1	106,920	7,378	24,153	2,068
Fund balances, June 30	$ 118,904	$ 7,104	$ 21,002	$ 2,109

STATE OF TENNESSEE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

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Environmental Protection	Hazardous Waste	Parks Acquisition	Supreme Court Boards	Underground Storage Tanks	Enhanced Emergency 911 Service	Driver Education
$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	20,301	-	-
-	-	23,571	-	-	-	-
54,626	-	-	7,001	1,979	153,739	688
3,727	5,432	5,601	209	3,119	901	-
-	2,202	2,105	-	1,693	-	-
-	4,245	-	294	36	2	-
-	-	-	-	-	-	-
58,353	11,879	31,277	7,504	27,128	154,642	688
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	7,777	-	-	754
44,907	14,110	31,475	-	23,868	-	-
-	-	-	-	-	162,223	-
-	-	-	334	-	-	-
-	-	-	91	-	-	-
-	-	-	60	-	-	-
44,907	14,110	31,475	8,262	23,868	162,223	754
13,446	(2,231)	(198)	(758)	3,260	(7,581)	(66)
-	-	-	60	-	-	-
-	-	-	-	-	-	-
-	6,834	-	58	141	17	5
-	-	(250)	-	-	-	-
-	6,834	(250)	118	141	17	5
13,446	4,603	(448)	(640)	3,401	(7,564)	(61)
74,795	113,632	119,702	4,500	65,351	44,837	1,556
$ 88,241	$ 118,235	$ 119,254	$ 3,860	$ 68,752	$ 37,273	$ 1,495

STATE OF TENNESSEE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	Abandoned Land Program	Agricultural Non-Point Water Pollution	Salvage Title Enforcement	Agricultural Promotion Boards
REVENUES				
Taxes:				
Sales and use	$ -	$ -	$ -	$ -
Fuel	-	-	-	-
Other	-	10,879	-	790
Licenses, fines, fees, and permits	20	-	2,942	-
Investment income	400	686	-	5
Federal	148	-	-	-
Departmental services	-	-	-	5
Other	-	-	-	-
Total revenues	568	11,565	2,942	800
EXPENDITURES				
General government	-	-	2,473	-
Health and social services	-	-	-	-
Law, justice, and public safety	-	-	-	-
Recreation and resources development	152	9,196	-	888
Regulation of business and professions	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	152	9,196	2,473	888
Excess (deficiency) of revenues over (under) expenditures	416	2,369	469	(88)
OTHER FINANCING SOURCES (USES)				
Right-to-use leases and subscriptions	-	-	-	-
Insurance claims recoveries	-	-	-	-
Transfers in	-	-	19	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	19	-
Net change in fund balances	416	2,369	488	(88)
Fund balances, July 1	8,339	14,714	5,519	533
Fund balances, June 30	$ 8,755	$ 17,083	$ 6,007	$ 445

STATE OF TENNESSEE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

Drycleaner's Environmental Response	Agricultural Regulatory Fund	Tennessee Public Utility Commission	Fraud and Economic Crime	Vehicle Tag and Analogous Fees	Opioid Abatement Fund	Total Nonmajor Special Revenue Funds
$ -	$ 8,850	$ -	$ -	$ -	$ -	$ 8,850
-	-	-	-	-	-	25,120
-	-	-	-	1,216	-	62,582
391	13,752	6,074	670	7,250	60,081	376,975
284	847	-	24	29	9,297	37,577
-	-	1,489	-	-	-	62,946
-	40	1,255	-	-	-	30,037
-	-	-	-	-	-	8
675	23,489	8,818	694	8,495	69,378	604,095
-	-	8,852	-	8,495	-	35,085
-	-	-	-	-	65,951	65,951
-	-	-	555	-	-	9,086
698	14,244	-	-	-	-	312,047
-	-	-	-	-	-	162,223
-	-	-	-	-	-	367
-	-	-	-	-	-	92
-	-	-	-	-	-	77
698	14,244	8,852	555	8,495	65,951	584,928
(23)	9,245	(34)	139	-	3,427	19,167
-	-	-	-	-	-	77
-	-	-	-	-	-	240
1	-	85	-	-	-	18,787
-	-	-	-	-	-	(909)
1	-	85	-	-	-	18,195
(22)	9,245	51	139	-	3,427	37,362
5,980	17,431	8,213	3,134	500	217,230	846,485
$ 5,958	$ 26,676	$ 8,264	$ 3,273	$ 500	$ 220,657	$ 883,847

STATE OF TENNESSEE
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
All Nonmajor Budgeted Special Revenue Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	Wildlife Resources Agency		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ 19,919	$ 28,390	$ 8,471
Licenses, fines, fees, and permits	58,553	51,240	(7,313)
Investment income	-	5,540	5,540
Federal	50,890	48,792	(2,098)
Departmental services	35,722	24,160	(11,562)
Other	-	-	-
Total revenues	165,084	158,122	(6,962)
EXPENDITURES			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Mental Health	-	-	-
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	-	-	-
Wildlife Resources	193,815	157,336	36,479
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	193,815	157,336	36,479
Excess (deficiency) of revenues over (under) expenditures	(28,731)	786	29,517
OTHER FINANCING SOURCES (USES)			
Insurance claims recoveries	240	240	-
Transfers in	11,617	11,617	-
Transfers out	(659)	(659)	-
Total other financing sources (uses)	11,198	11,198	-
Net change in fund balances	(17,533)	11,984	29,517
Fund balances (budgetary basis), July 1	106,920	106,920	-
Fund balances (budgetary basis), June 30	$ 89,387	$ 118,904	$ 29,517

STATE OF TENNESSEE
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
All Nonmajor Budgeted Special Revenue Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

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Criminal Injuries Compensation			Solid Waste		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
$ -	$ -	$ -	$ 2,692	$ 2,555	$ (137)
12,063	8,432	(3,631)	6,133	8,090	1,957
-	172	172	-	1,206	1,206
4,851	5,331	480	-	195	195
-	-	-	-	-	-
10	8	(2)	-	-	-
16,924	13,943	(2,981)	8,825	12,046	3,221
-	-	-	-	-	-
-	-	-	-	-	-
16,923	14,217	2,706	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	18,465	15,207	3,258
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
16,923	14,217	2,706	18,465	15,207	3,258
1	(274)	(275)	(9,640)	(3,161)	6,479
-	-	-	-	-	-
-	-	-	10	10	-
-	-	-	-	-	-
-	-	-	10	10	-
1	(274)	(275)	(9,630)	(3,151)	6,479
7,378	7,378	-	24,153	24,153	-
$ 7,379	$ 7,104	$ (275)	$ 14,523	$ 21,002	$ 6,479

STATE OF TENNESSEE
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
All Nonmajor Budgeted Special Revenue Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	Help America Vote		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ -	$ -	$ -
Licenses, fines, fees, and permits	-	-	-
Investment income	-	98	98
Federal	26,500	991	(25,509)
Departmental services	-	-	-
Other	-	-	-
Total revenues	26,500	1,089	(25,411)
EXPENDITURES			
Judicial	-	-	-
Secretary of State	27,500	1,048	26,452
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Mental Health	-	-	-
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	27,500	1,048	26,452
Excess (deficiency) of revenues over (under) expenditures	(1,000)	41	1,041
OTHER FINANCING SOURCES (USES)			
Insurance claims recoveries	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(1,000)	41	1,041
Fund balances (budgetary basis), July 1	2,068	2,068	-
Fund balances (budgetary basis), June 30	$ 1,068	$ 2,109	$ 1,041

STATE OF TENNESSEE
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
All Nonmajor Budgeted Special Revenue Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

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Environmental Protection			Hazardous Waste		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
$ -	$ -	$ -	$ -	$ -	$ -
65,352	54,626	(10,726)	-	-	-
-	3,727	3,727	-	5,432	5,432
-	-	-	2,690	2,202	(488)
-	-	-	5,877	4,245	(1,632)
-	-	-	-	-	-
65,352	58,353	(6,999)	8,567	11,879	3,312
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
66,006	44,907	21,099	28,362	14,110	14,252
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
66,006	44,907	21,099	28,362	14,110	14,252
(654)	13,446	14,100	(19,795)	(2,231)	17,564
-	-	-	-	-	-
-	-	-	6,834	6,834	-
-	-	-	-	-	-
-	-	-	6,834	6,834	-
(654)	13,446	14,100	(12,961)	4,603	17,564
74,795	74,795	-	113,632	113,632	-
$ 74,141	$ 88,241	$ 14,100	$ 100,671	$ 118,235	$ 17,564

STATE OF TENNESSEE
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
All Nonmajor Budgeted Special Revenue Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	Parks Acquisition		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ 7,132	$ 23,571	$ 16,439
Licenses, fines, fees, and permits	-	-	-
Investment income	-	5,601	5,601
Federal	-	2,105	2,105
Departmental services	-	-	-
Other	-	-	-
Total revenues	7,132	31,277	24,145
EXPENDITURES			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Mental Health	-	-	-
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	41,088	31,475	9,613
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	41,088	31,475	9,613
Excess (deficiency) of revenues over (under) expenditures	(33,956)	(198)	33,758
OTHER FINANCING SOURCES (USES)			
Insurance claims recoveries	-	-	-
Transfers in	-	-	-
Transfers out	(250)	(250)	-
Total other financing sources (uses)	(250)	(250)	-
Net change in fund balances	(34,206)	(448)	33,758
Fund balances (budgetary basis), July 1	119,702	119,702	-
Fund balances (budgetary basis), June 30	$ 85,496	$ 119,254	$ 33,758

STATE OF TENNESSEE
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
All Nonmajor Budgeted Special Revenue Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

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Supreme Court Boards			Underground Storage Tanks		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
$ -	$ -	$ -	$ 20,500	$ 20,301	$ (199)
6,155	7,001	846	5,956	1,979	(3,977)
-	209	209	-	3,119	3,119
-	-	-	1,973	1,693	(280)
-	294	294	-	36	36
-	-	-	-	-	-
6,155	7,504	1,349	28,429	27,128	(1,301)
8,198	8,202	(4)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	28,608	23,868	4,740
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
8,198	8,202	(4)	28,608	23,868	4,740
(2,043)	(698)	1,345	(179)	3,260	3,439
-	-	-	-	-	-
58	58	-	141	141	-
-	-	-	-	-	-
58	58	-	141	141	-
(1,985)	(640)	1,345	(38)	3,401	3,439
4,500	4,500	-	65,351	65,351	-
$ 2,515	$ 3,860	$ 1,345	$ 65,313	$ 68,752	$ 3,439

STATE OF TENNESSEE
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
All Nonmajor Budgeted Special Revenue Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	Enhanced Emergency 911 Service		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ -	$ -	$ -
Licenses, fines, fees, and permits	159,155	153,739	(5,416)
Investment income	-	901	901
Federal	-	-	-
Departmental services	-	2	2
Other	-	-	-
Total revenues	159,155	154,642	(4,513)
EXPENDITURES			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Mental Health	-	-	-
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	165,019	162,223	2,796
Revenue	-	-	-
Total expenditures	165,019	162,223	2,796
Excess (deficiency) of revenues over (under) expenditures	(5,864)	(7,581)	(1,717)
OTHER FINANCING SOURCES (USES)			
Insurance claims recoveries	-	-	-
Transfers in	17	17	-
Transfers out	-	-	-
Total other financing sources (uses)	17	17	-
Net change in fund balances	(5,847)	(7,564)	(1,717)
Fund balances (budgetary basis), July 1	44,837	44,837	-
Fund balances (budgetary basis), June 30	$ 38,990	$ 37,273	$ (1,717)

STATE OF TENNESSEE
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
All Nonmajor Budgeted Special Revenue Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

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Driver Education			Abandoned Land Program		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
$ -	$ -	$ -	$ -	$ -	$ -
901	688	(213)	580	20	(560)
-	-	-	-	400	400
-	-	-	1,111	148	(963)
-	-	-	-	-	-
-	-	-	-	-	-
901	688	(213)	1,691	568	(1,123)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,016	754	262	-	-	-
-	-	-	-	-	-
-	-	-	1,691	152	1,539
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,016	754	262	1,691	152	1,539
(115)	(66)	49	-	416	416
-	-	-	-	-	-
5	5	-	-	-	-
-	-	-	-	-	-
5	5	-	-	-	-
(110)	(61)	49	-	416	416
1,556	1,556	-	8,339	8,339	-
$ 1,446	$ 1,495	$ 49	$ 8,339	$ 8,755	$ 416

STATE OF TENNESSEE
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
All Nonmajor Budgeted Special Revenue Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	Agricultural Non-Point Water Pollution		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ 7,188	$ 10,879	$ 3,691
Licenses, fines, fees, and permits	-	-	-
Investment income	-	686	686
Federal	-	-	-
Departmental services	-	-	-
Other	-	-	-
Total revenues	7,188	11,565	4,377
EXPENDITURES			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Mental Health	-	-	-
Safety	-	-	-
Agriculture	11,688	9,196	2,492
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	11,688	9,196	2,492
Excess (deficiency) of revenues over (under) expenditures	(4,500)	2,369	6,869
OTHER FINANCING SOURCES (USES)			
Insurance claims recoveries	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(4,500)	2,369	6,869
Fund balances (budgetary basis), July 1	14,714	14,714	-
Fund balances (budgetary basis), June 30	$ 10,214	$ 17,083	$ 6,869

STATE OF TENNESSEE
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
All Nonmajor Budgeted Special Revenue Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

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Salvage Title Enforcement			Drycleaner's Environmental Response		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
$ -	$ -	$ -	$ -	$ -	$ -
2,669	2,942	273	1,996	391	(1,605)
-	-	-	-	284	284
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,669	2,942	273	1,996	675	(1,321)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	2,000	698	1,302
-	-	-	-	-	-
-	-	-	-	-	-
2,755	2,473	282	-	-	-
2,755	2,473	282	2,000	698	1,302
(86)	469	555	(4)	(23)	(19)
-	-	-	-	-	-
19	19	-	1	1	-
-	-	-	-	-	-
19	19	-	1	1	-
(67)	488	555	(3)	(22)	(19)
5,519	5,519	-	5,980	5,980	-
$ 5,452	$ 6,007	$ 555	$ 5,977	$ 5,958	$ (19)

STATE OF TENNESSEE
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
All Nonmajor Budgeted Special Revenue Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	Agricultural Regulatory Fund		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ 1,171	$ 8,850	$ 7,679
Licenses, fines, fees, and permits	12,793	13,752	959
Investment income	-	847	847
Federal	-	-	-
Departmental services	2	40	38
Other	-	-	-
Total revenues	13,966	23,489	9,523
EXPENDITURES			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Mental Health	-	-	-
Safety	-	-	-
Agriculture	14,704	14,244	460
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	14,704	14,244	460
Excess (deficiency) of revenues over (under) expenditures	(738)	9,245	9,983
OTHER FINANCING SOURCES (USES)			
Insurance claims recoveries	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(738)	9,245	9,983
Fund balances (budgetary basis), July 1	17,431	17,431	-
Fund balances (budgetary basis), June 30	$ 16,693	$ 26,676	$ 9,983

STATE OF TENNESSEE
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
All Nonmajor Budgeted Special Revenue Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

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Tennessee Public Utility Commission			Vehicle Tag and Analogous Fees		
Budget	Actual (Budgetary Basis)	Variance	Budget	Actual (Budgetary Basis)	Variance
$ -	$ -	$ -	$ 1,216	$ 1,216	$ -
8,630	6,074	(2,556)	7,279	7,250	(29)
-	-	-	-	29	29
1,120	1,489	369	-	-	-
1,431	1,255	(176)	-	-	-
-	-	-	-	-	-
11,181	8,818	(2,363)	8,495	8,495	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
11,281	8,852	2,429	-	-	-
-	-	-	8,495	8,495	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
11,281	8,852	2,429	8,495	8,495	-
(100)	(34)	66	-	-	-
-	-	-	-	-	-
85	85	-	-	-	-
-	-	-	-	-	-
85	85	-	-	-	-
(15)	51	66	-	-	-
8,213	8,213	-	500	500	-
$ 8,198	$ 8,264	$ 66	$ 500	$ 500	$ -

STATE OF TENNESSEE
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
All Nonmajor Budgeted Special Revenue Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	Opioid Abatement Fund		
	Budget	Actual (Budgetary Basis)	Variance
REVENUES			
Taxes	$ -	$ -	$ -
Licenses, fines, fees, and permits	-	60,081	60,081
Investment income	-	9,297	9,297
Federal	-	-	-
Departmental services	43	-	(43)
Other	-	-	-
Total revenues	43	69,378	69,335
EXPENDITURES			
Judicial	-	-	-
Secretary of State	-	-	-
Treasurer	-	-	-
Commissions	-	-	-
Finance and Administration	-	-	-
Mental Health	66,344	65,951	393
Safety	-	-	-
Agriculture	-	-	-
Environment and Conservation	-	-	-
Wildlife Resources	-	-	-
Commerce and Insurance	-	-	-
Revenue	-	-	-
Total expenditures	66,344	65,951	393
Excess (deficiency) of revenues over (under) expenditures	(66,301)	3,427	69,728
OTHER FINANCING SOURCES (USES)			
Insurance claims recoveries	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(66,301)	3,427	69,728
Fund balances (budgetary basis), July 1	217,230	217,230	-
Fund balances (budgetary basis), June 30	$ 150,929	$ 220,657	$ 69,728

STATE OF TENNESSEE
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
All Nonmajor Budgeted Special Revenue Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

Total Nonmajor Special Revenue Funds		
Budget	Actual (Budgetary Basis)	Variance
$ 59,818	$ 95,762	$ 35,944
348,215	376,305	28,090
-	37,548	37,548
89,135	62,946	(26,189)
43,075	30,032	(13,043)
10	8	(2)
540,253	602,601	62,348
8,198	8,202	(4)
27,500	1,048	26,452
16,923	14,217	2,706
11,281	8,852	2,429
8,495	8,495	-
66,344	65,951	393
1,016	754	262
26,392	23,440	2,952
186,220	130,417	55,803
193,815	157,336	36,479
165,019	162,223	2,796
2,755	2,473	282
713,958	583,408	130,550
(173,705)	19,193	192,898
240	240	-
18,787	18,787	-
(909)	(909)	-
18,118	18,118	-
(155,587)	37,311	192,898
842,818	842,818	-
$ 687,231	$ 880,129	$ 192,898

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PERMANENT FUNDS

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

K-12 Mental Health Fund—This fund was established by the General Assembly to provide mental health support to students in primary and secondary schools in this state. The resources in this fund are legally restricted to the extent that only earnings, not principal, are available to the department of mental health and substance abuse services for allocation and distribution, in consultation with the department of education, for mental or behavioral health services or treatment for kindergarten through grade twelve (K-12) students or for an assessment to review current mental and behavioral health resources for K-12 students that are available in each county.

Other—This column includes various smaller funds in which legal restrictions require that the principal remain intact and only the earnings may be spent.

STATE OF TENNESSEE
Combining Balance Sheet
Permanent Funds
June 30, 2025
(Expressed in Thousands)

	Chairs of Excellence	K-12 Mental Health Fund	Other Permanent Funds	Total Permanent Funds
ASSETS				
Cash and cash equivalents	$ 1,905	$ 3,091	$ 11,559	$ 16,555
Investments	512,694	265,948	71,658	850,300
Receivables, net	2,591	3,638	16	6,245
Due from component units	1,810	-	-	1,810
Total assets	$ 519,000	$ 272,677	$ 83,233	$ 874,910
LIABILITIES				
Due to other funds	-	324	-	324
Due to component units	3,416	-	-	3,416
Total liabilities	3,416	324	-	3,740
FUND BALANCES				
Nonspendable				
Permanent fund and endowment corpus	$ 104,612	$ 150,000	$ 80,135	$ 334,747
Restricted	410,972	-	884	411,856
Committed	-	122,353	2,214	124,567
Total fund balances	515,584	272,353	83,233	871,170
Total liabilities and fund balances	$ 519,000	$ 272,677	$ 83,233	$ 874,910

STATE OF TENNESSEE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Permanent Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	Chairs of Excellence	K-12 Mental Health Fund	Other Permanent Funds	Total Permanent Funds
REVENUES				
Licenses, fines, fees, and permits	$ -	$ -	$ 183	$ 183
Investment income (loss)	54,831	18,729	4,389	77,949
Total revenues	54,831	18,729	4,572	78,132
EXPENDITURES				
Education	11,465	-	-	11,465
Health and social services	-	3,771	-	3,771
Recreation and resources development	-	-	36	36
Total expenditures	11,465	3,771	36	15,272
Excess (deficiency) of revenues over (under) expenditures	43,366	14,958	4,536	62,860
Transfers out	-	-	(22,735)	(22,735)
Total other financing sources (uses)	-	-	(22,735)	(22,735)
Net change in fund balances	43,366	14,958	(18,199)	40,125
Fund balances, July 1	472,218	257,395	101,432	831,045
Fund balances, June 30	$ 515,584	$ 272,353	$ 83,233	$ 871,170

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NONMAJOR ENTERPRISE FUNDS

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

Megasite Water and Wastewater Fund—Established under Tennessee Code Annotated (TCA) 64-9, and administered by the Department of General Services, this fund is used to account for the system that provides water and wastewater treatment services to customers on the initial megasite property.

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

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

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

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

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

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

Helene Emergency Assistance Loan Fund—Established in July 2024 to provide no-interest loans to eligible counties impacted by tropical storm Helene. Loans are to be used to repair water and wastewater infrastructure and for debris management. Initial funds come from the shared services in the state’s Medicaid waiver with the federal government.

STATE OF TENNESSEE
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2025
(Expressed in Thousands)

	Megasite Water and Wastewater	Teacher Group Insurance	Local Government Group Insurance	Drinking Water
ASSETS				
Current assets:				
Cash and cash equivalents	$ 6,392	$ 354,406	$ 90,110	$ 144,537
Receivables:				
Accounts receivable	376	1,382	318	-
Loans receivable	-	-	-	9,323
Total current assets	6,768	355,788	90,428	153,860
Noncurrent assets:				
Loans receivable	-	-	-	162,853
Capital assets:				
Infrastructure	219,005	-	-	-
Less: Accumulated depreciation and amortization	(5,763)	-	-	-
Total noncurrent assets	213,242	-	-	162,853
Total assets	220,010	355,788	90,428	316,713
LIABILITIES				
Current liabilities:				
Accounts payable and accruals	298	66,870	17,952	186
Unearned revenue	-	18	-	-
Total current liabilities	298	66,888	17,952	186
Noncurrent liabilities:				
Others	-	-	-	4,108
Total noncurrent liabilities	-	-	-	4,108
Total liabilities	298	66,888	17,952	4,294
NET POSITION				
Net investment in capital assets	213,242	-	-	-
Unrestricted	6,470	288,900	72,476	312,419
Total net position	$ 219,712	$ 288,900	$ 72,476	$ 312,419

STATE OF TENNESSEE
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2025
(Expressed in Thousands)

Grain Indemnity	Energy Efficient Schools Initiative	Client Protection	Helene Emergency Assistance Loan	Total Nonmajor Enterprise Funds
$ 10,882	$ 16,307	$ 2,543	$ 13,845	$ 639,022
-	-	-	-	2,076
-	6,936	-	-	16,259
10,882	23,243	2,543	13,845	657,357
-	60,696	-	86,155	309,704
-	-	-	-	219,005
-	-	-	-	(5,763)
-	60,696	-	86,155	522,946
10,882	83,939	2,543	100,000	1,180,303
-	-	-	-	85,306
-	22	-	-	40
-	22	-	-	85,346
-	-	-	-	4,108
-	-	-	-	4,108
-	22	-	-	89,454
-	-	-	-	213,242
10,882	83,917	2,543	100,000	877,607
$ 10,882	$ 83,917	$ 2,543	$ 100,000	$ 1,090,849

STATE OF TENNESSEE
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	Megasite Water and Wastewater	Teacher Group Insurance	Local Government Group Insurance	Drinking Water
Operating revenues				
Charges for services	$ 4,511	$ -	$ -	$ 2,244
Investment income	-	-	-	5,601
Premiums	-	790,805	199,427	-
Total operating revenues	4,511	790,805	199,427	7,845
Operating expenses				
Contractual services	2,540	37,382	10,241	1,025
Depreciation and amortization	5,763	-	-	-
Benefits	-	729,788	193,306	-
Other	-	6,763	2,124	-
Total operating expenses	8,303	773,933	205,671	1,025
Operating income (loss)	(3,792)	16,872	(6,244)	6,820
Nonoperating revenues (expenses)				
Grants	-	-	654	16,717
Interest income	-	12,303	3,276	-
Other	-	-	-	(1,635)
Total nonoperating revenues (expenses)	-	12,303	3,930	15,082
Income (loss) before contributions and transfers	(3,792)	29,175	(2,314)	21,902
Capital contributions	9,468	-	-	-
Transfers in	2,500	2,376	-	11,482
Transfers out	-	-	-	-
Change in net position	8,176	31,551	(2,314)	33,384
Net position, July 1	211,536	257,349	74,790	279,035
Net position, June 30	$ 219,712	$ 288,900	$ 72,476	$ 312,419

STATE OF TENNESSEE
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

Grain Indemnity	Energy Efficient Schools Initiative	Client Protection	Helene Emergency Assistance Loan	Total Nonmajor Enterprise Funds
$ 1	$ 621	$ 458	$ -	$ 7,835
-	782	-	-	6,383
-	-	-	-	990,232
1	1,403	458	-	1,004,450
169	45	142	-	51,544
-	-	-	-	5,763
-	-	-	-	923,094
-	-	1	-	8,888
169	45	143	-	989,289
(168)	1,358	315	-	15,161
-	-	-	-	17,371
494	-	110	-	16,183
-	-	-	-	(1,635)
494	-	110	-	31,919
326	1,358	425	-	47,080
-	-	-	-	9,468
-	-	-	100,000	116,358
-	(1,618)	-	-	(1,618)
326	(260)	425	100,000	171,288
10,556	84,177	2,118	-	919,561
$ 10,882	$ 83,917	$ 2,543	$ 100,000	$ 1,090,849

STATE OF TENNESSEE
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	Megasite Water and Wastewater	Teacher Group Insurance	Local Government Group Insurance	Drinking Water
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	4,134	$ 801,309	$ 203,268	$ -
Payments to suppliers	(1,910)	(782,944)	(206,212)	-
Payments to employees	-	-	-	-
Payments for interfund services used	(332)	(713)	(156)	(1,025)
Net cash provided by (used for) operating activities	1,892	17,652	(3,100)	(1,025)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Grants received	-	-	654	16,717
Transfers in	2,500	2,376	-	11,482
Transfers out	-	-	-	-
Net cash provided by (used for) noncapital financing activities	2,500	2,376	654	28,199
CASH FLOWS FROM INVESTING ACTIVITIES				
Loans issued and other disbursements to borrowers	-	-	-	(19,105)
Collection of loan principal	-	-	-	9,964
Interest received	-	12,303	3,276	8,031
Net cash provided by (used for) investing activities	-	12,303	3,276	(1,110)
Net increase (decrease) in cash and cash equivalents	4,392	32,331	830	26,064
Cash and cash equivalents, July 1	2,000	322,075	89,280	118,473
Cash and cash equivalents, June 30	6,392	$ 354,406	$ 90,110	$ 144,537
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	(3,792)	$ 16,872	$ (6,244)	$ 6,820
Adjustment to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	5,763	-	-	-
Interest income	-	-	-	(5,601)
Investment income	-	-	-	(2,244)
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
Decrease (increase) in receivables	(377)	2,300	516	-
Increase (decrease) in accounts payable	298	(1,425)	2,665	-
Increase (decrease) in unearned revenue	-	(95)	(37)	-
Total adjustments	5,684	780	3,144	(7,845)
Net cash provided by (used for) operating activities	1,892	$ 17,652	$ (3,100)	$ (1,025)
Schedule of noncash capital and related financing activities				
Contributions of capital assets	9,468	$ -	$ -	$ -
Total noncash capital and related financing activities	9,468	$ -	$ -	$ -

STATE OF TENNESSEE
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

Grain Indemnity	Energy Efficient Schools Initiative	Client Protection	Helene Emergency Assistance Loan	Total Nonmajor Enterprise Funds
$ 1	$ 45	$ 458	$ -	$ 1,009,215
-	-	(142)	-	(991,208)
-	-	(1)	-	(1)
(169)	(45)	-	-	(2,440)
(168)	-	315	-	15,566
-	-	-	-	17,371
-	-	-	100,000	116,358
-	(1,618)	-	-	(1,618)
-	(1,618)	-	100,000	132,111
-	(7,246)	-	(86,155)	(112,506)
-	7,176	-	-	17,140
494	1,288	110	-	25,502
494	1,218	110	(86,155)	(69,864)
326	(400)	425	13,845	77,813
10,556	16,707	2,118	-	561,209
$ 10,882	$ 16,307	$ 2,543	$ 13,845	$ 639,022
$ (168)	$ 1,358	$ 315	$ -	$ 15,161
-	-	-	-	5,763
-	(782)	-	-	(6,383)
-	(576)	-	-	(2,820)
-	-	-	-	2,439
-	-	-	-	1,538
-	-	-	-	(132)
-	(1,358)	-	-	405
$ (168)	$ -	$ 315	$ -	$ 15,566
$ -	$ -	$ -	$ -	$ 9,468
$ -	$ -	$ -	$ -	$ 9,468

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INTERNAL SERVICE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

STATE OF TENNESSEE
Combining Statement of Net Position
Internal Service Funds
June 30, 2025
(Expressed in Thousands)

	Strategic Technology Solutions	Risk Management	Motor Vehicle Management	General Services Printing	Facilities Revolving Fund	Employee Group Insurance
ASSETS						
Current assets:						
Cash and cash equivalents	$ 123,691	$ 322,657	$ 42,400	$ 5,806	$ 377,884	$ 355,646
Receivables, net	514	4,094	10	-	388	1,819
Due from other funds	830	-	-	-	12,399	-
Due from component units	-	42	-	-	30	-
Inventories, at cost	389	-	-	655	-	-
Prepayments	-	-	-	-	-	-
Total current assets	125,424	326,793	42,410	6,461	390,701	357,465
Noncurrent assets:						
Right-to-use lease receivable	-	-	-	-	4,725	-
Restricted net other postemployment benefits assets	953	-	38	32	-	-
Capital assets:						
Land, at cost	-	-	-	-	63,205	-
Structures and improvements, at cost	-	-	-	-	888,457	-
Machinery and equipment, at cost	97,569	-	278,219	2,826	3,475	-
Right-to-use-leases and subscriptions	85,551	-	43,964	305	372,031	-
Less: Accumulated depreciation and amortization	(87,311)	-	(172,263)	(2,902)	(472,929)	-
Construction in progress	-	-	-	-	245,372	-
Total noncurrent assets	96,762	-	149,958	261	1,104,336	-
Total assets	222,186	326,793	192,368	6,722	1,495,037	357,465
DEFERRED OUTFLOWS OF RESOURCES	29,048	-	489	677	47	-
LIABILITIES						
Current liabilities:						
Accounts payable	32,375	5,251	7,021	403	72,138	101,644
Accrued payroll and related deductions	12,661	-	165	324	-	-
Due to other funds	43	1,049	-	-	306	3
Due to component units	-	531	-	-	7	69
Lease and subscription obligations payable	19,281	-	13,333	62	32,566	-
Bond payable	-	-	-	-	14,977	-
Unearned revenue	-	-	-	-	-	53,107
Others	-	159,936	-	-	-	-
Total current liabilities	64,360	166,767	20,519	789	119,994	154,823
Noncurrent liabilities:						
Pension	13,500	-	185	251	-	-
Lease and subscription obligations payable	44,171	-	5,815	28	238,339	-
Bonds payable	-	-	-	-	108,013	-
Others	25,210	110,222	272	313	-	-
Total noncurrent liabilities	82,881	110,222	6,272	592	346,352	-
Total liabilities	147,241	276,989	26,791	1,381	466,346	154,823
DEFERRED INFLOWS OF RESOURCES	9,248	-	221	229	5,282	-
NET POSITION						
Net investment in capital assets	32,356	-	130,774	140	705,357	-
Restricted for:						
Capital projects	-	-	-	-	463	-
Other postemployment benefits	953	-	38	32	-	-
Unrestricted	61,436	49,804	35,033	5,617	317,636	202,642
Total net position	$ 94,745	$ 49,804	$ 165,845	$ 5,789	$ 1,023,456	$ 202,642

STATE OF TENNESSEE
Combining Statement of Net Position
Internal Service Funds
June 30, 2025
(Expressed in Thousands)

Postal Services	Central Procurement Office	Distribution Center	Records Management	Human Resources	Division of Accounts	TRICOR	Edison	Total Internal Service Funds
$ 4,042	$ 2,006	$ 238	$ 240	$ 14,421	$ 12,331	$ 6,250	$ 40,699	$ 1,308,311
-	796	56	-	-	2	970	-	8,649
-	-	-	-	-	-	1,193	-	14,422
-	-	-	-	-	-	-	-	72
252	-	160	-	-	-	3,480	-	4,936
169	-	-	-	-	-	-	-	169
4,463	2,802	454	240	14,421	12,333	11,893	40,699	1,336,559
-	-	-	-	-	-	-	-	4,725
15	25	19	9	119	433	58	127	1,828
-	-	-	-	-	-	746	-	63,951
-	-	-	-	-	-	3,201	-	891,658
4,782	33	60	12	468	117	10,395	107,212	505,168
142	223	-	-	2,848	-	249	1,188	506,501
(4,592)	(212)	(22)	(12)	(1,158)	(49)	(7,851)	(107,212)	(856,513)
-	-	-	-	-	-	140	-	245,512
347	69	57	9	2,277	501	6,938	1,315	1,362,830
4,810	2,871	511	249	16,698	12,834	18,831	42,014	2,699,389
329	1,359	404	193	4,038	12,587	1,753	3,449	54,373
109	105	27	133	447	279	2,051	1,595	223,578
115	764	139	72	3,379	4,717	712	1,652	24,700
-	-	-	-	6	-	-	-	1,407
-	-	-	1	10	-	-	-	618
21	-	-	-	868	-	31	628	66,790
-	-	-	-	-	-	-	-	14,977
-	-	22	-	-	-	-	-	53,129
-	-	-	-	-	-	-	-	159,936
245	869	188	206	4,710	4,996	2,794	3,875	545,135
114	628	130	80	1,642	5,467	771	1,530	24,298
-	-	-	-	995	-	41	259	289,648
-	-	-	-	-	-	-	-	108,013
166	1,342	179	54	8,959	8,819	1,564	3,501	160,601
280	1,970	309	134	11,596	14,286	2,376	5,290	582,560
525	2,839	497	340	16,306	19,282	5,170	9,165	1,127,695
129	396	180	65	1,520	3,798	568	1,167	22,803
311	44	38	-	295	68	6,808	300	876,491
-	-	-	-	-	-	-	-	463
15	25	19	9	119	433	58	127	1,828
4,159	926	181	28	2,496	1,840	7,980	34,704	724,482
$ 4,485	$ 995	$ 238	$ 37	$ 2,910	$ 2,341	$ 14,846	$ 35,131	$ 1,603,264

STATE OF TENNESSEE
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	Strategic Technology Solutions	Risk Management	Motor Vehicle Management	General Services Printing	Facilities Revolving Fund	Employee Group Insurance
Operating revenues						
Charges for services	$ 347,209	$ 87,511	$ 76,736	$ 9,584	$ 158,771	$ 1,000
Premiums	-	-	-	-	-	1,043,252
Total operating revenues	347,209	87,511	76,736	9,584	158,771	1,044,252
Operating expenses						
Personal services	153,915	-	1,999	3,227	-	-
Contractual services	139,286	15,913	5,244	3,514	105,695	44,788
Materials and supplies	2,576	-	29,998	1,390	9,501	-
Rentals and insurance	19	20,673	902	11	6,901	-
Depreciation and amortization	29,804	2	41,689	110	55,865	-
Benefits	-	55,792	48	-	-	1,006,442
Other	176	108	18	10	-	7,280
Total operating expenses	325,776	92,488	79,898	8,262	177,962	1,058,510
Operating income (loss)	21,433	(4,977)	(3,162)	1,322	(19,191)	(14,258)
Nonoperating revenues (expenses)						
Insurance claims recoveries	-	-	278	-	3,978	-
Gain on sales of capital assets	(223)	(60)	-	-	8,836	-
Interest income	-	12,261	-	-	18,321	13,751
Interest expense	(2,609)	-	(1,128)	(1)	(10,536)	-
Total nonoperating revenues (expenses)	(2,832)	12,201	(850)	(1)	20,599	13,751
Income (loss) before contributions and transfers	18,601	7,224	(4,012)	1,321	1,408	(507)
Capital contributions	-	-	3,502	8	12,226	-
Transfers in	3,022	-	11,114	1,031	142,527	3,011
Transfers out	-	-	-	-	(244)	-
Change in net position	21,623	7,224	10,604	2,360	155,917	2,504
Net position, July 1	87,134	42,580	155,380	3,597	867,539	200,138
Adjustments to net position, July 1	(14,012)	-	(139)	(168)	-	-
Net position, July 1, restated	73,122	42,580	155,241	3,429	867,539	200,138
Net position, June 30	$ 94,745	$ 49,804	$ 165,845	$ 5,789	$ 1,023,456	$ 202,642

STATE OF TENNESSEE
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

Postal Services	Central Procurement Office	Distribution Center	Records Management	Human Resources	Division of Accounts	TRICOR	Edison	Total Internal Service Funds
$ 23,401	$ 10,802	$ 5,678	$ 1,479	$ 33,371	$ 63,494	$ 30,130	$ 35,732	$ 884,898
-	-	-	-	-	-	-	-	1,043,252
23,401	10,802	5,678	1,479	33,371	63,494	30,130	35,732	1,928,150
2,428	9,515	1,713	873	25,694	62,128	8,874	19,272	289,638
2,221	3,106	3,881	626	4,676	5,755	8,990	10,538	354,233
18,581	61	382	4	162	65	11,372	128	74,220
1	10	1	5	34	2	158	1	28,718
172	70	8	-	967	19	759	343	129,808
-	-	-	-	-	-	1	-	1,062,283
2	34	13	-	93	117	264	4	8,119
23,405	12,796	5,998	1,508	31,626	68,086	30,418	30,286	1,947,019
(4)	(1,994)	(320)	(29)	1,745	(4,592)	(288)	5,446	(18,869)
-	-	-	-	-	-	-	-	4,256
-	-	-	-	-	-	(85)	-	8,468
-	-	-	-	-	-	-	-	44,333
(2)	(1)	-	-	(89)	-	(4)	(22)	(14,392)
(2)	(1)	-	-	(89)	-	(89)	(22)	42,665
(6)	(1,995)	(320)	(29)	1,656	(4,592)	(377)	5,424	23,796
-	-	-	-	-	-	-	-	15,736
101	24	35	10	115	5,251	56	120	166,417
-	-	-	-	-	-	-	-	(244)
95	(1,971)	(285)	(19)	1,771	659	(321)	5,544	205,705
4,486	3,760	650	95	6,766	6,640	16,034	31,359	1,426,158
(96)	(794)	(127)	(39)	(5,627)	(4,958)	(867)	(1,772)	(28,599)
4,390	2,966	523	56	1,139	1,682	15,167	29,587	1,397,559
$ 4,485	$ 995	$ 238	$ 37	$ 2,910	$ 2,341	$ 14,846	$ 35,131	$ 1,603,264

STATE OF TENNESSEE
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	Strategic Technology Solutions	Risk Management	Motor Vehicle Management	General Services Printing	Facilities Revolving Fund	Employee Group Insurance
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	$ 7,724	$ 43,582	$ 488	$ 69	$ 891	$ 487,670
Receipts from interfund services provided	397,792	40,644	75,153	9,514	146,274	623,001
Payments to suppliers	(161,565)	(62,830)	(30,011)	(3,663)	(6,426)	(1,100,564)
Payments to employees	(150,257)	-	(1,968)	(3,214)	-	(1,677)
Payments for interfund services used	(20,827)	(9,534)	(5,082)	(1,451)	(67,686)	(936)
Net cash provided by (used for) operating activities	72,867	11,862	38,580	1,255	73,053	7,494
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in	2,778	-	11,114	1,031	142,527	3,011
Net cash provided by (used for) noncapital financing activities	2,778	-	11,114	1,031	142,527	3,011
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of capital assets	(28,049)	-	(46,011)	(32)	(206,356)	-
Proceeds from sale of capital assets	-	-	5,346	-	16,913	-
Proceeds from lease receivables	-	-	-	-	354	-
Insurance claims recoveries	-	-	278	-	3,978	-
Principal payments	(19,427)	-	(14,619)	(61)	(51,911)	-
Interest paid	(570)	-	(1,144)	(1)	(11,951)	-
Net cash provided by (used for) capital and related financing activities	(48,046)	-	(56,150)	(94)	(248,973)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	-	12,261	-	-	18,321	13,751
Net cash provided by (used for) investing activities	-	12,261	-	-	18,321	13,751
Net increase (decrease) in cash and cash equivalents	27,599	24,123	(6,456)	2,192	(15,072)	24,256
Cash and cash equivalents, July 1	96,092	298,534	48,856	3,614	392,956	331,390
Cash and cash equivalents, June 30	$ 123,691	$ 322,657	$ 42,400	$ 5,806	$ 377,884	$ 355,646
Reconciliation of operating income to net cash provided by (used for) operating activities						
Operating income (loss)	$ 21,433	$ (4,977)	$ (3,162)	$ 1,322	$ (19,191)	$ (14,258)
Adjustment to reconcile operating income (loss) to net cash from operating activities:						
Depreciation and amortization	29,804	2	41,689	110	55,865	-
Loss on disposal of capital assets	-	-	(1,527)	-	-	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:						
Decrease (increase) in receivables	6	(3,638)	(1)	-	1	2,533
Decrease (increase) in due from other funds	(6)	-	434	-	(11,156)	-
Decrease (increase) in due from component units	-	412	-	-	(30)	-
Decrease (increase) in inventories	(92)	-	-	(306)	-	-
Decrease (increase) in prepaids	-	-	-	-	-	-
Decrease (increase) in net pension assets	159	-	2	3	-	-
Decrease (increase) in net OPEB assets	(953)	-	(38)	(32)	-	-
Decrease (increase) in deferred outflows of resources	19,378	-	345	389	-	-
Increase (decrease) in accounts payable	(3,108)	18,524	773	(297)	47,749	15,875
Increase (decrease) in due to other funds	43	1,049	-	-	242	-
Increase (decrease) in due to component units	-	490	-	-	(6)	(3)
Increase (decrease) in deferred inflows of resources	6,203	-	65	66	(421)	-
Increase (decrease) in unearned revenue	-	-	-	-	-	3,347
Total adjustments	51,434	16,839	41,742	(67)	92,244	21,752
Net cash provided by (used for) operating activities	$ 72,867	$ 11,862	$ 38,580	$ 1,255	$ 73,053	$ 7,494
Schedule of noncash investing, capital, and financing activities						
Contributions of capital assets	$ -	$ -	$ 3,502	$ 8	$ 12,226	$ -
Capital assets disposed of by transfer	-	-	-	-	(244)	-
Capital assets acquired by transfer	244	-	-	-	-	-
Right-to-use assets acquired	71,931	-	11,154	-	47,363	-
Right-to-use assets retired	-	-	-	-	(1,463)	-
Refunding bond premium	-	-	-	-	1,247	-
Refunding bond proceeds	-	-	-	-	43	-
Total noncash capital and related financing activities	$ 72,175	$ -	$ 14,656	$ 8	$ 59,172	$ -

STATE OF TENNESSEE
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

Postal Services	Central Procurement Office	Distribution Center	Records Management	Human Resources	Division of Accounts	TRICOR	Edison	Total Internal Service Funds
$ 73	$ 6,631	$ 921	$ 107	$ 264	$ 138	$ 14,240	$ 201	$ 562,999
23,328	5,321	2,431	1,377	33,109	63,355	31,301	35,532	1,488,132
(19,388)	(561)	(765)	(446)	(2,610)	(1,207)	(32,142)	(8,523)	(1,430,701)
(2,382)	(9,392)	(1,762)	(865)	(21,728)	(60,773)	(8,895)	(19,151)	(282,064)
(1,504)	(2,622)	(1,187)	(101)	(2,297)	(4,719)	(3,943)	(1,640)	(123,529)
127	(623)	(362)	72	6,738	(3,206)	561	6,419	214,837
101	24	35	10	115	5,251	56	120	166,173
101	24	35	10	115	5,251	56	120	166,173
(23)	(25)	(21)	-	(265)	(73)	(433)	(180)	(281,468)
-	-	-	-	-	-	6	-	22,265
-	-	-	-	-	-	-	-	354
-	-	-	-	-	-	-	-	4,256
(48)	(46)	-	-	(985)	-	(94)	(198)	(87,389)
(2)	(1)	-	-	(7)	-	(4)	(22)	(13,702)
(73)	(72)	(21)	-	(1,257)	(73)	(525)	(400)	(355,684)
-	-	-	-	-	-	-	-	44,333
-	-	-	-	-	-	-	-	44,333
155	(671)	(348)	82	5,596	1,972	92	6,139	69,659
3,887	2,677	586	158	8,825	10,359	6,158	34,560	1,238,652
$ 4,042	$ 2,006	$ 238	$ 240	$ 14,421	$ 12,331	$ 6,250	$ 40,699	$ 1,308,311
$ (4)	$ (1,994)	$ (320)	$ (29)	$ 1,745	$ (4,592)	$ (288)	$ 5,446	$ (18,869)
172	70	8	-	967	19	759	343	129,808
-	-	-	-	-	-	(6)	-	(1,533)
-	1,150	(18)	-	-	-	924	-	957
-	-	-	-	1	-	108	-	(10,619)
-	-	-	5	-	-	-	-	387
(38)	-	(16)	-	-	-	900	-	448
(12)	-	-	-	-	-	-	-	(12)
3	12	2	1	16	47	10	20	275
(15)	(25)	(19)	(9)	(119)	(433)	(58)	(127)	(1,828)
220	731	260	132	2,469	7,975	980	2,282	35,161
(216)	(809)	(307)	(74)	1,107	(8,762)	(2,661)	(2,300)	65,494
(1)	-	-	-	5	-	(421)	-	917
-	-	-	-	(138)	-	-	-	343
18	242	29	46	685	2,540	314	755	10,542
-	-	19	-	-	-	-	-	3,366
131	1,371	(42)	101	4,993	1,386	849	973	233,706
$ 127	$ (623)	$ (362)	$ 72	$ 6,738	$ (3,206)	$ 561	$ 6,419	$ 214,837
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 15,736
-	-	-	-	-	-	-	-	(244)
-	-	-	-	-	-	-	-	244
-	-	-	-	2,848	-	95	700	134,091
-	-	-	-	-	-	-	-	(1,463)
-	-	-	-	-	-	-	-	1,247
-	-	-	-	-	-	-	-	43
$ -	$ -	$ -	$ -	$ 2,848	$ -	$ 95	$ 700	$ 149,654

FIDUCIARY FUNDS

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

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS:

1. PENSION TRUST FUNDS

- **The Tennessee Consolidated Retirement System (TCRS)** was established in July 1972 superseding seven former retirement systems. The accounts of each superseded system were transferred to the new system wherein separate accounting is maintained for assets and liabilities attributable to the various classes of members and beneficiaries. Benefits under the system are funded by contributions of members and employers. The level of contributions is determined by an actuarial valuation.

    - The Public Employee Retirement Plan covers employees of the state and its higher education institutions and employees of political subdivisions in Tennessee.

    - The Teacher Legacy Pension Plan covers employees of local education agencies who were hired before July 1, 2014.

    - The Teacher Hybrid Pension Plan covers employees of local education agencies who were hired after June 30, 2014.

- **Defined Contribution Pension Plan Fund**—A pension trust fund administered by Treasury. The State of Tennessee 401(k) Plan, the Optional Retirement Program (ORP) for higher education institutions, and the 3121 plans are collectively reported as the Defined Contribution Pension Plan Fund, a fiduciary component unit. The Defined Contribution Pension Plan Fund accounts for participant earnings deferred in accordance with Internal Revenue Code Sections 401(k), 401(a), and 3121, and are offered to employees of the state, the state's higher education institutions, and local and education agencies. Employer and employee contribution amounts are set in statute and made on a pre-tax basis.

2. OTHER EMPLOYEE BENEFITS TRUST FUNDS

- **The Deferred Compensation Plan Fund**—An employee benefit trust fund accounts for participant earnings deferred in accordance with Internal Revenue Code Section 457. The plan is administered by Treasury and is offered to state and higher education institution employees. K-12 teachers may participate in the 457(b) Plan if their local board of education has elected to offer the plan. Local volunteer firefighters may participate in the 457(e) Plan if their local fire department has elected to offer the plan. This fund is a fiduciary component unit.

- **Other Employee Benefit Trust Funds**—This includes the Employee Flexible Benefits fund which was established in January 1988 to account for monies contributed by employees under the IRC Section 125 cafeteria plan. It also includes the State of Tennessee Postemployment Benefits Trust fund which was established in January 2019 to account for employer contributions and benefit payments made for other postemployment benefits offered to eligible retired employees of the state and certain component units.

- **Higher Education 403(b) Plan Fund**—An employee benefit trust fund accounts for the participant earnings deferred in accordance with Internal Revenue Code Sections 403(b) for employees of higher education institutions within the meaning of Section 170(b)(l)(A)(ii) of the Internal Revenue Code. The State University and Community College System (SUCCS) and the University of Tennessee established 403(b) Retirement Plans (Plan), effective January 1, 2009. Effective October 9, 2019, pursuant to Tennessee Code Annotated, Section 8-25-104, the State of Tennessee assumed sponsorship of both plans, and the Chair of the Board of Trustees for the Tennessee Consolidated Retirement System became the Administrator of the Plans. The Plans are governmental plans within the meaning of Code Section 414(d) and Section 3(32) of the Employee Retirement Income Security Act of 1974.

INVESTMENT TRUST FUNDS:

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

PRIVATE-PURPOSE TRUST FUNDS:

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

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

CUSTODIAL FUNDS:

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

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

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

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

STATE OF TENNESSEE
Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
June 30, 2025
(Expressed in Thousands)

	Public Employee Retirement Plan	Teacher Legacy Pension Plan	Teacher Hybrid Pension Plan	Defined Contribution Pension Plan Fund
ASSETS				
Cash and cash equivalents	$ 12,834	$ 10,833	$ 475	$ 75,747
Cash collateral on loaned securities	2,742,168	2,314,710	101,504	-
Receivables:				
Account	-	-	-	-
Employer contributions	52,695	21,919	8,099	-
Member contributions	16,251	17,949	13,603	-
Interest and dividends	-	-	-	-
Loans receivable	-	-	-	69,919
Other	-	-	-	-
Investments, at fair value:				
Government bonds	-	-	-	-
Corporate bonds	-	-	-	-
Commingled funds	-	-	-	12,760,102
TRGT pooled funds	39,754,926	33,557,796	1,471,566	201,722
Other	-	-	-	10,969
Capital assets, at cost:				
Software in development	5,800	4,896	215	-
Total assets	42,584,674	35,928,103	1,595,462	13,118,459
LIABILITIES				
Accounts payable and accruals	21,168	17,866	784	-
Securities lending collateral	2,742,168	2,314,710	101,504	-
Total liabilities	2,763,336	2,332,576	102,288	-
NET POSITION				
Restricted for				
Pension benefits	39,821,338	33,595,527	1,493,174	13,118,459
Employee salary deferrals	-	-	-	-
Other postemployment benefits	-	-	-	-
Employees' flexible benefits	-	-	-	-
Total net position	$ 39,821,338	$ 33,595,527	$ 1,493,174	$ 13,118,459

STATE OF TENNESSEE
Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
June 30, 2025
(Expressed in Thousands)

Deferred Compensation Plan Fund	Higher Education 403(b) Plan Fund	Other Employee Benefit Trust Funds	Total Pension (and Other Employee Benefit) Trust Funds
$ -	$ 18,787	$ 45,314	$ 163,990
-	-	-	5,158,382
-	-	1	1
-	-	1	82,714
-	-	-	47,803
-	-	7,817	7,817
86	26	-	70,031
-	-	1,105	1,105
-	-	568,765	568,765
-	-	188,473	188,473
902,586	930,435	679,198	15,272,321
31,295	-	-	75,017,305
4,638	-	-	15,607
-	-	-	10,911
938,605	949,248	1,490,674	96,605,225
-	-	4,882	44,700
-	-	-	5,158,382
-	-	4,882	5,203,082
-	-	-	88,028,498
938,605	949,248	-	1,887,853
-	-	1,484,674	1,484,674
-	-	1,118	1,118
$ 938,605	$ 949,248	$ 1,485,792	$ 91,402,143

STATE OF TENNESSEE
Combining Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	Public Employee Retirement Plan	Teacher Legacy Pension Plan	Teacher Hybrid Pension Plan	Defined Contribution Pension Plan Fund
ADDITIONS				
Contributions:				
Members	$ 280,158	$ 165,798	$ 132,306	$ 382,264
Employers	953,397	212,095	79,193	444,522
Transfers in from other plans	-	-	-	68,170
Other	6,268	4,371	178	-
Total contributions	1,239,823	382,264	211,677	894,956
Investment income:				
Net increase in fair value of investments	3,762,737	3,203,189	130,796	1,104,224
Interest and dividends	-	-	-	342,085
Securities lending income	119,695	101,896	4,161	-
Total investment income	3,882,432	3,305,085	134,957	1,446,309
Less: Investment expenses	(42,328)	(36,033)	(1,471)	-
Securities lending expense	(110,302)	(93,899)	(3,834)	-
Net investment income	3,729,802	3,175,153	129,652	1,446,309
Total additions	4,969,625	3,557,417	341,329	2,341,265
DEDUCTIONS				
Benefit payments	1,864,700	1,552,267	1,124	820,558
Medical payments	-	-	-	-
Deceased member benefit payments	3,196	3,014	168	31,882
Other	-	-	-	-
Member/claimant distributions	41,586	21,124	12,748	-
Administrative expenses	18,489	6,396	2,734	16,758
Total deductions	1,927,971	1,582,801	16,774	869,198
Change in net position	3,041,654	1,974,616	324,555	1,472,067
Net position, July 1	36,779,684	31,620,911	1,168,619	11,646,392
Net position, June 30	$ 39,821,338	$ 33,595,527	$ 1,493,174	$ 13,118,459

STATE OF TENNESSEE
Combining Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

Deferred Compensation Plan Fund	Higher Education 403(b) Plan Fund	Other Employee Benefit Trust Funds	Total Pension (and Other Employee Benefit) Trust Funds
$ 52,303	$ 13,358	$ 6,905	$ 1,033,092
394	-	100,487	1,790,088
12,143	13,888	-	94,201
18	3	-	10,838
64,858	27,249	107,392	2,928,219
72,192	75,943	81,331	8,430,412
33,110	11,570	53,645	440,410
-	-	-	225,752
105,302	87,513	134,976	9,096,574
-	-	-	(79,832)
-	-	-	(208,035)
105,302	87,513	134,976	8,808,707
170,160	114,762	242,368	11,736,926
71,140	81,897	-	4,391,686
-	-	67,330	67,330
4,420	-	-	42,680
-	-	6,651	6,651
-	-	-	75,458
1,609	118	5,411	51,515
77,169	82,015	79,392	4,635,320
92,991	32,747	162,976	7,101,606
845,614	916,501	1,322,816	84,300,537
$ 938,605	$ 949,248	$ 1,485,792	$ 91,402,143

STATE OF TENNESSEE
Combining Statement of Fiduciary Net Position
Investment Trust Funds
June 30, 2025
(Expressed in Thousands)

	External Retirement Investment Fund
ASSETS	
Cash and cash equivalents	$ 13
Receivables:	
Investments sold	3,833
Investments, at fair value:	
Private equities	3,017
TRGT pooled funds	496,519
Total assets	503,382
LIABILITIES	
Due to other governments	13
Total liabilities	13
NET POSITION	
Amounts held in trust for:	
Pool participants	503,369
Total net position	$ 503,369

STATE OF TENNESSEE
Combining Statement of Changes in Fiduciary Net Position
Investment Trust Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	External Retirement Investment Fund
ADDITIONS	
Investment income:	
Net increase in fair value of investments	193
Interest	$ 45,662
Total investment income	45,855
Less: Investment expenses	(630)
Net investment income	45,225
Capital share transactions:	
Shares sold	43,729
Less: Shares redeemed	(13,979)
Net capital share transactions	29,750
Total additions	74,975
DEDUCTIONS	
Administrative expenses	84
Total deductions	84
Change in net position	74,891
Net position, July 1	428,478
Net position, June 30	$ 503,369

STATE OF TENNESSEE
Combining Statement of Fiduciary Net Position
Private-Purpose Trust Funds
June 30, 2025
(Expressed in Thousands)

	College Savings Plan	Other	Total Private-Purpose Trust Funds
ASSETS			
Cash and cash equivalents	$ 15,484	$ 22,094	$ 37,578
Investments, at fair value:			
Commingled funds	425,833	44,477	470,310
Total assets	441,317	66,571	507,888
LIABILITIES			
Accounts payable and accruals	23	-	23
Due to other governments	-	9	9
Total liabilities	23	9	32
NET POSITION			
Restricted for:			
Individuals, organizations and other governments	441,294	66,562	507,856
Total net position	$ 441,294	$ 66,562	$ 507,856

STATE OF TENNESSEE
Combining Statement of Changes in Fiduciary Net Position
Private-Purpose Trust Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	College Savings Plan	Other	Total Private-Purpose Trust Funds
ADDITIONS			
Contributions:			
Federal	$ -	$ 347	$ 347
Private	53,410	13,510	66,920
Other	115	-	115
Total contributions	53,525	13,857	67,382
Investment income:			
Net increase in fair value of investments	46,312	5,734	52,046
Interest	-	85	85
Total investment income	46,312	5,819	52,131
Total additions	99,837	19,676	119,513
DEDUCTIONS			
Payments made under trust agreements	23,799	7,683	31,482
Member/claimant distributions	-	212	212
Administrative expenses	792	117	909
Total deductions	24,591	8,012	32,603
Change in net position	75,246	11,664	86,910
Net position, July 1	366,048	54,898	420,946
Net position, June 30	$ 441,294	$ 66,562	$ 507,856

STATE OF TENNESSEE
Combining Statement of Fiduciary Net Position
Custodial Funds
June 30, 2025
(Expressed in Thousands)

	Retiree Health Funds	Local Government Tax Fund	Custodial Accounts	Total Custodial Funds	External Investment Pool Local Government Investment Pool
ASSETS					
Cash and cash equivalents	$ 20,040	$ 504,117	$ 90,696	$ 614,853	$ 2,584,839
Receivables:					
Taxes	-	491,123	-	491,123	-
Other	684	-	10	694	-
Due from other funds	-	-	3	3	-
Investments, at amortized cost:					
Short-term investments	-	-	-	-	3,852,621
Total assets	20,724	995,240	90,709	1,106,673	6,437,460
LIABILITIES					
Accounts payable and accruals	6,328	-	280	6,608	-
Due to other funds	-	-	1,193	1,193	-
Due to other governments	-	995,240	39,471	1,034,711	-
Total liabilities	6,328	995,240	40,944	1,042,512	-
NET POSITION					
Restricted for:					
Individuals, organizations and other governments	14,396	-	49,765	64,161	-
Amounts held in custody for:					
Pool participants	-	-	-	-	6,437,460
Total net position	$ 14,396	$ -	$ 49,765	$ 64,161	$ 6,437,460

STATE OF TENNESSEE
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	Retiree Health Funds	Local Government Tax Fund	Custodial Accounts	Total Custodial Funds	External Investment Pool Local Government Investment Pool
ADDITIONS					
Contributions:					
Members	$ 110,870	$ -	$ -	$ 110,870	$ -
Federal	12	-	-	12	-
Total contributions	110,882	-	-	110,882	-
Investment income:					
Interest	1,965	-	531	2,496	302,535
Total investment income	1,965	-	531	2,496	302,535
Less: Investment expenses	-	-	-	-	(1,951)
Net investment income	1,965	-	531	2,496	300,584
Tax and fee collections for other governments	-	4,949,563	982	4,950,545	-
Member resources	15,267	-	701,617	716,884	-
Capital share transactions:					
Shares sold	-	-	-	-	12,049,192
Less: shares redeemed	-	-	-	-	(11,503,219)
Net capital share transactions	-	-	-	-	545,973
Total additions	128,114	4,949,563	703,130	5,780,807	846,557
DEDUCTIONS					
Medical payments	119,939	-	-	119,939	-
Member/claimant distributions	4,301	-	696,857	701,158	-
Payments of taxes and fees to other governments	-	4,949,563	982	4,950,545	-
Administrative expenses	7,784	-	3,179	10,963	-
Total deductions	132,024	4,949,563	701,018	5,782,605	-
Change in net position	(3,910)	-	2,112	(1,798)	846,557
Net position, July 1	18,306	-	47,653	65,959	5,590,903
Net position, June 30	$ 14,396	$ -	$ 49,765	$ 64,161	$ 6,437,460

COMPONENT UNITS

Tennessee Student Assistance Corporation (TSAC)—The corporation was created by the legislature in 1974 and is responsible for administering student financial assistance programs supported by federal and state funds. In 2015, TSAC's board voted to wind down the activities of the Federal Family Education Loan Program, a loan guarantee program administered by the board and separately reported as another component unit of the state. The portfolio was later transferred to the U.S. Department of Education. In this fiscal year, the remaining balances in this program were reported with the corporation.

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

Tennessee Housing Development Agency—Created by the legislature in 1973, the purpose of this agency is to improve the quality of housing available to lower and moderate income Tennesseans. This objective is accomplished in part by (1) making funds available for loans for residential construction or rehabilitation, (2) making or participating in the making of insured mortgage loans, and (3) purchasing existing mortgages from lending institutions. These programs are funded primarily from the sale of revenue bonds or notes.

Tennessee Education Lottery Corporation—Created by the General Assembly in 2003, the purpose of the corporation is to operate a state lottery with net proceeds to be transferred to the state to be used for education programs and purposes in accordance with the Constitution of Tennessee, consisting primarily of financial assistance to Tennessee citizens to enable such citizens to attend post-secondary educational institutions within Tennessee.

State University and Community College System— Created by the General Assembly in 1972 to serve the state and its citizenry by providing educational opportunities, research, continuing education and public activities. As a system, the institutions span the state and are reported as a coordinated network of public education with each campus offering unique characteristics and services.

The system consists of the following institutions:

UNIVERSITIES

Austin Peay State University, Clarksville
East Tennessee State University, Johnson City
Middle Tennessee State University, Murfreesboro
Tennessee State University, Nashville
Tennessee Technological University, Cookeville
University of Memphis, Memphis

COMMUNITY COLLEGES

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

COLLEGES OF APPLIED TECHNOLOGY

Athens, Chattanooga, Crump, Dickson, Elizabethton, Harriman, Hartsville, Henry/Carroll, Hohenwald, Jacksboro, Jackson, Knoxville, Livingston, McKenzie, McMinnville, Memphis, Morristown, Murfreesboro, Nashville, Northwest, Oneida/Huntsville, Pulaski, Shelbyville, Upper Cumberland

The purpose of these colleges is to provide occupational and technical training.

The University of Tennessee Board of Trustees—The University of Tennessee was first established in 1794 by the Legislature of the Federal Territory. Since that time, it has grown into an institution of twenty-four different colleges and schools. The main campus is located in Knoxville. The other primary campuses are located in Memphis, Martin, Pulaski, and Chattanooga.

Local Development Authority—This authority was created in 1978 for the purpose of providing to local governments, through the issuing of revenue bonds or notes, the financing assistance previously provided by the State Loan Program. The Authority has also issued bonds to assist non-profit corporations in the construction of mental health, developmental disabilities, or alcohol and drug facilities. In addition, the Authority may assist small business concerns in financing pollution control facilities, farmers in financing certain capital improvements and airport authorities and municipal airports in financing improvements.

Tennessee Veterans Homes Board—Created in 1988, the primary purpose of the homes is to provide support and care for honorably discharged veterans of the United States Armed Forces. The revenue sources are the Veterans Administration, Medicaid, and a user fee.

Tennessee State School Bond Authority (TSSBA)—Established in 1965, the TSSBA provides a mechanism for financing building projects for the state's higher education institutions. Agreements are executed between the governing boards of the institutions and the TSSBA, and revenue bonds are issued using the constructed facilities as collateral. Charges levied on the universities provide the funds necessary for payment of principal and interest on bonds. In addition, under the American Recovery and Reinvestment Act of 2009, the Authority issued Qualified School Construction Bonds to finance the construction, repair, or rehabilitation of public school facilities.

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

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

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STATE OF TENNESSEE
Combining Statement of Net Position
Component Units
June 30, 2025
(Expressed in Thousands)

	Governmental Fund Types		Proprietary Fund Types			
	Tennessee Student Assistance Corporation	Tennessee Community Services Agency	Tennessee Housing Development Agency	Tennessee Education Lottery	State University and Community College System	University of Tennessee
ASSETS						
Cash and cash equivalents	$ 2,314	$ 955	$ 652,691	$ 155,007	$ 1,723,458	$ 1,670,046
Investments	-	-	698,344	-	378,273	340,974
Receivables, net	1,457	72	85,009	85,237	179,812	179,967
Due from primary government	-	996	5,713	-	30,962	54,472
Inventories, at cost	-	-	-	-	3,586	10,578
Prepayments	-	8	-	10,072	19,593	12,054
Loans receivable	-	-	3,284,269	-	-	-
Other	-	-	30,132	-	1,933	5,640
Restricted assets:						
Cash and cash equivalents	-	-	32,173	61	646,208	380,852
Investments	-	-	94,599	-	1,025,449	1,935,426
Receivables, net	-	-	674	-	160,547	410,276
Net pension assets	-	2,347	-	-	-	-
Net other postemployment benefits	53	-	128	-	13,426	12,790
Other	-	-	-	-	998	-
Capital assets:						
Land, at cost	-	-	-	-	199,932	105,756
Infrastructure	-	-	-	-	805,207	279,369
Structures and improvements, at cost	-	-	-	2,682	4,872,572	4,113,293
Machinery and equipment, at cost	21	-	16,058	7,482	730,812	836,260
Right-to-use leases and subscriptions	-	616	-	17,555	242,929	279,611
Less accumulated depreciation	(11)	(363)	(12,864)	(10,263)	(2,724,542)	(2,606,701)
Construction in progress	-	-	-	-	903,307	795,481
Total assets	3,834	4,631	4,886,926	267,833	9,214,462	8,816,144
DEFERRED OUTFLOWS OF RESOURCES	1,289	2,186	4,981	-	181,181	147,099
LIABILITIES						
Accounts payable and accruals	358	120	122,359	126,932	239,069	279,674
Due to primary government	-	17	-	120,887	4,134	1,864
Unearned revenue	-	-	2,118	816	99,416	88,824
Other	-	-	4,233	-	12,479	22,850
Noncurrent liabilities:						
Due within one year	361	246	227,069	1,408	150,395	140,967
Due in more than one year	1,758	269	3,868,607	17,729	1,176,069	1,603,640
Total liabilities	2,477	652	4,224,386	267,772	1,681,562	2,137,819
DEFERRED INFLOWS OF RESOURCES	811	1,795	2,561	-	156,394	202,878
NET POSITION						
Net investment in capital assets	10	-	3,194	650	4,225,966	2,437,388
Restricted for:						
Debt service	-	-	-	-	14,899	850
Capital projects	-	-	-	-	199,925	113,993
Single family bond programs	-	-	584,514	-	-	-
Pensions	-	2,347	-	-	-	-
Other postemployment benefits	53	-	128	-	13,426	12,790
Other	1,437	-	17,596	61	629,224	972,796
Permanent and endowment:						
Expendable	-	-	-	-	55,889	301,921
Nonexpendable	-	-	-	-	662,010	1,360,245
Unrestricted	335	2,023	59,528	(650)	1,756,348	1,422,563
Total net position	$ 1,835	$ 4,370	$ 664,960	$ 61	$ 7,557,687	$ 6,622,546

STATE OF TENNESSEE
Combining Statement of Net Position
Component Units
June 30, 2025
(Expressed in Thousands)

Proprietary Fund Types					
Local Development Authority	**Tennessee Veterans' Homes Board**	**Tennessee State School Bond Authority**	**Certified Cotton Growers'**	**Access Tennessee Insurance Plan**	**Total Component Units**
$ 21,479	$ 3,456	$ 105,050	$ 814	$ 20,034	$ 4,355,304
-	-	-	4,227	-	1,421,818
-	9,937	12,393	40	-	553,924
-	1,484	-	-	-	93,627
-	523	-	-	-	14,687
-	546	-	-	-	42,273
1,241	-	1,928,212	-	-	5,213,722
-	1,819	-	41	-	39,565
273	10,956	6,718	-	-	1,077,241
-	-	364,135	-	-	3,419,609
-	-	-	-	-	571,497
-	3,308	-	-	-	5,655
-	-	-	-	-	26,397
-	-	-	-	-	998
-	2,467	-	-	-	308,155
-	4,145	-	-	-	1,088,721
-	100,692	-	-	-	9,089,239
-	5,947	-	-	-	1,596,580
-	-	-	-	-	540,711
-	(32,758)	-	-	-	(5,387,502)
-	51,767	-	-	-	1,750,555
22,993	164,289	2,416,508	5,122	20,034	25,822,776
-	4,413	23,826	-	-	364,975
175	5,763	17,775	89	15	792,329
-	1,944	-	-	-	128,846
-	-	2,194	-	-	193,368
-	148	-	-	-	39,710
260	1,247	101,714	-	-	623,667
52	1,524	2,292,912	-	-	8,962,560
487	10,626	2,414,595	89	15	10,740,480
-	978	1,933	-	-	367,350
-	131,040	-	-	-	6,798,248
-	570	-	-	-	16,319
-	-	-	-	-	313,918
-	-	-	-	-	584,514
-	3,308	-	-	-	5,655
-	-	-	-	-	26,397
-	-	-	-	-	1,621,114
-	-	-	-	-	357,810
-	-	-	-	-	2,022,255
22,506	22,180	23,806	5,033	20,019	3,333,691
$ 22,506	$ 157,098	$ 23,806	$ 5,033	$ 20,019	$ 15,079,921

STATE OF TENNESSEE
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2025
(Expressed in Thousands)

		Program Revenues			
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Net (Expense) Revenue and Changes in Net Position**
Component units					
Higher education institutions:					
State University and Community College System	$ 3,601,490	$ 948,587	$ 1,262,911	$ 807,895	$ (582,097)
University of Tennessee	3,344,589	1,195,613	1,515,676	101,178	(532,122)
Total higher education institutions	6,946,079	2,144,200	2,778,587	909,073	(1,114,219)
Loan programs:					
Tennessee Student Assistance Corporation	131,303	7,670	371	-	(123,262)
Tennessee Housing Development Agency	778,905	198,014	613,060	-	32,169
Local Development Authority	235	859	970	-	1,594
Tennessee State School Bond Authority	88,510	72,883	23,645	-	8,018
Total loan programs	998,953	279,426	638,046	-	(81,481)
Tennessee Education Lottery	1,707,984	1,702,374	25	-	(5,585)
Other programs:					
Tennessee Community Services Agency	7,928	59	6,320	-	(1,549)
Access Tennessee Insurance Plan	30,569	-	-	-	(30,569)
Tennessee Veterans' Homes Board	90,620	86,473	11,856	-	7,709
Certified Cotton Growers'	222	296	-	-	74
Total other programs	129,339	86,828	18,176	-	(24,335)
Total	$ 9,782,355	$ 4,212,828	$ 3,434,834	$ 909,073	$ (1,225,620)

STATE OF TENNESSEE
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2025
(Expressed in Thousands)

General Revenues									
Payments from Primary Government	Unrestricted Grants and Contributions	Unrestricted Investment Earnings	Miscellaneous	Contributions to Permanent Funds	Change in Net Position	Net Position July 1	Adjustments to net position, July 1	Net Position July 1, Restated	Net Position June 30
$ 1,303,802	$ 70,432	$ 234,132	$ 5,550	$ 23,107	$ 1,054,926	$ 6,750,808	$ (248,047)	$ 6,502,761	$ 7,557,687
898,149	98	134,725	6,203	80,353	587,406	6,145,189	(110,049)	6,035,140	6,622,546
2,201,951	70,530	368,857	11,753	103,460	1,642,332	12,895,997	(358,096)	12,537,901	14,180,233
121,286	-	-	-	-	(1,976)	4,351	(540)	3,811	1,835
148	-	305	-	-	32,622	634,885	(2,547)	632,338	664,960
-	-	-	-	-	1,594	20,912	-	20,912	22,506
-	9,740	-	-	-	17,758	6,048	-	6,048	23,806
121,434	9,740	305	-	-	49,998	666,196	(3,087)	663,109	713,107
-	-	5,552	-	-	(33)	94	-	94	61
-	-	31	-	-	(1,518)	5,888	-	5,888	4,370
-	-	2,267	-	-	(28,302)	48,321	-	48,321	20,019
-	-	-	-	-	7,709	149,389	-	149,389	157,098
-	-	188	-	-	262	4,771	-	4,771	5,033
-	-	2,486	-	-	(21,849)	208,369	-	208,369	186,520
$ 2,323,385	$ 80,270	$ 377,200	$ 11,753	$ 103,460	$ 1,670,448	$13,770,656	$ (361,183)	$13,409,473	$15,079,921

STATE OF TENNESSEE
Combining Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund Type Component Units
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	Tennessee Housing Development Agency	Tennessee Education Lottery	State University and Community College System	University of Tennessee	Local Development Authority
Operating revenues					
Charges for services	$ 198,014	$ 1,702,181	$ 934,723	$ 1,150,794	$ 859
Investment income	64,782	-	165	9,847	970
Grants and contributions	-	-	378,318	734,801	-
Other	-	193	107,319	273,656	-
Total operating revenues	262,796	1,702,374	1,420,525	2,169,098	1,829
Operating expenses					
Personal services	34,974	16,633	2,197,183	2,140,108	-
Contractual services	21,265	157,933	-	-	197
Mortgage service fees	-	-	-	-	-
Materials and supplies	1,996	-	886,057	913,369	-
Rentals and insurance	23	155	-	-	-
Interest	138,147	-	-	-	21
Depreciation and amortization	4,541	1,995	193,880	200,636	-
Lottery prizes	-	1,091,376	-	-	-
Nursing home services	-	-	-	-	-
Scholarships and fellowships	-	-	296,355	41,237	-
Benefits	-	-	-	-	-
Other	22,249	9,773	-	-	17
Total operating expenses	223,195	1,277,865	3,573,475	3,295,350	235
Operating income (loss)	39,601	424,509	(2,152,950)	(1,126,252)	1,594
Nonoperating revenues (expenses)					
Grant income	548,583	-	834,932	343,396	-
Grant expense	(555,710)	-	-	-	-
Interest expense	-	-	(24,940)	(45,775)	-
Interest income	-	5,552	238,637	299,539	-
Payments from primary government	148	-	1,303,802	898,149	-
Grants and contributions	-	-	-	8,903	-
Gifts	-	-	10,584	24,437	-
Payments to primary government	-	(430,063)	-	-	-
Other	-	(31)	4,231	-	-
Total nonoperating revenues (expenses)	(6,979)	(424,542)	2,367,246	1,528,649	-
Income (loss) before capital	32,622	(33)	214,296	402,397	1,594
Capital payments from primary government	-	-	540,035	90,807	-
Capital grants and gifts	-	-	268,757	10,371	-
Additions to permanent endowments	-	-	31,838	80,353	-
Other	-	-	-	3,478	-
Change in net position	32,622	(33)	1,054,926	587,406	1,594
Net position, July 1	634,885	94	6,750,808	6,145,189	20,912
Adjustments to beginning net position	(2,547)	-	(248,047)	(110,049)	-
Net position, July 1, restated	632,338	94	6,502,761	6,035,140	20,912
Net position, June 30	$ 664,960	$ 61	$ 7,557,687	$ 6,622,546	$ 22,506

STATE OF TENNESSEE
Combining Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund Type Component Units
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

Tennessee Veterans' Homes Board	Tennessee State School Bond Authority	Certified Cotton Growers'	Access Tennessee Insurance Plan	Total Proprietary Fund Type Component Units
$ 85,910	$ 72,883	$ 296	$ -	$ 4,145,660
-	23,645	-	-	99,409
-	-	-	-	1,113,119
563	-	-	-	381,731
86,473	96,528	296	-	5,739,919
44,864	-	-	-	4,433,762
-	1,342	222	117	181,076
-	-	-	-	-
-	-	-	-	1,801,422
-	-	-	452	630
-	72,087	-	-	210,255
2,924	-	-	-	403,976
-	-	-	-	1,091,376
39,689	-	-	-	39,689
-	-	-	-	337,592
-	-	-	-	-
-	15,081	-	-	47,120
87,477	88,510	222	569	8,546,898
(1,004)	8,018	74	(569)	(2,806,979)
11,223	9,740	-	-	1,747,874
-	-	-	-	(555,710)
(52)	-	-	-	(70,767)
633	-	188	2,267	546,816
-	-	-	-	2,202,099
-	-	-	-	8,903
-	-	-	-	35,021
-	-	-	(30,000)	(460,063)
43,971	-	-	-	48,171
55,775	9,740	188	(27,733)	3,502,344
54,771	17,758	262	(28,302)	695,365
-	-	-	-	630,842
-	-	-	-	279,128
-	-	-	-	112,191
(47,062)	-	-	-	(43,584)
7,709	17,758	262	(28,302)	1,673,942
149,389	6,048	4,771	48,321	13,760,417
-	-	-	-	(360,643)
149,389	6,048	4,771	48,321	13,399,774
$ 157,098	$ 23,806	$ 5,033	$ 20,019	$ 15,073,716

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STATE OF TENNESSEE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Type Component Units
For the Fiscal Year Ended
June 30, 2025
(Expressed in Thousands)

	Tennessee Student Assistance Corporation	Tennessee Community Services Agency	Total Governmental Fund Type Component
REVENUES			
Interest on investments	$ 371	$ 31	$ 402
Departmental services	128,903	6,379	135,282
Other	53	-	53
Total revenues	129,327	6,410	135,737
EXPENDITURES			
Education	131,142	-	131,142
Health and social services	-	5,675	5,675
Total expenditures	131,142	5,675	136,817
Excess (deficiency) of revenues over (under) expenditures	(1,815)	735	(1,080)
Fund balances, July 1	5,228	1,158	6,386
Fund balances, June 30	$ 3,413	$ 1,893	$ 5,306
Reconciliation to net position:			
Fund balances per above	$ 3,413	$ 1,893	$ 5,306
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	10	253	263
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund.	(1,346)	(515)	(1,861)
Resources and obligations related to pension and other postemployment benefits are not available nor due and payable, respective, in the current period and therefore are not reported in the fund.	(242)	2,739	2,497
Net position on statement of net position	$ 1,835	$ 4,370	$ 6,205

SUPPLEMENTARY SCHEDULES

STATE OF TENNESSEE **Schedule 1**

Debt Service Requirements to Maturity

General Obligation Bonds

June 30, 2025

(Expressed in Thousands)

For the Year Ended June 30	General Long-Term Debt			Facilities Revolving Fund Debt		
	Principal	Interest	Total Require-ments	Principal	Interest	Total Require-ments
2026	$ 155,638	$ 54,947	$ 210,585	$ 14,977	$ 3,293	$ 18,270
2027	149,081	49,710	198,791	13,104	2,960	16,064
2028	144,074	44,355	188,429	12,246	2,631	14,877
2029	136,692	39,094	175,786	10,753	2,312	13,065
2030	112,828	34,331	147,159	9,207	2,004	11,211
2031	102,791	29,966	132,757	7,704	1,716	9,420
2032	95,677	25,821	121,498	6,378	1,468	7,846
2033	73,250	22,306	95,556	5,995	1,256	7,251
2034	66,963	19,398	86,361	5,537	1,060	6,597
2035	66,427	16,624	83,051	5,443	872	6,315
2036	63,221	13,872	77,093	3,034	706	3,740
2037	49,987	11,274	61,261	2,734	566	3,300
2038	41,234	9,038	50,272	2,696	442	3,138
2039	33,763	7,033	40,796	2,452	329	2,781
2040	33,763	5,400	39,163	2,452	229	2,681
2041	27,570	3,906	31,476	2,235	134	2,369
2042	27,569	2,550	30,119	2,235	44	2,279
2043	24,875	1,248	26,123			
TOTALS	$ 1,405,403	$ 390,873	$ 1,796,276	$ 109,182	$ 22,022	$ 131,204

STATE OF TENNESSEE **Schedule 2**

Schedule of General Obligation Outstanding Debt
All Fund Types
For the Last Five Fiscal Years

(Expressed in Thousands)

	June 30				
	2021	**2022**	**2023**	**2024**	**2025**
Internal service funds:					
General obligation commercial paper	$ 63,332	$ 7,121	$ 6,920	$ 2,425	
Facilities Revolving Fund general obligation bonds	119,254	157,047	140,782	124,815	$ 109,182
	182,586	164,168	147,702	127,240	109,182
General long-term debt:					
General obligation bonds	1,436,291	1,379,628	1,233,913	1,564,290	1,405,403
General obligation commercial paper	144,011	82,442	66,018	18,188	3,681
	1,580,302	1,462,070	1,299,931	1,582,478	1,409,084
Totals for primary government	$ 1,762,888	$ 1,626,238	$ 1,447,633	$ 1,709,718	$ 1,518,266

STATE OF TENNESSEE **Schedule 3**

Schedule of General Obligation
Commercial Paper Outstanding- By Purpose
All Fund Types
June 30, 2025

(Expressed in Thousands)

General obligation commercial paper - Tax exempt		$ 2,000
Purpose:	To finance the construction, improvements, repairs, and replacements of buildings and facilities and the acquisition of land, equipment and other property of the state.	
General obligation commercial paper - Taxable		1,681
Purpose:	To finance improvements to certain other projects and grants to local governments when tax-exempt is not the ideal funding source.	
Total Outstanding		$ 3,681

STATE OF TENNESSEE **Schedule 4**

Schedule of General Obligation Outstanding Debt
Component Units
For the Last Five Fiscal Years

(Expressed in Thousands)

	June 30				
	2021	**2022**	**2023**	**2024**	**2025**
Component units:					
Local Development Authority bonds	$ 1,243	$ 1,024	$ 795	$ 556	$ 312
Tennessee Housing Development Agency bonds	2,909,404	2,832,029	2,819,743	3,725,143	3,919,245
Veterans' Homes Board loan	3,011	2,621	1,831	1,549	1,220
Tennessee State School Bond Authority bonds	2,194,228	2,102,916	2,324,648	2,216,716	2,334,899
Tennessee State School Bond Authority revolving credit	115,521	152,661	28,874	62,874	59,728
University of Tennessee bonds	57,432	54,513	51,481	48,325	45,082
State University and Community College System notes	1,089	4,549	3,709	3,440	3,169
State University and Community College System commercial paper	1,108	768	502	347	192
State University and Community College System loans	75	111	57	21	
	$ 5,283,111	$ 5,151,192	$ 5,231,640	$ 6,058,971	$ 6,363,847

STATE OF TENNESSEE
Comparative Schedules of Revenues by Source
General Fund
For the Fiscal Years Ended June 30, 2025 and 2024
(Expressed in Thousands)

Revenue by Source	For the Year Ended June 30, 2025	For the Year Ended June 30, 2024
Taxes:		
Sales and use	$ 5,285,155	$ 5,097,219
Gasoline	9,415	9,333
Motor fuel	2,299	2,305
Gasoline inspection	799	656
Total fuel taxes	12,513	12,294
Franchise	1,078,661	(5,662)
Excise	2,431,052	2,779,218
Gross receipts	270,453	251,846
Beer	11,176	11,450
Alcoholic beverage	69,940	71,232
Mixed drink	-	-
Tobacco	27,461	27,717
Business	236,814	231,630
Insurance companies premium	1,543,992	1,460,353
Retaliatory	14,123	12,621
Workers compensation premium	39,437	40,991
Enhanced coverage	1,542,245	747,779
Medicaid provider	11,984	12,646
Fantasy Sports	1,448	412
Other	731	854
Total business tax	7,279,517	5,643,087
Income	1,993	1,851
Privilege	465,683	437,203
Inheritance and estate	126	30
Other	2	11
Total other taxes	467,804	439,095
Total taxes	13,044,989	11,191,695
Licenses, fines, fees and permits:		
Motor vehicle registration	67,228	63,970
Motor vehicle title registration fees	19,901	18,955
Drivers licenses	41,914	29,343
Arrests, fines and fees	8,368	8,039
Regulatory board fees	234,801	219,648
Other	276,697	269,832
Total licenses, fines, fees and permits	648,909	609,787
Investment income	1,042,605	1,190,019
Federal	17,490,302	15,670,439
Departmental services:		
Charges to the public	955,142	864,375
Interdepartmental charges	825,572	745,786
Charges to cities, counties, etc.	1,161,363	1,122,016
Other	1,581	3,580
Total departmental services	2,943,658	2,735,757
Opioid and tobacco settlements	126,987	175,823
Other	176,175	126,797
Total revenues by source	$ 35,473,625	$ 31,700,317

STATE OF TENNESSEE **Schedule 6**

Comparative Schedules of Expenditures by Function and Department
General Fund
For the Fiscal Years Ended June 30, 2025 and 2024
(Expressed in Thousands)

	For the Year Ended	
	June 30, 2025	**June 30, 2024**
Expenditures by Function and Department		
General government:		
Legislative	$ 75,368	$ 70,410
Secretary of State	59,969	58,836
Comptroller	148,066	142,506
Treasurer	81,867	362,468
Governor	7,492	7,110
Commissions	111,527	211,029
Finance and Administration	404,923	763,486
General Services	55,185	52,007
Revenue	34,506	263,192
Total general government	978,903	1,931,044
Health and social services:		
Veterans Services	21,710	19,488
Labor and Workforce Development	246,062	238,739
TennCare	18,577,103	15,927,803
Mental Health	715,874	682,925
Intellectual Disabilities	479,948	342,702
Health	1,263,611	1,155,451
Human Services	3,324,258	3,369,679
Children's Services	1,469,032	1,370,907
Total health and social services	26,097,598	23,107,694
Law, justice and public safety:		
Judicial	560,310	540,993
Correction	1,396,445	1,327,258
Probation and Paroles	12,336	12,354
Military	700,388	179,596
Bureau of Criminal Investigation	162,940	156,334
Safety	613,764	539,650
Total law, justice and public safety	3,446,183	2,756,185
Recreation and resource development:		
Agriculture	254,941	236,631
Tourist Development	88,846	72,862
Environment and Conservation	799,835	584,771
Economic and Community Development	449,637	375,036
Total recreation and resources development	1,593,259	1,269,300
Regulation of business and professions:		
Commerce and Insurance	157,582	142,677
Financial Institutions	25,734	25,826
Total regulation of business and professions	183,316	168,503
Debt service:		
Principal	59,012	30,758
Interest	5,595	2,153
Total debt service	64,607	32,911
Capital outlay	96,073	55,377
Total expenditures by function and department	$ 32,459,939	$ 29,321,014

STATISTICAL SECTION

STATISTICAL SECTION

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

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Financial Trends

These schedules contain trend information to help the reader understand how the state's financial performance and well-being have changed over time. **248**

Revenue Capacity

These schedules contain information to help the reader assess the state's most significant local revenue sources, the sales tax. **253**

Debt Capacity

These schedules present information to help the reader assess the affordability of the state's current levels of outstanding debt and the state's ability to issue additional debt in the future. **255**

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the state's financial activities take place. **256**

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the state's financial report relates to the services the state provides and the activities it performs. **258**

Component Units

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National Federation of Municipal Analysts Recommended Disclosures for State Debt **266**

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year. No adjustments have been made for prior period adjustments.

Schedule 1

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

(continued on next page)

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2016	2017	2018	2019	2020	2021	2022	2023(6)	2024	2025
Expenses										
Governmental activities:										
General government (3)	$ 981,862	$ 961,058	$ 870,036	$ 937,895	$ 1,143,546	$ 3,267,910	$ 3,015,861	$ 4,243,220	$ 4,361,003	$ 3,498,700
Education	7,507,413	7,927,694	8,234,390	8,576,479	8,898,197	9,495,761	10,605,705	11,458,760	12,872,973	12,678,104
Health and social services (8)	14,930,669	14,976,007	15,192,989	15,168,397	16,603,681	19,105,994	20,235,770	21,131,878	22,856,581	25,756,271
Law, justice, and public safety (7)	1,605,231	1,692,610	1,784,864	1,848,904	2,127,958	2,255,348	1,941,068	2,170,931	2,732,658	3,430,334
Recreation and resources development	665,491	628,906	716,104	719,649	786,375	935,195	883,820	885,704	1,361,139	1,779,398
Regulation of business and professions	194,662	205,684	215,749	217,075	211,446	252,866	241,988	273,736	311,386	334,711
Transportation	1,045,959	1,282,462	1,213,247	1,474,457	1,507,127	1,328,049	1,555,210	1,828,981	2,129,530	2,289,891
Intergovernmental revenue sharing (3)	1,045,095	1,073,737	1,309,519	1,388,848	1,407,229					
Interest on long-term debt	60,891	58,503	62,430	62,928	58,733	51,097	17,965	31,839	46,381	44,355
Payments to fiduciary fund	680	664	372							
Total governmental activities expenses	28,037,953	28,807,325	29,599,700	30,394,632	32,744,292	36,692,220	38,497,387	42,025,049	46,671,651	49,811,764
Business-type activities:										
Employment security (1)	241,852	232,690	222,988	205,234	3,969,607	3,931,631	434,261	163,774	170,814	178,782
Insurance programs	585,757	620,734	620,005	672,422	677,269	753,012	763,303	834,053	914,654	979,773
Loan programs	1,865	1,710	1,705	1,613	1,842	1,879	1,787	1,562	1,898	2,136
Other	367	216	1,014	305	83	695	224	226	669	8,446
Total business-type activities expenses	829,841	855,350	845,712	879,574	4,648,801	4,687,217	1,199,575	999,615	1,088,035	1,169,137
Total primary government expenses	$28,867,794	$29,662,675	$30,445,412	$31,274,206	$37,393,093	$41,379,437	$39,696,962	$43,024,664	$47,759,686	$50,980,901
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 796,608	$ 784,087	$1,019,219	$ 1,045,776	$ 1,066,858	$ 1,188,460	$ 1,137,177	$ 1,204,339	$ 1,353,854	$ 1,436,685
Education	50,274	40,849	38,385	30,633	70,672	67,395	49,920	61,519	95,277	112,563
Health and social services (5)	1,030,133	1,189,026	1,071,646	1,130,530	1,248,321	1,299,646	1,814,509	1,711,400	2,263,329	2,065,543
Law, justice, and public safety	161,110	168,808	161,132	159,868	153,575	150,230	133,779	131,783	145,331	159,143
Recreation and resources development	164,390	169,896	175,065	184,084	175,672	195,412	203,673	224,181	267,354	269,042
Regulation of business and professions	200,087	194,108	214,121	203,660	208,333	234,485	263,266	272,347	272,111	281,121
Transportation	56,466	59,301	63,670	65,208	57,902	60,841	77,795	89,467	90,600	78,981
Operating grants and contributions (4)	11,930,270	11,742,175	12,064,641	11,974,935	13,456,925	17,898,087	18,285,375	19,200,667	18,660,334	19,453,279
Capital grants and contributions	686,774	695,029	738,173	725,242	948,533	844,303	925,919	935,608	951,352	1,333,599
Total governmental activities program revenues	15,076,112	15,043,279	15,546,052	15,519,936	17,386,791	21,938,859	22,891,413	23,831,311	24,099,542	25,189,956
Business-type activities:										
Charges for services:										
Employment security	290,005	288,964	260,627	256,943	286,104	265,762	250,213	244,096	244,020	283,191
Insurance programs	565,174	599,635	652,846	702,429	719,987	728,280	772,876	845,322	935,190	990,233
Loan programs	9,214	10,255	11,386	11,850	12,233	12,135	11,886	12,449	12,913	13,786
Other	239	236	242	155	342	287	297	407	919	4,969
Operating grants and contributions (2)	85,287	57,418	88,198	76,576	3,696,938	3,599,778	281,856	85,468	109,248	127,452
Total business-type activities program revenues	949,919	956,508	1,013,299	1,047,953	4,715,604	4,606,242	1,317,128	1,187,742	1,302,290	1,419,631
Total primary government program revenues	$16,026,031	$15,999,787	$16,559,351	$16,567,889	$22,102,395	$26,545,101	$24,208,541	$25,019,053	$25,401,832	$26,609,587
Net (Expense)/Revenue										
Governmental activities	$(12,961,841)	$(13,764,046)	$(14,053,648)	$(14,874,696)	$(15,357,501)	$(14,753,361)	$(15,605,974)	$(18,193,738)	$(22,572,109)	$(24,621,808)
Business-type activities	120,078	101,158	167,587	168,379	66,803	(80,975)	117,553	188,127	214,255	250,494
Total primary government net expense	$(12,841,763)	$(13,662,888)	$(13,886,061)	$(14,706,317)	$(15,290,698)	$(14,834,336)	$(15,488,421)	$(18,005,611)	$(22,357,854)	$(24,371,314)

Schedule 1

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

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023(6)**	**2024**	**2025**
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Sales and use	$8,258,134	$8,547,149	$8,831,333	$ 9,351,611	$ 9,624,865	$11,052,798	$12,891,509	$13,657,626	$13,938,417	$14,544,347
Fuel	899,631	915,415	1,099,342	1,170,828	1,189,072	1,216,037	1,266,514	1,271,200	1,273,109	1,281,695
Business (9)	4,631,629	5,206,841	5,196,013	5,326,127	5,546,908	6,275,672	7,642,081	8,048,189	6,588,475	7,911,234
Other	722,040	627,070	624,585	607,748	543,952	672,243	701,587	594,333	571,068	646,969
Grants and contributions not restricted to specific programs								250,483	534,204	971,889
Unrestricted investment earnings	15,076	36,148	84,104	151,602	108,918	9,376	38,945	809,638	1,133,869	982,267
Miscellaneous	243,432	234,586	284,299	193,899	239,300	282,720	372,768	276,380	367,026	328,293
Contributions to permanent funds	170	2,624	142	145	143	143	155	180	432	183
Transfers	(1,096)	(5,290)	(4,715)	(18,521)	(7,558)	(8,611)	(5,277)	(10,389)	(225,522)	(132,346)
Total governmental activities	14,769,016	15,564,543	16,115,103	16,783,439	17,245,600	19,500,378	22,908,282	24,897,640	24,181,078	26,534,531
Business-type activities:										
Transfers	1,096	5,290	4,715	18,521	7,558	8,611	5,277	10,389	225,522	132,346
Total business-type activities	1,096	5,290	4,715	18,521	7,558	8,611	5,277	10,389	225,522	132,346
Total primary government general revenues and other changes in net position	$14,770,112	$15,569,833	$16,119,818	$16,801,960	$17,253,158	$19,508,989	$22,913,559	$24,908,029	$24,406,600	$26,666,877
Changes in Net Position										
Governmental activities	$1,807,175	$1,800,497	$2,061,455	$ 1,908,743	$ 1,888,099	$ 4,747,017	$ 7,302,308	$ 6,703,902	$ 1,608,969	$ 1,912,723
Business-type activities	121,174	106,448	172,302	186,900	74,361	(72,364)	122,830	198,516	439,777	382,840
Total primary government	$1,928,349	$1,906,945	$2,233,757	$ 2,095,643	$ 1,962,460	$ 4,674,653	$ 7,425,138	$ 6,902,418	$ 2,048,746	$ 2,295,563

(1) The increase in expenses in the employment security program between fiscal years 2019 and 2020 is due to the extra benefits provided to the unemployed in response to the pandemic.
The decrease in expenses in the employment security program between the years 2021 and 2022 is due to less unemployment.

(2) The increase in operating grants and contributions for business-type activities between fiscal years 2019 and 2020 is primarily because of the extra benefits provided to the unemployed in response to the pandemic.
The decrease in operating grants and contributions for business-type activities between fiscal years 2021 and 2022 is primarily because of less unemployment benefits needed.

(3) The increase in expenses for general government between fiscal years 2020 and 2021 is primarily due to changes made because of the implementation of GASBS 84.
Amounts previously reported in intergovernmental revenue sharing is now reported as general government.
The decrease in expenses for general government between fiscal years 2024 and 2025 is primarily due to a decrease in OPEB contributions, a decrease in excise tax refunds and a decrease in grant expenditures.

(4) The increase in operating grants and contributions between fiscal years 2020 and 2021 is primarily because of increased COVID funding received from the federal government.

(5) The increase in health and social services program revenue between fiscal years 2021 and 2022 is primarily because of a new grant, a increase in drug rebates and nongovernmental revenue.

The increase in health and social services charges for services revenue between fiscal years 2023 and 2024 is primarily due to rate increases charged to third party managed care organizations for care and treatment of children in state custody as well as an increase in revenues from settlements related to opioid abatement.

(6) This fiscal year was restated due to a prior period adjustment related to an error correction with revenue and accounts receivable.

(7) The increase in expenses for law, justice, and public safety between fiscal years 2023 and 2024 is primarily due to project expenditures and increased payroll and new positions for school safety staffing.
The increase in expenses for law, justice, and public safety between fiscal years 2024 and 2025 is primarily due to tropical storm Helene cleanup.

(8) The increase in expenses for health and social services between fiscal years 2024 and 2025 is primarily due to an increase in the CMS approved hospital assessment supplemental.

(9) The increase in business tax revenues between fiscal years 2024 and 2025 is primarily due to a decrease in tax refunds when compared to fiscal year 2024.

Schedule 2

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

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023(5)**	**2024**	**2025**
Governmental activities										
Net investment in capital assets (2)	$28,201,282	$28,617,760	$29,616,706	$30,355,607	$31,425,755	$32,396,815	$33,156,399	$34,138,338	$34,758,715	$36,185,787
Restricted (6)	1,595,049	1,777,806	2,081,564	2,210,725	2,307,203	2,866,255	3,720,678	3,317,002	4,233,039	4,367,494
Unrestricted (1)(3)	1,534,817	2,736,079	2,704,085	3,739,918	4,475,212	7,753,855	13,442,770	19,576,046	19,648,601	19,631,654
Total governmental activities net position	$31,331,148	$33,131,645	$34,402,355	$36,306,250	$38,208,170	$43,016,925	$50,319,847	$57,031,386	$58,640,355	$60,184,935
Business-type activities										
Net investment in capital assets (4)									$ 209,536	$ 213,242
Unrestricted	$ 2,541,704	$ 2,648,152	$ 2,806,842	$ 2,993,742	$ 3,068,103	$ 2,973,131	$ 3,095,961	$ 3,294,477	3,524,718	3,903,852
Total business-type activities net position	2,541,704	2,648,152	2,806,842	2,993,742	3,068,103	2,973,131	3,095,961	3,294,477	3,734,254	4,117,094
Primary Government										
Net investment in capital assets	$28,201,282	$28,617,760	$29,616,706	$30,355,607	$31,425,755	$32,396,815	$33,156,399	$34,138,338	$34,968,251	$36,399,029
Restricted	1,595,049	1,777,806	2,081,564	2,210,725	2,307,203	2,866,255	3,720,678	3,317,002	4,233,039	4,367,494
Unrestricted	4,076,521	5,384,231	5,510,927	6,733,660	7,543,315	10,726,986	16,538,731	22,870,523	23,173,319	23,535,506
Total primary government net position	$33,872,852	$35,779,797	$37,209,197	$39,299,992	$41,276,273	$45,990,056	$53,415,808	$60,325,863	$62,374,609	$64,302,029

(1) The increase in unrestricted net position between fiscal years 2016 and 2017 and between 2018 and 2019 is attributable to (1) the increase in cash and cash equivalents caused by an increase in revenue collections from business and sales taxes. The increase between 2016 and 2017 is also attributable to a correction of a federal billing issue from fiscal year 2016.

(2) The increase in net investment in capital assets between fiscal years 2017 and 2018 is mostly attributable to an increase in infrastructure.

(3) The increase in unrestricted net position between fiscal years 2020 and 2021 is attributable to the increase in cash and cash equivalents caused by an increase in federal revenue and an increase in tax revenue. The increase in unrestricted net position between fiscal years 2021 and 2022 and between 2022 and 2023 is due primarily to increased operating grants and contributions.

(4) The increase in net investment in capital assets between fiscal years 2023 and 2024 is due to the establishment of the Megasite Water and Wastewater fund. This is the only BTA fund currently reporting capital assets.

(5) This fiscal year was restated due to a prior period adjustment related to an error correction with revenue and accounts receivable. This adjustment was reflected in unrestricted fund balance.

(6) The increase in governmental activities restricted fund balance between fiscal years 2023 and 2024 is primarily related to unspent bond proceeds and restricted investment proceeds.

Schedule 3

STATE OF TENNESSEE
FINANCIAL TRENDS - FUND BALANCES
GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting, expressed in thousands)

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
General Fund										
Nonspendable	$ 18,765	$ 25,117	$ 21,208	$ 23,489	$ 31,111	$ 65,465	$ 68,975	$ 64,912	$ 71,049	$ 59,020
Restricted	71,304	73,855	73,202	92,579	102,123	165,341	173,161	206,561	256,187	334,259
Committed	314,545	334,316	372,189	362,881	487,351	640,562	683,709	691,702	745,242	898,805
Assigned (1)	1,612,001	2,263,154	1,949,089	2,298,179	3,265,698	4,688,970	7,337,698	9,275,561	4,970,828	6,541,169
Unassigned (2)	1,224,464	1,008,428	1,410,118	1,651,697	1,676,074	3,770,577	3,939,527	3,326,231	3,764,190	3,293,783
Total general fund	$ 3,241,079	$ 3,704,870	$ 3,825,806	$ 4,428,825	$ 5,562,357	$ 9,330,915	$12,203,070	$13,564,967	$ 9,807,496	$ 11,127,036
All Other Governmental Funds										
Nonspendable	$ 525,078	$ 531,981	$ 536,481	$ 561,387	$ 569,348	$ 586,808	$ 816,145	$ 831,005	$ 761,540	$ 745,378
Restricted (5)	1,020,805	1,207,452	1,507,973	1,583,287	1,667,138	2,152,028	2,293,134	2,331,015	3,266,306	3,312,530
Committed (3)	373,312	336,412	379,483	391,014	436,241	439,218	1,030,379	1,311,198	4,413,898	4,372,198
Assigned (4)	787,006	1,148,144	1,596,551	1,612,649	1,552,641	1,258,390	2,814,454	5,881,294	7,012,953	6,503,484
Unassigned								(3,542)	(1,697)	
Total all other governmental funds	$ 2,706,201	$ 3,223,989	$ 4,020,488	$ 4,148,337	$ 4,225,368	$ 4,436,444	$ 6,954,112	$10,350,970	$15,453,000	$ 14,933,590

(1) The increase in assigned fund balance for the general fund between fiscal years 2019 and 2020 is primarily because of an increase in the reserve for supplemental appropriation and an increase in carry forwards.
The increase in assigned fund balance between the fiscal years 2020 and 2021 is primarily because of increases in carry forwards, supplemental appropriations, and the civil defense reserve.
The increase in assigned fund balance between fiscal years 2021 and 2022 and between 2022 and 2023 is primarily because of an increase in carry forwards.
The increase in assigned fund balance between fiscal years 2023 and 2024 is primarily because of a decrease in carry forwards.
The increase in assigned fund balance between fiscal years 2024 and 2025 is primarily due to an increase in supplemental appropriations.

(2) The increase in unassigned fund balance for the general fund between fiscal years 2020 and 2021 is primarily because of an increase between the reserve fluctuations and future requirements.

(3) The increase in committed fund balance between fiscal years 2021 and 2022 is primarily because of increases of dedicated tax revenues in the Education fund.
The increase in committed fund balance between fiscal years 2023 and 2024 is primarily because of a new TDOT modernization reserve.

(4) The increase in assigned fund balance between fiscal years 2021 and 2022 and between 2022 and 2023 is primarily because of increases in appropriations for capital projects.
The increase in assigned fund balance between fiscal years 2023 and 2024 is primarily because of increases in appropriations for capital projects.

(5) The increase in restricted fund balance between fiscal years 2023 and 2024 is primarily due to unspent bond proceeds and restricted investment income increase.

Schedule 4

STATE OF TENNESSEE
FINANCIAL TRENDS - CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting, expressed in thousands)

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Revenues										
Taxes (10)	$14,536,940	$15,151,281	$15,694,388	$16,391,417	$17,176,466	$19,360,005	$22,500,812	$23,687,301	$ 22,515,392	$ 24,708,553
Licenses, fines, fees, and permits	913,535	973,810	1,058,073	1,081,355	1,055,468	1,142,138	1,256,478	1,136,026	1,416,180	1,405,103
Investment income (9)	56,708	89,231	119,676	234,307	187,336	221,890	(130,546)	954,012	1,570,327	1,454,533
Federal (6)	12,126,450	11,915,967	12,245,029	12,098,767	13,820,131	17,989,966	18,820,965	19,337,606	19,471,104	20,878,902
Departmental services	2,170,683	2,392,179	2,342,471	2,333,469	2,501,103	2,747,234	3,024,470	3,213,709	3,144,116	3,333,941
Opioid and Tobacco Settlements							199,173	156,335	175,823	126,987
Other	647,996	622,690	734,439	639,714	677,192	787,368	569,132	613,923	664,387	619,279
Total revenues	30,452,312	31,145,158	32,194,076	32,779,029	35,417,696	42,248,601	46,240,484	49,098,912	48,957,329	52,527,298
Expenditures										
Current:										
General government (4)	573,475	654,354	683,678	689,119	710,720	2,788,937	2,720,149	3,119,066	3,791,513	2,848,552
Education (7)	7,322,279	7,778,143	8,134,979	8,364,522	8,557,814	9,245,643	10,478,293	11,347,249	12,492,685	12,030,796
Health and social services (11)	15,600,711	15,655,566	15,875,861	16,007,652	17,354,738	19,959,835	21,283,068	21,954,267	23,142,088	26,167,320
Law, justice, and public safety (12)	1,618,669	1,693,161	1,772,563	1,868,133	2,072,747	2,195,107	2,117,580	2,323,197	2,764,874	3,455,269
Recreation and resources development	777,748	736,884	797,848	821,557	849,015	1,012,134	1,066,536	1,160,803	1,551,345	1,905,342
Regulation of business and professions	205,830	215,733	222,903	229,082	224,307	261,952	263,487	293,822	321,447	345,539
Transportation	1,672,379	1,728,331	1,910,831	2,017,320	2,208,900	2,135,196	2,273,259	2,665,234	2,913,762	3,219,650
Intergovernmental revenue sharing (4)	1,045,095	1,073,737	1,309,519	1,388,848	1,407,229					
Debt service:										
Principal	246,503	296,444	267,376	153,111	292,993	150,764	238,930	219,839	250,974	238,324
Interest	67,409	71,817	75,163	75,165	73,246	67,305	50,165	48,938	62,102	66,591
Debt issuance costs	2,324	2,225	2,193	1,741	2,093	1,581	2,627	1,582	4,162	1,573
Capital outlay (8)	469,307	462,231	339,789	408,337	562,098	521,160	447,081	1,199,102	852,679	1,274,798
Total expenditures	29,601,729	30,368,626	31,392,703	32,024,587	34,315,900	38,339,614	40,941,175	44,333,099	48,147,631	51,553,754
Revenues over (under) expenditures	850,583	776,532	801,373	754,442	1,101,796	3,908,987	5,299,309	4,765,813	809,698	973,544
Other Financing Sources (Uses)										
Bonds and commercial paper issued	447,222	274,348	243,419	69,256	187,650	46,732	83,061	35,201	502,105	2,425
Commercial paper redeemed										
Insurance claim recoveries	1,288	725	1,058	367	1,099	673	547	1,416	5,304	6,934
Premium on bond sale	53,170	42,335	25,282		315		15,061		49,673	
Refunding bonds issued (1)							501,241			
Refunding bond premium (1)	98,390	214,452	36,059							
Refunding payment to escrow (1)	(98,159)	(214,016)	(35,976)				(500,827)			
Right-to-use leases and subscriptions							24,045	55,480	56,815	106,278
Proceeds from pledged revenue										
Transfers in (5)	1,229,231	1,711,662	2,028,533	1,550,136	1,982,336	677,894	2,439,176	4,704,007	6,430,005	1,914,105
Transfers out (2) (3)	(1,419,467)	(1,824,459)	(2,225,529)	(1,619,426)	(2,062,633)	(716,389)	(2,471,790)	(4,786,162)	(6,509,041)	(2,203,156)
Total other financing sources (uses)	311,675	205,047	72,846	333	108,767	8,910	90,514	9,942	534,861	(173,414)
Net Change in Fund Balances	$1,162,258	$ 981,579	$ 874,219	$ 754,775	$1,210,563	$ 3,917,897	$5,389,823	$4,775,755	$ 1,344,559	$ 800,130
Debt Service as a Percentage of Noncapital Expenditures	1.0891%	1.2448%	1.1254%	0.7350%	1.1019%	0.5857%	0.7249%	0.6265%	0.6686%	0.6115%

Note:T.C.A 67-1-1702 requires returns, tax information, and tax administration information to remain confidential except as authorized by said T.C.A.

(1) The state issued refunding bonds in 2022 and did not issue any in 2021. This resulted in increases to refunding bonds issued and payments to escrow in 2022. The state did not issue any refunding bonds in 2023 which resulted in a decrease to refunding bonds and payments to escrow in 2023.

(2) The decrease in transfers out between 2018 and 2019 is due primarily to a reduction of transfers out from the general fund to the capital projects fund, to the facilities revolving fund, and to the highway fund.

(3) The decrease in transfers out between 2020 and 2021 is due primarily to a reduction of transfers out from the general fund to the capital projects fund and the education fund. The increase in transfers out between 2021 and 2022 is due primarily due to increased transfers from the general fund to the capital projects fund and the highway fund. The increase in transfers out between 2022 and 2023 is primarily due to increased transfers from the general fund to the education, the capital projects, and the transportation funds. The decrease in transfer out between 2024 and 2025 is due to decreased transfer from the general fund to the highway and capital project funds.

(4) The increase in general government expenditures between 2020 and 2021 is due primarily to changes made because of the implementation of GASBS 84. Amounts previously reported as intergovernmental revenue sharing are now reported in general government.
The decrease in general government expenditures between fiscal years 2024 and 2025 is primarily due to a decrease in OPEB contributions, a decrease in excise tax refunds and a decrease in grant expenditures.

(5) The decrease in transfers between 2020 and 2021 is due primarily to a reduction of transfers in to the capital projects fund and the education fund from the general fund. The increase of transfers in between 2021 and 2022 is primarily due to increased transfers in to the capital projects fund and highway fund from the general fund. The increase of transfers in between 2022 and 2023 is primarily due to increased transfers from the general fund to the education, capital projects, and the transportation fund. The increase in transfers in and transfers out between 2023 and 2024 is due primarily to increased transfers from the general fund to the highway fund. The decrease in transfer in between 2024 and 2025 is due to decreased transfer from the general fund to the highway and capital project funds.

(6) The increase in federal revenue between 2020 and 2021 is due primarily to COVID funding.

(7) The increase in expenditures for education was due primarily to increased funding for the state's Basic Education Program, increased funding for the learning loss remediation program, and increased funding for technical skills education.

(8) The increase in capital outlay between 2022 and 2023 was due primarily to transportation and higher education.

(9) The increase in interest on investments between 2022 and 2023 is due to the interest rate increasing from 1.5 percent to 5 percent.
The increase in interest on investments between 2023 and 2024 is due to favorable market conditions.

(10) The increase in taxes revenue between 2024 and 2025 is primarily due to an increase in business taxes. Fewer refunds were made in fiscal year 2025.

(11) The increase in health and social services expenditures between fiscal years 2024 and 2025 is primarily due to an increase in the CMS approved hospital assessment supplemental.

(12) The increase in law, justice, and public safety expenditures between fiscal years 2024 and 2025 is primarily due to tropical storm Helene cleanup.

Schedule 5

STATE OF TENNESSEE
REVENUE CAPACITY - TAXABLE SALES BY CLASSIFICATION
LAST TEN CALENDAR YEARS
(expressed in millions)

	FOR THE CALENDAR YEAR ENDED DECEMBER 31,									
	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Auto dealers	$ 11,789	$ 12,607	$ 12,869	$ 13,337	$ 13,923	$ 14,229	$ 16,697	$ 16,454	$ 17,531	$ 17,450
Purchases from manufacturers	4,876	5,205	5,478	5,939	6,450	7,054	8,875	10,817	11,458	11,082
Miscellaneous durable goods	18,614	20,131	21,358	22,644	24,024	26,194	31,517	35,856	36,200	35,056
Eating and drinking places	12,029	12,608	12,909	13,678	15,094	13,201	16,635	19,336	20,553	20,528
Food stores	11,103	11,514	12,122	12,793	13,211	14,564	14,604	16,398	15,605	17,823
Liquor stores	971	975	908	973	1,056	1,293	1,383	1,447	1,498	1,511
Hotels and motels	3,222	3,599	3,604	3,829	4,707	2,932	5,227	6,845	7,137	7,120
Other retail and service	34,916	36,530	38,038	41,291	43,621	48,285	61,199	67,542	70,517	76,026
Miscellaneous nondurable goods	9,466	9,902	9,874	10,413	10,795	10,350	13,114	14,313	14,969	15,477
Transportation, communication	6,490	6,386	8,089	8,815	8,807	7,799	8,027	9,004	8,660	8,415
Total taxable sales	$113,476	$ 119,457	$ 125,249	$ 133,712	$ 141,688	$ 145,901	$ 177,278	$ 198,012	$ 204,128	$ 210,488

Source: An Economic Report to the Governor of the State of Tennessee January 2025

Schedule 6

STATE OF TENNESSEE
REVENUE CAPACITY - SALES AND USE TAX RATES
LAST TEN FISCAL YEARS

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
General Rate applied to gross proceeds derived from the retail sale or use of tangible personal property and specific services	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Rates for specific items or services:										
Retail sale of food and food ingredients for human consumption (except vending machines)	5.00%	5.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Energy fuels used by manufacturers and nurserymen	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Water used by manufacturers	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Manufactured homes	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Aviation fuel	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.25%	4.25%	4.25%	4.25%
Common carriers	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
Interstate telecommunication services sold to businesses	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Cable and wireless TV (between $15 and $27.50) and satellite services	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%
Products containing a hemp-derived cannabinoid (1)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6.00%	6.00%
Additional tax added to the general rate for single article sales of personal property ($1,601 to $3,200)	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%

Source: State of Tennessee Budget; Department of Finance and Administration, Division of Budget
Notes: Please see the Budget Document for more information on the sales and use tax basis of apportionment.
(1) N/A- not available because this is a new sales and use tax beginning in fiscal year 2024.

Schedule 7

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

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Retail:										
Building materials	$ 430,312	$ 468,750	$ 492,326	$ 528,112	$ 585,686	$ 737,200	$ 853,785	$ 898,419	$ 866,995	$ 857,497
General merchandise	889,297	895,864	881,916	883,068	911,558	983,751	1,039,892	1,076,876	1,101,248	1,218,208
Food stores	595,739	618,427	571,341	580,520	629,611	658,854	698,021	730,384	698,057	806,095
Auto dealers and service stations	1,123,746	1,177,213	1,184,189	1,230,277	1,273,167	1,481,269	1,554,068	1,636,604	1,673,119	1,723,022
Apparel and accessory stores	238,993	239,541	242,207	254,355	232,224	276,847	329,863	339,006	349,681	355,139
Furniture and home furnishings	268,657	281,955	291,561	301,500	302,089	340,370	377,880	367,615	355,501	351,263
Eating and drinking places	809,367	838,150	845,819	928,084	911,187	963,720	1,162,563	1,295,787	1,347,464	1,387,266
Miscellaneous retail stores	812,020	818,129	848,254	895,942	973,829	1,366,377	1,640,525	1,751,009	1,851,397	1,951,068
Total retail	5,168,131	5,338,029	5,357,613	5,601,858	5,819,351	6,808,388	7,656,597	8,095,700	8,243,462	8,649,558
Services:										
Hotels and lodging places	224,621	236,505	238,462	278,372	258,284	227,242	395,589	456,425	475,627	472,284
Personal services	52,236	52,465	53,561	56,184	51,283	51,064	62,054	67,221	69,747	71,217
Business services	298,046	304,629	322,692	381,851	420,766	564,858	702,863	792,469	887,212	954,050
Auto repair, services, and parking	204,497	208,532	215,481	235,740	254,280	265,114	320,433	359,540	383,164	388,897
Miscellaneous repair services	31,070	32,770	32,560	35,385	42,269	61,923	72,912	76,654	81,477	81,622
Motion pictures	19,341	19,517	18,459	22,196	21,255	14,584	24,903	28,891	30,043	34,305
Amusement services	90,027	96,706	103,495	118,017	113,024	101,452	167,406	199,135	198,759	200,784
Health services	17,232	17,497	17,497	17,274	21,853	24,937	21,637	22,693	22,798	21,782
Other services	46,006	43,365	41,153	61,805	64,392	59,312	74,840	82,154	96,414	108,744
Total services	983,076	1,011,986	1,043,360	1,206,824	1,247,406	1,370,486	1,842,637	2,085,182	2,245,241	2,333,685
Non-retail, non-services:										
Agriculture, forestry, fishing	7,957	7,939	7,835	7,886	8,886	11,165	12,347	13,580	13,985	13,629
Mining	7,727	7,787	8,153	9,005	10,016	14,202	17,632	23,064	25,556	28,120
Construction	65,278	65,093	76,564	77,913	93,038	93,659	108,871	144,375	145,625	136,505
Manufacturing	317,036	336,122	350,115	386,048	411,045	489,582	596,122	684,657	678,204	671,570
Transportation	33,769	31,262	35,741	42,624	64,255	18,516	59,004	65,559	63,789	67,543
Communications	391,511	416,319	524,788	530,000	496,669	477,608	517,761	519,241	496,088	492,422
Electric, gas, and sanitary services	247,867	260,315	263,119	269,974	263,079	265,472	292,477	324,150	322,707	350,467
Wholesale trade	499,421	527,466	551,886	606,481	621,583	697,362	899,204	990,803	1,001,446	1,006,575
Finance, insurance, real estate	22,661	29,816	32,953	37,674	40,508	47,400	62,385	56,027	61,955	65,824
Total non-retail, non-services	1,593,227	1,682,119	1,851,154	1,967,605	2,009,079	2,114,966	2,565,803	2,821,456	2,809,355	2,832,655
County Clerk	172,516	184,186	194,694	206,532	205,404	294,318	340,400	360,615	371,447	356,459
Consumer Use Tax	6,138	5,774	9,354	10,714	15,865	12,536	11,973	13,141	15,707	19,279
Unclassified (1)	305,095	321,652	431,459	417,390	359,511	420,623	411,732	418,487	370,178	436,956
Grand Total	$ 8,228,183	$ 8,543,746	$ 8,887,634	$ 9,410,923	$ 9,656,616	$11,021,317	$12,829,142	$ 13,794,581	$14,055,390	$14,628,592
Grand total as a percent of annual aggregate state tax collections	61.08%	61.05%	61.01%	61.22%	63.96%	59.97%	61.39%	62.60%	63.60%	66.19%

Source: Revenue Collections Reports, Tennessee Department of Revenue
Notes: T.C.A. 67-1-1702 requires returns, tax information and tax administration information to remain confidential except as authorized by said T.C.A.
(1)The 2018 report differed from the 2017 report for the total reported for Unclassified. FY 2017 was revised to reflect the amount reported in FY 2018.

Schedule 8

STATE OF TENNESSEE
DEBT CAPACITY - RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(expressed in thousands; except for per capita)

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Governmental activities debt:										
General obligation bonds	$ 2,124,897	$ 2,162,881	$ 2,160,357	$ 1,979,589	$ 1,949,715	$ 1,771,713	$ 1,695,430	$ 1,517,407	$ 1,864,946	$ 1,674,818
Leases							286,429	298,199	304,874	336,738
SBITA								38,739	63,764	137,308
General obligation commercial paper	245,536	192,956	165,176	237,396	120,996	207,343	89,563	72,938	20,613	3,681
Financed purchases	20,943	19,394	17,900	16,538	14,783	11,904	4,904	3,832	2,726	1,544
Annuities			400	700	1,700	1,800	2,150	5,150	8,700	9,650
Total governmental activities debt	2,391,376	2,375,231	2,343,833	2,234,223	2,087,194	1,992,760	2,078,476	1,936,265	2,265,623	2,163,739
Business-type activities debt:										
General obligation bonds										
Total business-type activities debt										
Total primary government debt	$ 2,391,376	$ 2,375,231	$ 2,343,833	$ 2,234,223	$ 2,087,194	$ 1,992,760	$ 2,078,476	$ 1,936,265	$ 2,265,623	$ 2,163,739
Debt Ratios										
Personal income	$287,851,000	$298,646,000	$318,668,000	$333,927,000	$346,376,000	$378,589,000	$409,405,000	$436,709,000	$470,572,000	N/A
Ratio of total debt to personal income	0.83%	0.80%	0.74%	0.67%	0.60%	0.53%	0.51%	0.44%	0.48%	
Population	6,651	6,716	6,770	6,829	6,887	6,975	7,051	7,126	7,228	N/A
Net general bonded debt per capita	$ 356	$ 351	$ 344	$ 325	$ 301	$ 284	$ 253	$ 223	$ 261	
General Bonded Debt:										
General obligation bonds	$ 2,124,897	$ 2,162,881	$ 2,160,357	$ 1,979,589	$ 1,949,715	$ 1,771,713	$ 1,695,430	$ 1,517,407	$ 1,864,946	$ 1,674,818
General obligation commercial paper	245,536	192,956	165,176	237,396	120,996	207,343	89,563	72,938	20,613	3,681
Assets restricted for debt principal										
Total net bonded debt	$ 2,370,433	$ 2,355,837	$ 2,325,533	$ 2,216,985	$ 2,070,711	$ 1,979,056	$ 1,784,993	$ 1,590,345	$ 1,885,559	$ 1,678,499
Debt Ratios										
Ratio of net bonded debt to total of pledged revenues	49.20%	52.98%	57.70%	60.52%	68.79%	83.69%	107.81%	130.98%	110.47%	97.04%

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

Notes: (1) N/A - not available because the source did not provide the data.
(2) See Schedule 10 for personal income and population data.
(3) Details of the state's debt can be found in Note 11 in the basic financial statements.
(4) GASB Statement No. 87 was implemented in fiscal year 2022. Prior periods were not restated.

Schedule 9

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

Debt Capacity(1)

State tax revenues allocated for FYE June 30, 2024 to:		
General fund	18,755,867 *	
Debt service fund	1,068,222 *	
Highway fund	381,778 *	
Total allocated revenues		20,205,867
Legal debt service limit (10% of total allocated revenues)		2,020,587
Less: maximum annual debt service at June 30, 2025		228,855
Legal debt service margin		1,791,732

*Obtained from the Tennessee Department of Revenue

Debt Capacity- Ten Year Trend(1)

	FOR THE FISCAL YEAR ENDED JUNE 30,									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Debt limit	$1,168,731	$ 1,240,437	$1,291,287	$ 1,325,575	$ 1,399,146	$1,357,252	$1,683,670	$ 1,924,234	$2,025,781	$ 2,020,587
Total net debt service applicable to limit	241,023	240,693	238,098	229,977	228,126	221,214	212,211	203,067	238,365	228,855
Legal debt service margin	$ 927,708	$ 999,744	$1,053,189	$ 1,095,598	$ 1,171,020	$1,136,038	$1,471,459	$ 1,721,167	$1,787,416	$ 1,791,732
Legal debt service margin as a percentage of the debt limit	64.6%	79.4%	80.6%	81.6%	82.7%	83.7%	83.7%	87.4%	89.4%	88.7%

(1)Prior to July 1, 2013, in order to issue debt, the state had to have accumulated 150% of the amount necessary to pay annual interest and principal on debt obligations. As of July 1, 2013, the debt capacity test will be calculated as shown under the debt capacity heading. The debt capacity test is based on the allocated tax revenues of the immediately preceding fiscal year.

Pledged Revenues(2)

	Collections Fiscal Year 2025		
	Portion Pledged	All Governmental Fund Types	June 30, 2025 Pledged Amount
Gasoline tax	25%	$ 889,801	$ 222,450
Petroleum products fee	100%	72,261	72,261
Motor vehicle registration fee	50%	335,615	167,808
Franchise tax	100%	1,166,362	1,166,362
		$ 2,464,039	$ 1,628,881

(2)This pledge of "Special Taxes" is made for general obligation bonds issued prior to July 1, 2013. The final maturity of such bonds is October 1, 2032. Thereafter (or upon the earlier retirement of all general obligation bonds issued prior to July 1, 2013), this pledge of special taxes will expire. All state general obligation bonds and notes constitute direct general obligations of the state for the payment of principal and interest on which there is also pledged the full faith and credit of the state.

Schedule 10

STATE OF TENNESSEE
DEMOGRAPHIC AND ECONOMIC INFORMATION
FOR THE LAST TEN CALENDAR YEARS
(expressed in thousands; except per capita)

	FOR THE CALENDAR YEAR ENDED DECEMBER 31,									
	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Population	6,600 (est)	6,651 (est)	6,716 (est)	6,770 (est)	6,829 (est)	6,887 (est)	6,975 (est)	7,051 (est)	7,126 (est)	7,228 (est)
Total personal income	$277,316,000	$287,851,000	$298,646,000	$318,668,000	$333,927,000	$346,376,000	$378,589,000	$409,405,000	$436,709,000	$470,572,000
Per capita personal income	$ 44,209	$ 46,805	$ 47,472	$ 49,490	$ 52,049	$ 54,225	$ 58,395	$ 60,596	$ 64,383	$ 65,525
Unemployment rate	5.9%	4.8%	3.0%	3.7%	3.5%	7.4%	4.2%	3.5%	3.1%	3.3%
Unemployment rate by sector:										
Trade, Transportation, and Utilities	7.8%	9.3%	8.8%	5.6%	5.2%	14.8%	8.2%	4.9%	6.8%	N/A
Government	0.2%	0.8%	2.3%	0.9%	1.8%	3.8%	0.7%	N/A	N/A	N/A
Education and Health Services	2.6%	3.5%	2.3%	2.3%	1.9%	4.4%	2.6%	2.4%	1.5%	N/A
Professional and Business Services	7.0%	4.6%	5.1%	5.0%	4.6%	8.1%	4.2%	4.0%	3.5%	N/A
Manufacturing	5.7%	7.9%	3.7%	3.5%	3.9%	11.4%	5.3%	5.1%	3.4%	N/A
Leisure and Hospitality	9.4%	6.4%	5.1%	7.4%	4.8%	14.6%	7.1%	7.9%	5.3%	N/A
Financial Activities	3.0%	2.1%	1.6%	0.8%	1.4%	4.2%	2.4%	0.8%	3.5%	N/A
Natural Resources, Mining, and Construction	8.3%	5.3%	3.5%	3.3%	3.1%	7.5%	3.9%	3.3%	3.1%	N/A
Other Services	7.2%	2.8%	1.6%	1.2%	2.8%	5.2%	3.8%	2.4%	2.6%	N/A
Information	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Population from www.census.gov; Unemployment rate by sector from www.bls.gov
All other from the University of Tennessee Economic Report to the Governor 2025

Notes: N/A means not available

STATE OF TENNESSEE
DEMOGRAPHIC AND ECONOMIC INFORMATION
FOR THE LAST CALENDAR YEAR
(expressed in percentage)

Monthly Unemployment Rate

	Calendar Year 2024
January	3.5%
February	3.3%
March	3.2%
April	3.1%
May	3.0%
June	3.0%
July	3.0%
August	3.1%
September	3.2%
October	3.3%
November	3.5%
December	3.6%

Source: https://www.jobs4tn.gov

Schedule 11

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

	2024			2015		
Industry	**Number of Employees**	**Rank**	**Percentage of Total Nonagricultural Wage and Salary Employment**	**Number of Employees**	**Rank**	**Percentage of Total Nonagricultural Wage and Salary Employment**
Trade, Transportation, and Utilities	686,400	1	20.60%	597,000	1	20.57%
Government	445,600	4	13.37%	424,900	2	14.64%
Education and Health Services	498,700	2	14.97%	418,200	3	14.41%
Professional and Business Services	446,200	3	13.39%	396,200	4	13.65%
Manufacturing	362,700	6	10.89%	331,200	5	11.41%
Leisure and Hospitality	363,000	5	10.90%	308,100	6	10.62%
Financial Activities	182,400	7	5.47%	156,500	7	5.39%
Natural Resources, Mining, and Construction	161,300	8	4.84%	117,500	8	4.05%
Other Services	130,900	9	3.93%	107,800	9	3.71%
Information	54,400	10	1.64%	44,800	10	1.55%
Total	3,331,600		100.00%	2,902,200		100.00%
	Calendar Year 2024			Calendar Year 2015		
Total State Employment	3,303,025			2,907,976		

Source: An Economic Report to the Governor of the State of Tennessee January 2025 and the Tennessee Department of Labor and Workforce Development Website

Note: TCA 50-7-701 states, "Information thus obtained pursuant to the administration hereof shall be held confidential and shall not be published or be open to public inspection in any manner revealing the individual's or the employing unit's identity."

This TCA prohibits the release of principal employer information from the Tennessee Department of Labor and Workforce Development. The above schedule is being presented as an alternative to the principal employer schedule.

Schedule 12

STATE OF TENNESSEE
OPERATING INFORMATION - FULL TIME EMPLOYEES BY FUNCTION
FOR THE LAST TEN FISCAL YEARS

Function	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General government	4,348	4,740	5,126	5,471	5,503	5,430	5,346	5,737	5,894	5,930
Education	1,167	1,357	1,332	1,317	1,130	1,129	1,101	1,029	1,046	1,046
Health and social services	15,546	15,449	15,366	15,098	15,635	15,033	14,255	14,816	15,311	15,317
Law, justice and public safety	10,675	10,839	10,707	10,518	10,836	10,321	10,289	10,919	11,109	11,841
Recreation and resources development	3,377	3,394	3,420	3,363	3,377	3,354	3,343	3,490	3,567	3,771
Regulation of business and professions	688	685	696	725	669	668	654	692	731	736
Transportation	3,487	3,838	3,953	4,078	4,070	4,008	3,760	3,510	3,314	3,151
Total	39,288	40,302	40,600	40,570	41,220	39,943	38,748	40,193	40,972	41,792

Source: Department of Human Resources

Schedule 13

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

Function	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General government										
Motor pool vehicles	4,374	4,265	4,272	4,268	4,207	4,430	4,535	4,795	5,434	5,194
Buildings	78	79	83	83	81	82	80	79	79	78
Machinery and equipment	6,896	7,117	7,222	7,211	7,345	7,450	7,972	8,447	9,179	21,113
Education										
Number of residential schools	5	5	5	5	4	4	4	4	4	4
Machinery and equipment	211	209	245	242	242	238	238	261	257	667
Health and social services										
Buildings	346	345	345	343	342	326	324	321	321	313
Machinery and equipment	3,746	3,957	3,602	3,645	3,589	3,714	3,935	4,138	4,403	9,890
Law, justice and public safety										
Correctional facilities	19	18	18	18	18	18	18	18	18	18
Armories	82	82	81	81	81	81	81	81	80	76
Machinery and equipment	6,803	6,772	6,934	7,136	7,586	8,012	9,763	8,943	10,468	15,829
Recreation and resources development										
Acreage of state parks	190,941	200,248	201,925	203,213	210,012	207,296	207,954	210,932	210,932	214,134
Machinery and equipment	3,256	3,344	3,387	3,435	3,522	3,625	3,766	4,286	4,842	5,984
Regulation of business and professions										
Machinery and equipment	841	836	816	820	751	704	689	689	681	744
Transportation										
State highways (in miles)	13,877	13,884	13,890	13,890	14,464	14,467	14,462	14,424	14,428	14,441
Bridges, state and local highways	19,793	19,840	19,858	19,903	19,918	20,010	20,034	20,037	20,295	20,253
Facilities	122	122	123	122	122	122	122	122	122	122
Buildings	752	758	769	742	772	779	784	780	781	780

Source: various state agencies

Schedule 14

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

Function		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General government											
Tax returns processed (1)		5,068,829	5,326,693	4,518,104	2,117,373	2,115,790	2,411,391	2,311,918	2,384,278	2,398,825	2,436,397
New corporate charters registered		10,857	10,794	11,092	11,474	11,337	10,483	13,677	13,365	9,491	9,166
Investment return on total portfolio		0.50%	1.05%	2.05%	1.83%	0.21%	0.07%	2.74%	4.00%	3.61%	3.35%
Residential and commercial property reappraisals completed		547,191	1,389,649	549,487	484,498	341,527	1,501,060	748,736	417,231	439,248	1,320,616
Education											
Number of public schools (K-12)		1,833	1,819	1,749	1,836	1,837	1,833	1,864	1,838	1,860	N/A
Enrollment of public schools (K-12)		997,893	999,701	975,222	971,956	980,537	948,652	962,987	N/A	N/A	N/A
Number of high school graduates from public schools		64,079	64,987	64,855	61,817	61,550	60,031	N/A	N/A	N/A	N/A
Health and social services											
TennCare enrollees		1,550,066	1,397,400	1,418,732	1,412,603	1,449,437	1,590,298	1,687,438	1,786,202	1,434,654	1,414,000
Supplemental Nutrition Assistance Program		1,094,644	1,037,928	931,658	889,451	846,867	856,022	800,684	746,109	721,255	696,849
Percentage of population (3)		16.59%	15.61%	13.87%	13.14%	12.40%	12.43%	11.48%	10.58%	10.12%	9.78%
Temporary assistance recipients		29,889	25,496	21,732	19,030	15,746	13,170	13,370	13,638	13,638	13,600
Percentage of population (3)		0.45%	0.38%	0.32%	0.28%	0.23%	0.19%	0.19%	0.19%	0.19%	0.19%
Children in state custody (2)		8,436	8,235	8,688	9,040	8,387	8,887	9,037	8,842	8,725	8,484
Percentage of population (3)		0.13%	0.12%	0.13%	0.13%	0.12%	0.13%	0.13%	0.13%	0.12%	0.12%
Mental health institutes average daily census		488	506	492	452	431	453	430	434	458	485
Law, justice and public safety											
Correctional institutions average daily census		29,103	29,729	30,242	30,453	29,447	25,459	24,764	24,708	25,160	26,114
Department of Safety citations issued		432,832	447,417	473,410	412,046	267,662	231,336	255,092	274,217	287,083	303,930
Drivers licenses issued		1,793,921	1,769,595	1,910,190	1,748,933	1,815,168	1,524,740	1,138,653	1,146,634	1,410,275	1,989,919
Recreation and resources development											
Hunting/fishing licenses and boats registered	(est.)	537,412	511,673	556,892	562,821	541,159	791,685	567,182	514,103	507,419	516,207
Wetland acres acquired	(est.)	2,050	8,610	2,103	1,540	604	1,130	46,416	2,638	504	11,546
Number of visitors to state parks		34,004,609	37,025,015	38,798,379	36,553,885	34,726,347	38,479,604	N/A	26,900,000	26,100,000	22,600,000
Air pollution monitoring sites		36	32	30	28	27	27	27	27	25	25
Regulation of business and professions											
Fire safety inspections		14,037	13,742	13,959	17,046	15,948	15,993	15,266	18,523	20,812	19,248
Consumer affairs written complaints		3,821	3,704	3,783	4,283	3,966	3,806	7,054	9,243	8,418	8,980
Transportation											
Lane miles resurfaced		2,219	2,585	2,914	2,234	1,991	2,041	2,230	2,374	2,002	2,080
HELP program services provided		135,058	145,755	128,311	132,617	124,726	108,943	146,964	206,193	178,938	168,764

Source: Tennessee fact book, various state agencies

Notes: (1) Tennessee does not tax employment income.
(2) Children who are abused/dependent, neglected, delinquent, or unruly.
(3) Population figures used in calculating percentages are from schedule 10.
(4) N/A indicates that data is unavailable.

Schedule 15

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

(expressed in thousands)

University of Tennessee

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2016	$ 746,986	$ 499,862	$ 70,543
2017	780,867	555,401	73,722
2018	802,063	573,017	73,608
2019	817,348	612,411	76,662
2020	817,336	646,000	84,562
2021	818,094	673,823	72,059
2022	911,801	690,956	71,606
2023	1,050,528	847,216	80,812
2024	1,110,400	849,639	89,487
2025	1,252,270	885,663	88,770

University of Memphis

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2016	190,286	95,140	10,626
2017	279,668	102,441	10,926
2018	287,128	110,827	12,310
2019	297,757	117,771	10,651
2020	316,873	123,371	13,819
2021	291,477	125,090	14,682
2022	308,338	138,589	14,180
2023	338,596	203,134	14,750
2024	348,021	174,025	14,634
2025	344,804	182,026	14,979

Austin Peay State University

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2016	76,777	36,984	6,329
2017	98,754	40,379	6,332
2018	104,309	44,622	6,212
2019	109,008	47,857	6,199
2020	108,137	50,503	6,171
2021	109,841	51,600	5,144
2022	108,259	58,820	5,131
2023	106,144	68,247	5,563
2024	113,928	75,653	5,579
2025	128,658	76,655	5,581

Middle Tennessee State University

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2016	191,688	85,857	19,914
2017	238,777	90,753	19,507
2018	245,313	97,004	19,497
2019	254,263	103,216	18,926
2020	256,646	107,749	18,122
2021	256,405	108,818	16,529
2022	264,346	116,714	16,168
2023	261,506	135,211	17,919
2024	258,178	141,001	18,102
2025	273,871	147,343	18,161

East Tennessee State University

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2016	155,854	88,042	11,475
2017	177,156	93,319	11,442
2018	189,529	101,356	11,442
2019	248,232	107,768	11,748
2020	245,083	114,689	13,079
2021	235,241	117,664	13,737
2022	237,448	127,410	13,388
2023	246,247	145,329	14,307
2024	260,676	161,219	13,793
2025	273,417	168,528	13,143

Tennessee State University

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2016	87,608	39,199	3,793
2017	121,323	41,277	3,443
2018	119,436	44,611	3,345
2019	105,990	47,442	3,387
2020	101,250	53,899	3,595
2021	106,342	52,074	3,696
2022	120,419	55,590	3,679
2023	176,224	61,242	5,254
2024	142,162	66,554	7,605
2025	143,321	67,735	7,623

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Schedule 15

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

(expressed in thousands)

Tennessee Technological University

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2016	$ 99,705	$ 39,297	$ 4,077
2017	126,856	42,671	4,094
2018	127,641	47,231	4,038
2019	126,042	55,021	3,782
2020	129,056	60,098	6,183
2021	128,559	61,455	9,675
2022	140,948	64,829	9,622
2023	148,027	80,622	9,844
2024	156,549	86,141	9,812
2025	167,664	88,866	9,647

Dyersburg State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2016	$ 9,098	$ 8,097	
2017	9,327	8,632	
2018	9,938	9,397	
2019	10,486	9,737	
2020	10,467	10,409	
2021	10,468	10,817	
2022	10,925	11,583	
2023	11,636	13,092	
2024	12,594	14,362	
2025	14,890	15,367	

Chattanooga State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2016	$ 34,152	$ 27,541	$ 279
2017	33,350	29,342	283
2018	33,654	31,145	287
2019	34,472	31,960	282
2020	33,811	33,363	286
2021	29,852	33,398	268
2022	27,187	35,370	271
2023	32,439	38,916	74
2024	30,913	41,791	74
2025	35,247	42,395	74

Jackson State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2016	$ 15,166	$ 11,645	
2017	15,855	12,406	
2018	15,936	13,574	
2019	16,718	14,231	
2020	18,065	14,879	
2021	17,371	15,010	
2022	15,870	16,243	
2023	16,913	18,263	
2024	15,703	19,323	
2025	18,574	19,346	

Cleveland State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2016	$ 11,059	$ 9,160	$ 44
2017	11,294	9,762	44
2018	10,636	10,998	44
2019	11,739	11,155	44
2020	12,698	12,179	41
2021	13,319	12,050	41
2022	12,370	12,993	42
2023	12,272	14,835	42
2024	12,728	16,994	
2025	13,919	17,187	

Columbia State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2016	$ 17,358	$ 13,065	$ 127
2017	18,508	13,910	127
2018	20,421	14,967	218
2019	22,455	15,786	339
2020	23,267	16,666	339
2021	23,011	17,693	339
2022	20,690	19,467	339
2023	24,498	22,193	330
2024	23,053	25,252	330
2025	24,745	23,723	330

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

(expressed in thousands)

Motlow State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2016	$ 17,814	$ 11,032	
2017	20,370	11,752	
2018	22,208	13,305	
2019	23,702	15,048	
2020	25,091	17,376	
2021	22,640	19,525	
2022	20,369	22,743	
2023	23,088	25,998	
2024	26,093	27,412	
2025	28,381	27,052	

Nashville State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2016	$ 29,616	$ 16,679	$ 65
2017	29,065	17,772	67
2018	27,337	20,277	69
2019	29,219	22,319	67
2020	24,810	23,142	68
2021	27,131	22,969	68
2022	24,852	23,875	69
2023	31,345	27,311	
2024	31,745	30,281	
2025	35,761	29,777	

Roane State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2016	$ 20,689	$ 17,803	$ 142
2017	21,167	18,959	142
2018	21,282	20,956	142
2019	22,469	22,410	142
2020	22,764	23,847	143
2021	21,119	24,188	143
2022	21,909	26,002	
2023	23,925	28,601	
2024	22,291	31,429	
2025	24,201	29,775	

Northeast State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2016	$ 22,271	$ 15,082	$ 40
2017	20,413	16,075	40
2018	19,521	18,153	40
2019	20,943	19,701	40
2020	20,893	20,883	40
2021	18,626	23,194	40
2022	20,745	24,784	
2023	23,296	27,248	
2024	24,613	30,024	
2025	26,127	28,192	

Southwest Tennessee Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2016	$ 33,835	$ 24,550	$ 342
2017	33,337	26,147	361
2018	33,382	27,171	362
2019	34,232	28,424	362
2020	34,427	29,961	208
2021	33,026	30,232	208
2022	32,873	31,510	212
2023	36,503	34,921	212
2024	29,984	36,842	212
2025	31,644	36,993	

Pellissippi State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2016	$ 35,347	$ 25,680	$ 162
2017	37,677	27,373	164
2018	41,932	30,504	167
2019	42,050	32,887	164
2020	41,081	34,611	166
2021	40,583	35,794	167
2022	32,952	38,349	83
2023	35,378	43,507	83
2024	36,982	46,178	
2025	41,877	45,970	

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Schedule 15

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

(expressed in thousands)

Volunteer State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2016	$ 31,988	$ 17,542	
2017	32,381	18,718	
2018	31,895	20,828	
2019	33,339	23,496	
2020	34,969	26,070	
2021	31,794	28,090	
2022	25,850	30,910	
2023	33,804	30,910	
2024	30,462	38,294	
2025	35,287	37,550	

Walters State Community College

Fiscal Year	Total Fees and Charges	Legislative Appropriations	Debt Service Requirements (Authority Bonds)
2016	$ 22,261	$ 20,587	$ 94
2017	23,557	21,933	94
2018	24,007	23,490	95
2019	24,916	24,551	95
2020	25,180	25,271	95
2021	24,222	25,704	95
2022	20,559	27,130	
2023	23,302	31,402	
2024	25,518	34,428	
2025	26,413	36,931	

Source: Comptroller of the Treasury,
Division of State Government Finance
Note: Prior year amounts do not reflect later adjustments made by the institutions.

STATE OF TENNESSEE **Schedule 16**
STUDENT FEES AND CHARGES
FOR INSTITUTIONS WITH TENNESSEE STATE SCHOOL BOND AUTHORITY DEBT
COMPONENT UNITS
COLLEGE AND UNIVERSITY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Institution	Debt Service Fees	In-State Student Tuition	Non-Resident Student Tuition	Average Board Charge	Average Room Charge
University of Tennessee- Knoxville	$ 438	$ 13,876	$ 33,336	$ 4,986	$ 8,608
University of Tennessee- Chattanooga	504	10,762	19,068	2,478	4,218
University of Tennessee- Martin	460	10,824	16,864	4,144	5,440
University of Tennessee- Southern		11,264	11,264	4,680	5,720
Austin Peay State University	274	9,852	15,612	5,540	8,230
East Tennessee State University	410	10,994	15,194	4,636	6,850
Middle Tennessee State University	388	11,071	33,931	6,362	5,984
Tennessee State University	178	9,438	23,990	5,072	6,800
Tennessee Technological University	258	11,926	16,126	6,654	6,672
University of Memphis	377	11,256	19,470	4,980	6,552
Chattanooga State Community College		5,174	8,672	5,883	4,691
Cleveland State Community College		5,164	8,662	5,883	4,691
Columbia State Community College	44	5,190	8,688	5,883	4,691
Dyersburg State Community College		5,160	8,658	5,883	4,691
Jackson State Community College		5,152	8,650	5,883	4,691
Motlow State Community College		5,140	8,638	5,883	4,691
Nashville State Community College		5,134	8,632	5,883	4,691
Northeast State Community College		5,184	8,682	5,883	4,691
Pellissippi State Community College	30	5,188	8,686	5,883	4,691
Roane State Community College		5,160	8,658	5,883	4,691
Southwest Tennessee Community College		5,160	8,658	5,883	4,691
Volunteer State Community College		5,158	8,656	5,883	4,691
Walters State Community College		5,154	8,652	5,883	4,691

Source: Comptroller of the Treasury,
Division of State Government Finance

STATE OF TENNESSEE **Schedule 17**
PRINCIPAL AMOUNT OF DEBT OUTSTANDING BY INSTITUTION
COMPONENT UNITS
COLLEGE AND UNIVERSITY FUNDS
JUNE 30, 2025
(expressed in thousands)

Institution	Second Program Bonds	Commercial Paper	Total Debt
University of Tennessee	$ 1,137,483	$ 43,948	$ 1,181,431
Austin Peay State University	64,397		64,397
East Tennessee State University	125,590	5,735	131,325
Middle Tennessee State University	162,477	8,711	171,188
Tennessee State University	78,726		78,726
Tennessee Technological University	109,852		109,852
University of Memphis	136,350		136,350
Chattanooga State Community College	1,080		1,080
Columbia State Community College	2,745		2,745
Walters State Community College	0	750	750
	$ 1,818,700	$ 59,144	$ 1,877,844

Source: Comptroller of the Treasury,
Division of State Government Finance

NATIONAL FEDERATION OF MUNICIPAL ANALYSTS RECOMMENDED DISCLOSURES FOR STATE DEBT

In accordance with the *Recommended Best Practices in Disclosure for state Government General Obligation and Appropriation Debt*, the state makes the following voluntary additional debt disclosures not already presented in the Notes to the Financial Statements.

General Disclosure Items

- The state is committed to complying with U.S. Securities and Exchange Commission Rule 15c2-12(b) (5) as it relates to continuing disclosure undertakings. The state reviewed the financial information, operating data and event notices filed by the state within the preceding five years with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system pursuant to the State's Rule 15c2-12 continuing disclosure undertakings and identified, among other things, the following:

    - Certain TCRS and TennCare information previously presented in tabular format in relevant Official Statements is disclosed annually in accordance with the state's continuing disclosure requirements.

- The state provides strong systemic support to assist counties and cities in financial distress. State statutes establish a proactive approach, and there is no state law that permits counties and cities to file for bankruptcy. The Local Government Public Obligations Act of 1986 establishes budgetary oversight for cities and counties and authorizes the state Comptroller to direct counties and cities to adjust expenditure estimates or to make additional tax levies sufficient to maintain a balanced budget. The state Comptroller has used this authority in the past decade. When a local government is in financial distress as evidenced by improper internal transfers and/or borrowings of restricted utility resources, state statutes authorize the state Comptroller to approve a corrective action plan that includes a scheduled plan of repayment. The state's Tennessee Board of Utility Regulation (TBOUR) has oversight of gas, water and/or sewer systems that meet statutory criteria for financial distress. The TBOUR has statutory authority to require counties and cities to raise utility rates to meet financial obligations. The state Comptroller has the authority to authorize counties and cities that are undergoing severe monetary stress to issue long-term funding bonds to pay for current expenditures pursuant to the Cash Basis Law of 1937.

  Local governments that issue funding bonds are subject to strict oversight by the state Comptroller. At June 30, 2025, no counties or cities in Tennessee had outstanding funding bonds. With the exception of the Emergency Financial Aid to Local Governments Law of 1995 (the "1995 Law"), the state does not have statutory authority to guarantee the debt of local governments. The 1995 Law authorizes the state to guarantee the repayment of a loan made to a local government by an external lender subject to specific conditions. One condition requires the state to determine that the local government has sufficient revenue to pay annual debt service and costs of operation.

  Another condition mandates that the local government accept emergency technical assistance by means of direction, oversight, management, and approval of its financial transactions by the state Comptroller. The local government is required to pledge its full faith and credit as security and agree to pledge an amount of state-shared taxes sufficient to make principal and interest payments on the loan guaranteed by the state. Since the inception of this law, the state has not authorized the issuance of emergency financial aid notes. The 1995 Law also authorizes the state Comptroller to approve the issuance of tax and revenue anticipation notes by cities and counties in cases of economic distress due to a natural disaster certified by the Federal Emergency Management Agency (FEMA). The proceeds may be used to pay for operating expenditures and may remain outstanding beyond the close of the fiscal year the notes are issued. During fiscal year ended June 30, 2025, three counties and one city received approval to issue notes pursuant to this law. Pursuant to the Local Government Public Obligations Act of 1986, the state Comptroller has authority to

approve the extension of tax and revenue anticipation notes issued to fund annual appropriations when a county or city is not able to repay the notes by the end of the fiscal year. At June 30, 2025, no extension notes were outstanding. A city or county that receives approval to issue extension notes is subject to additional oversight from the state Comptroller until the local government regains financial stability.

- Relative to direct subsidy debt:
  - The Series 2010 Qualified School Construction Bonds (QSCBs) is a federal direct subsidy program established under the American Recovery and Reinvestment Act of 2009. The Tennessee State School Bond Authority has established procedures for e-filing Form 8038-CP on a semiannual basis through an IRS approved vendor. The subsidy is not pledged as security for payment of the Series 2010 bonds. Each borrower is obligated to make monthly loan repayments and has pledged its full faith and credit and its unobligated state-shared taxes to repay the bonds. The subsidy payment is transferred to the borrowers, and its use is not restricted except to satisfy a default under the borrower's loan agreement.
  - The state has been subject to having the direct subsidy reimbursements, from the federal government, related to the Series 2010 Qualified School Construction Bonds (QSCBs) issuance offset or reduced by the federal government. In general, the subsidy payment has been offset by taxes due from the state or civil penalties and reduced by federal sequestration and changes in use by borrowers. These events could also result in the reduction or loss of future subsidy payments as well.
  - The Series 2010 QSCBs issuance shall be subject to redemption prior to their stated maturities, in whole or in part, at any time at the "Make- Whole Redemption Price." The Make-Whole Redemption Price is equal to the greater of (a) 100% of the principal amount of the series to be redeemed; or (b) the sum of the present value of the remaining scheduled payments of principal and interest on the 2010 bonds to be redeemed to the maturity date of such Series 2010 Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010 Bonds are to be redeemed, discounted to the date on which the Series 2010 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30-day months, at the United States Treasury Rate plus 25 basis points (0.25%); plus, in each case, accrued interest on the Series 2010 Bonds to be redeemed to the redemption date.
  - The Series 2010 QSCBs issuance shall also be subject to extraordinary optional redemption prior to maturity, at the option of the TSSBA, upon the occurrence of an extraordinary event, in whole or in part, on any business day at the "Extraordinary Make-Whole Redemption Price." The Extraordinary Make-Whole Redemption Price is equal to the greater of (a) 100% of the principal amount of the Series 2010 bonds to be redeemed; or (b) the sum of the present value of the remaining scheduled payments of principal of and interest on the Series 2010 Bonds to be redeemed to the maturity date of such Series 2010 Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010 Bonds are to be redeemed, discounted to the date on which the Series 2010 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30-day months, at the United States Treasury Rate plus 100 basis points (1.00%); plus, in each case, accrued interest on the Series 2010 Bonds to be redeemed to the redemption date.

Demographics/Economy

- The state Constitution allows the state to levy ad valorem taxes on all of the taxable property within the state for the payment of the principal and interest on the state's general obligation indebtedness; however, the state does not currently levy such a tax and has no current intent to do so.

- The state currently contracts with The University of Tennessee Boyd Center for Business and Economic Research to prepare an annual economic report to the Governor containing short-term business cycle-sensitive forecasts as well as longer-term or trend forecasts for the year and to prepare quarterly updates throughout the year. The report "An Economic Report to the Governor of the state of Tennessee" as well as any updated information can be found at: https://haslam.utk.edu/publication/economic-report-to-the-governor-2025/
- See the chart below for sales and use tax information.

Tennessee Department of Revenue
Sales and Use Tax - Returns Filed and Tax by Classification
Fiscal Year Ended June 30, 2025
(Thousands of U.S. Dollars)

	Returns Filed	Total (%)	Tax Collections	Total (%)
Retail Trade and Services:				
Building Materials	26,065	1.76%	$857,496	5.86%
General Merchandise	35,804	2.41%	$1,218,208	8.33%
Food Stores	60,952	4.10%	$806,095	5.51%
Auto Dealers and Service Stations	88,048	5.93%	$1,723,022	11.78%
Apparel and Accessory Stores	49,641	3.34%	$355,139	2.43%
Furniture and Home Furnishings	35,876	2.42%	$351,263	2.40%
Eating and Drinking Places	176,342	11.87%	$1,387,266	9.48%
Miscellaneous Retail Stores	246,696	16.61%	$1,951,068	13.34%
Services	345,688	23.28%	$2,333,685	15.95%
All Other:				
Non-Retail, Non-Services	309,667	20.85%	$2,832,655	19.36%
County Clerk	1,283	0.09%	$356,459	2.44%
Consumer Use Tax	12,260	0.83%	$19,279	0.13%
Unclassified	96,675	6.51%	$436,956	2.99%
Total	**1,484,997**	**100.00%**	**$14,628,591**	**100.00%**

Financial statements

- The Tennessee Interagency Cash Flow Committee was created by the General Assembly in 2011 for the purpose of establishing, compiling and maintaining an eighteen month forward rolling cash flow projection. Departmental and programmatic specific forecasting data is used to project cash flow and earnings information relative to various interest-bearing funds and accounts within the state's pooled investment fund. These projections enhance cash flows based on historical data and help the state better plan and position itself for fluctuations in available cash balances.

General Revenue Base

- A breakdown of the state tax revenue allocations, percent and percentage change from estimates, the legal basis for collecting the taxes, a listing of the types of transactions being taxed and any exemptions can be found in the state revenue section of the annual budget document at: https://www.tn.gov/finance/fa/fa-budget-information/fa-budget-archive/fiscal-year-2025-2026-budget-publications.html

- T.C.A. 67-1-100 sets forth a Tennessee Taxpayer Bill of Rights which directs the adoption of policies which would inform and advise taxpayers of their rights and would guarantee Tennessee taxpayers are

treated with fairness, courtesy and common sense. Included in the bill of rights is the right to receive a clear set of rules and procedures to resolve tax problems, the right to dispute any proposed assessment, and the right to a speedy, informal and inexpensive review of a proposed assessment in an informal conference. T.C.A. 67-1-1438 contains the requirement for the commissioner of revenue to promptly issue a notice of proposed assessments when a taxpayer is determined to have failed to pay the correct amount of any tax administered by the commissioner. The section also provides the procedures for taxpayers to follow in order to request an informal conference to appeal the proposed assessment. Upon the assessment becoming final, further taxpayer remedies for disputed final tax assessments can be found in T.C.A. 67-1-1801. If the taxpayer believes the final assessments to be unjust, illegal or incorrect, the taxpayer may 1) pay the tax and file a claim for refund or 2) file suit in chancery court challenging all or any portion of such tax. Refer to the contingencies note for discussion of pending litigations.

- Under state law, long-term debt cannot exceed the expected useful life of the project being financed. The state is also authorized to issue tax revenue anticipation notes, in anticipation of tax revenues in the then current fiscal year of the state. The state constitution prohibits, however, the issuance of debt for operating purposes that matures beyond the end of a fiscal year.

- Section 28 of the Tennessee State Constitution sets forth the assessment rates for real property, tangible personal property and intangible personal property. The section also prohibits the state from levying or authorizing any state or local tax upon the payroll or earned personal income or any state or local tax measured by payroll or earned personal income. Section 30 of the document prohibits the taxation of any article manufactured of the produce of the state, except to pay inspection fees. Further, the General Assembly shall not authorize any municipality to tax incomes, estates, or inheritances, or to impose any other tax not authorized by section 28 and 29 of Article II of the Constitution. T.C.A. 9-9-104 pledges certain tax revenue collections for the payment of debt service on bonds issued before July 1, 2013. The section also includes a covenant with the holders of the bonds, secured by the pledge, that the state will not decrease by legislative action any of the fees or taxes that constitute the special pledge, unless the funding board certifies that all debt service payments have been made in full, that the decreased fees will be sufficient to pay future debt service, and the state has not defaulted, or is not in default, on any of its outstanding debt.

- As Tennessee's chief tax collector, the Department of Revenue is responsible for the administration of state tax laws and motor vehicle title and registration laws, as well as the collection of taxes and fees associated with those laws. In addition to collecting state taxes, the department collects taxes for local, county and municipal governments. On a monthly basis, the department apportions revenue collections for distribution to the various state funds and local units of government.

- Tennessee is an origin-based sales tax state for in state vendors and destination-based for out of state vendors. Vendors based in the state are required to charge the rate in effect, at the point of origin of the sale, for all sales made within the state. Vendors based out of state are required to either apply the rate in effect at the buyers' ship-to address or charge a predetermined flat rate to all Tennessee buyers. Vendors collect the tax and then prepare state tax filings in a frequency based on the amount of sales tax collected from buyers in the state. Remittances must be submitted electronically except in certain hardship cases.

ACKNOWLEDGEMENTS

DEPARTMENT OF FINANCE AND ADMINISTRATION

Jim Bryson, Commissioner
Eugene Neubert, Deputy Commissioner, F&A Operations
Michelle Hernandez, Chief of Accounts

The Annual Comprehensive Financial Report was prepared by the Administration and Financial Oversight sections of the Division of Accounts with assistance from the following other sections:

Accounts Payable
Asset Management
Cash Management/Clearing Accounts
Cash Management Improvement Act/Grants Accounting
Centralized Accounting
Departmental Accounting
General Ledger
Payroll
Policy Development
Post Audit
Supplier File Maintenance

The Department of Finance and Administration would like to extend special appreciation to all fiscal and accounting personnel throughout the state who contributed the financial information for their agencies.