

University of Memphis

University of Memphis Digital Commons

Annual Reports

Comptroller's Office

1-28-2011

Tennessee State School Bond Authority Comprehensive Annual Financial Report for the Year Ended June 30, 2010

Tennessee. Comptroller of the Treasury.

Follow this and additional works at: <https://digitalcommons.memphis.edu/govpubs-tn-comptroller-annual-reports>

TENNESSEE STATE SCHOOL BOND AUTHORITY

A COMPONENT UNIT OF THE STATE OF TENNESSEE

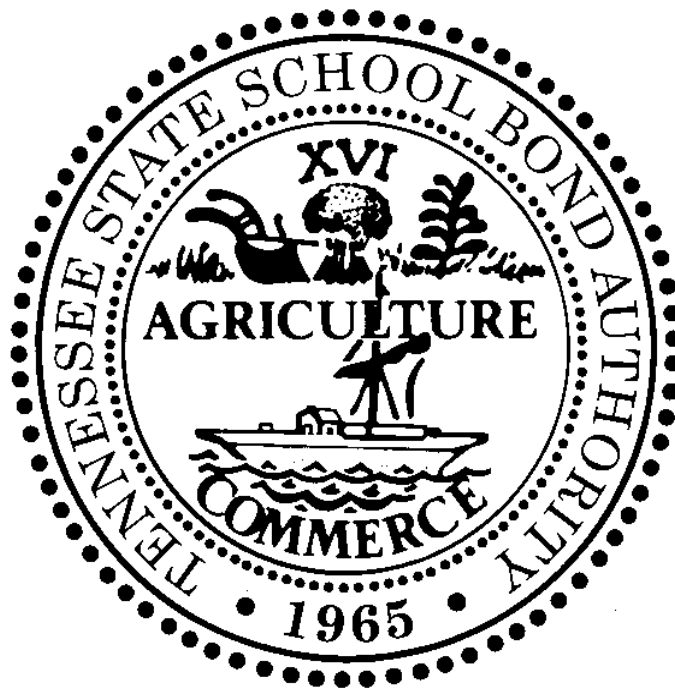


COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2010

TENNESSEE STATE SCHOOL BOND AUTHORITY
COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2010

Bill Haslam, Governor and Chairman



A COMPONENT UNIT OF THE STATE OF TENNESSEE

Prepared by the Comptroller of the Treasury,
Office of State and Local Finance

Mary-Margaret Collier
Director, Office of State and Local Finance
and
Assistant Secretary, TSSBA

**TENNESSEE STATE SCHOOL BOND AUTHORITY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2009**

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal	i
Organization Chart	vii
Tennessee State School Bond Authority – Members and Staff	viii
Certificate of Achievement for Excellence in Financial Reporting	ix

FINANCIAL SECTION

Auditor’s Report	1
Management’s Discussion and Analysis	3

Basic Financial Statements

Statements of Net Assets	13
Statements of Revenues, Expenses and Changes in Net Assets	14
Statements of Cash Flows	15
Notes to the Financial Statements	17

Supplementary Schedules

Supplementary Schedules of Net Assets – Program Level	36
Supplementary Schedules of Revenues, Expenses and Changes in Net Assets – Program Level	37
Supplementary Schedules of Cash Flows – Program Level	38

STATISTICAL SECTION

Index to Statistical Section	43
<i>Financial Trends Information</i>	
Schedules of Revenues, Expenses, and Changes in Net Assets	44
<i>Revenue Capacity Information</i>	
Outstanding Loans from Borrowers	45

Debt Capacity Information

Outstanding Debt Payable 45
College and University Funds – Schedule of Fees/Charges, Legislative Appropriations and Debt Service 46
College and University Funds – Coverage of Annual Financing Charges 53
Qualified Zone Academy Bond Program Debt Service Coverage 60
Qualified School Construction Bonds Program Debt Service Coverage 66

Demographic and Economic Information

Fall Term Full-Time Equivalent Enrollment – Higher Education Facilities Institutions 71

Acknowledgements 72



INTRODUCTORY SECTION





TENNESSEE STATE SCHOOL BOND AUTHORITY
SUITE 1600 JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0273
PHONE (615) 401-7872
FAX (615) 741-5986

Governor Bill Haslam, Chairman

Justin P. Wilson, Secretary

January 28, 2011

The Honorable Bill Haslam, Governor and Chairman
and
Members of the Tennessee State School Bond Authority

I am pleased to submit the Comprehensive Annual Financial Report of the Tennessee State School Bond Authority (the "Authority"), a component unit of the State of Tennessee, for the fiscal year ended June 30, 2010. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

This letter of transmittal is designed to complement Management's Discussion and Analysis and should be read in conjunction with it. The Authority's "Management Discussion and Analysis" can be found on pages 3 - 10 of this report.

BUSINESS ENVIRONMENT

Legal Authority

The Tennessee State School Bond Authority, created in 1965, is a corporate governmental agency and instrumentality of the State of Tennessee whose purpose is to finance capital projects for public institutions of higher education located in Tennessee and to finance projects approved pursuant to the Qualified Zone Academy Bond Program and Qualified School Construction Bond Program of the federal government for local education agencies. The Authority has no taxing power. Pursuant to Section 49-3-1204, *Tennessee Code Annotated* ("T.C.A.") (the "Act"), the Governor serves as Chairman and the Comptroller of the Treasury serves as Secretary to the Authority.

Higher Education Facilities Programs. Pursuant to the General Higher Educational Facilities Bond Resolution adopted in May 1967 ("1967 Resolution"), bonds were issued to provide funds to make loans to the institutions of higher education. In April 1998, the Authority adopted the Higher Educational Facilities Second Program General Bond Resolution ("1998 Resolution") with the same purpose and closed the 1967 Resolution. All higher education bonds are now issued pursuant to the 1998 Resolution. Projects financed by the Authority must generate revenue sufficient to pay the debt service on the bonds. The fee charged for financing a project includes both a debt service and an administrative component. The Authority has financed a variety of projects including dormitories, athletic facilities, parking facilities and major equipment purchases. These projects could be contrasted with capital projects for basic education needs such as classrooms and libraries that are funded from the proceeds of the State's general obligation bonds.

In 1997, the Authority approved a Commercial Paper Resolution that authorized the issuance of up to \$150 million. In 2008, the Authority increased to the authorization to an amount not to exceed of \$350 million. However, under the current

Credit Agreement with State Street Bank and Trust Company, commercial paper may be issued and outstanding in an aggregate amount not to exceed \$300 million. The Commercial Paper is used to fund the construction phase of certain projects for the higher education facilities. When a project is completed or near completion, long-term, fixed-rate debt is issued to finance the project over its useful life repayment period and the commercial paper is redeemed. Certain equipment and property acquisitions are financed solely within the commercial paper program. Equipment financed solely within the commercial paper program is deemed to have a useful life of less than ten years.

Qualified Zone Academy Bond Program. In 1999, the General Assembly authorized the Authority to issue Qualified Zone Academy Bonds (“QZAB”) pursuant to program requirements approved by the Congress of the United States in Section 226 of the Taxpayer’s Relief Act of 1997. These bonds are a part of a federal government program in which a federal income tax credit is given to investors in lieu of interest payments on the bonds. The Authority was authorized to issue QZABS pursuant to the Tennessee State School Bond Authority Act, Title 49, Chapter 3, Part 12. Tennessee Code Annotated, as amended. The QZABs are not supported by either the 1967 Resolution or the 1998 Resolution for Higher Education Facilities. The QZAB program provides loans to local education agencies to fund the renovation of classroom buildings and to purchase equipment to enhance learning opportunities in connection with the establishment of special academic programs from kindergarten through secondary school. Funding for this program is limited to the amount allocated by the federal government.

Qualified School Construction Bond Program. In 2009, the General Assembly authorized the Authority to issue Qualified School Construction Bonds (“QSCB”) pursuant to program requirements approved by the Congress of the United States in Section 1521 of the American Recovery and Reinvestment Act of 2009. The 2009 QSCB program is a part of a federal government program designed to allow schools to borrow funds at minimal interest cost to the borrower while bondholders receive a federal income tax credit in lieu of regular bond interest. The Authority was authorized to issue QSCBs pursuant to the Tennessee State School Bond Authority Act, Title 49, Chapter 3, Part 12. Tennessee Code Annotated, as amended. The bonds are not supported by either the 1967 Resolution or the 1998 Resolution for Higher Education Facilities. The QSCB program provides loans to local governments to fund new construction, renovation and rehabilitation of schools, as well as the purchase of land and equipment for use in a qualified project. Funding for the QSCB program is limited to the amount allocated by the federal government.

Responsibility of Management

Management assumes responsibility for the fair presentation of the financial statements found in this report in conformity with accounting principles generally accepted in the United States of America; for compliance with applicable laws, regulations, and the provisions of contracts (including bond resolutions); and for establishing and maintaining effective internal control over financial reporting, operations, and compliance.

Internal Control. In developing the Authority's accounting system, much consideration was given to the adequacy of internal accounting controls. Such controls are designed to provide reasonable, but not absolute, assurance regarding (1) preventing, deterring, and detecting fraudulent activity, and (2) the reliability of financial records used in preparing financial statements. The concept of reasonable assurance is based on the assumption that the cost of internal accounting controls should not exceed the benefits expected to be derived from their implementation.

Independent Audit Committee. T.C.A. § 4-35-101 requires that a state governing board, council, commission, or equivalent body that (a) has the authority to hire and terminate its employees or (b) is responsible for the preparation of financial statements, whether included in the financial statements of other entities or free standing, shall create an audit committee. The Authority appointed an independent audit committee on August 12, 2004.

The Authority approved an Audit Charter created by the Audit Committee on September 14, 2006. The Audit Charter defines the responsibilities of the Audit Committee as follows:

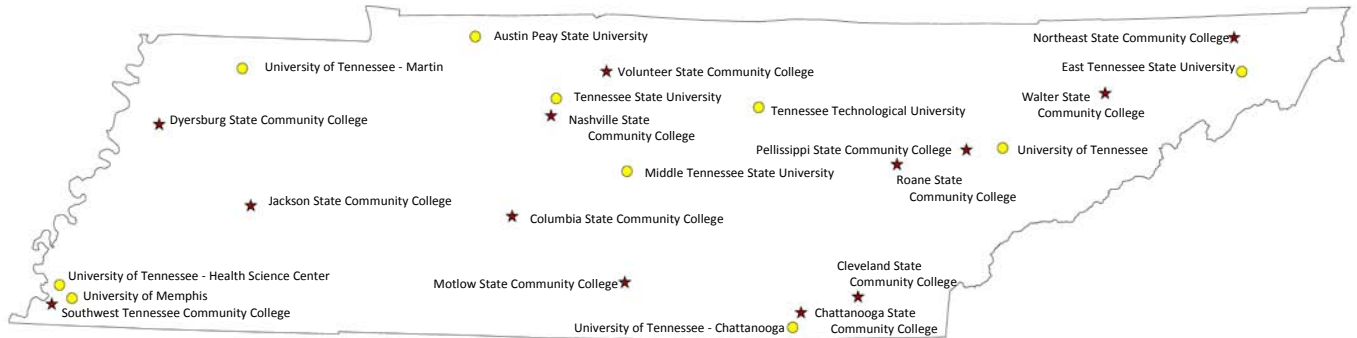
- overseeing the Authority’s financial reporting and related disclosures, especially when financial statements are issued;
- reviewing the adequacy of the management’s process for assessment of risk, including fraud risk;
- reviewing documentation of assessment results to determine that internal controls are sufficient to mitigate the assessed risks in the agency;

- formally reiterating, on a regular basis, to the Authority or its management and staff, the responsibility of the Authority or its management and staff to prevent, detect and report fraud, waste and abuse;
- serving as a facilitator of any audits or investigations of the Authority, including advising auditors and investigators of any information the Committee may receive pertinent to audit or investigative matters;
- promptly notifying the Comptroller of the Treasury of any indications of fraud; and
- establishing a process by which employees, taxpayers, investors or other citizens may confidentially report suspected illegal, improper, wasteful or fraudulent activity and ensure procedures exist for the receipt, retention, and treatment of such complaints.

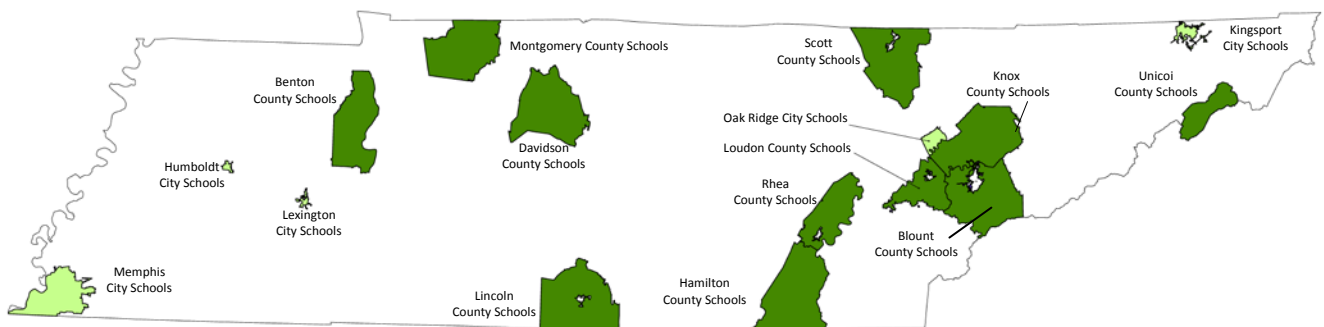
The Borrowers

Higher Education Facilities Programs. Public higher education in Tennessee is coordinated by the Tennessee Higher Education Commission and consists of two systems: The University of Tennessee Board of Trustees governs the University of Tennessee system, and the Tennessee Board of Regents of the State University and Community College System of Tennessee governs the state universities, community colleges, and state technology centers. The Boards are the governing bodies for all public higher education in Tennessee.

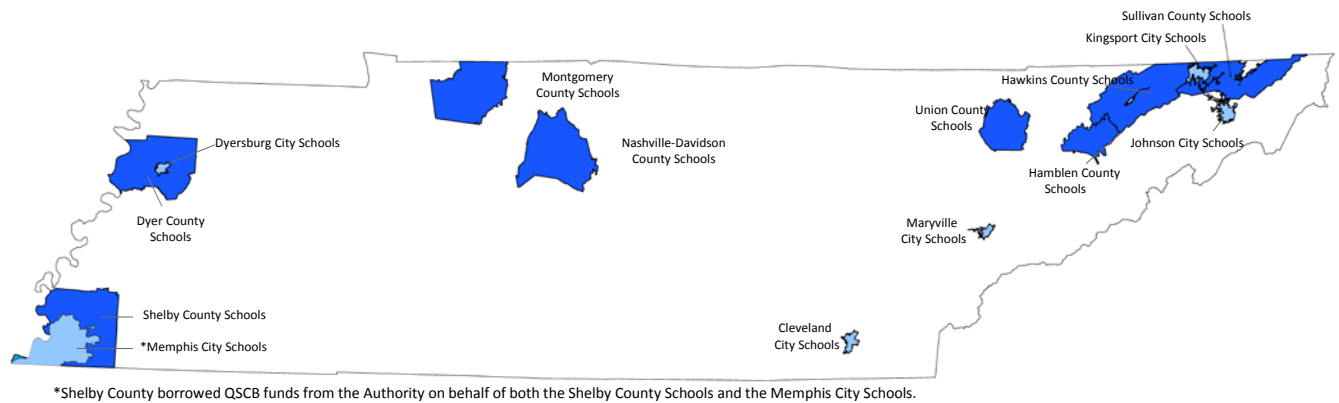
The University of Tennessee has four campuses (at Knoxville, Martin, Memphis, and Chattanooga), with 33 colleges, schools and divisions, all of which constitute a single “Institution.” The Tennessee Board of Regents system includes 6 universities, 13 community colleges, and 26 state technology centers, all of which are viewed as separate institutions. The technology centers are not permitted to borrow from the Authority.



Qualified Zone Academy Bond Program. The QZAB program is a capital financing program originally authorized by the federal government. The borrowers under the QZAB program are local government units that have borrowed funds from the Authority on behalf of local education agencies that are governed by the Tennessee Department of Education. There are currently 16 local education agencies participating in the QZAB program.



Qualified School Construction Bond Program. The QSCB program is a capital financing program authorized by the federal government. The borrowers under the QSCB program are local government units that have borrowed funds from the Authority on behalf of local education agencies that are governed by the Tennessee Department of Education. There are currently 13 local governments participating in the QSCB program.



The Programs

Higher Education Facilities Programs. The Authority and each Board have entered into separate financing agreements under which the Authority agrees to finance projects and the respective boards agree to make payments to the Authority. Under each financing agreement, the relevant board covenants and agrees to establish and collect fees and charges at each institution at a level sufficient to produce in each fiscal year no less than two times the amount required for the payment of the aggregate of financing charges. In the event a Board fails to make timely and full payment of amounts due and payable, the Commissioner of Finance and Administration, after notice from the Authority, shall deduct from the amounts appropriated by the General Assembly of the State of Tennessee for the operation and maintenance of the Institution for which such project was undertaken, the amount or amounts as may be required to make the Board current with respect to amounts due and payable.

Qualified Zone Academy Bond Program. To receive a QZAB loan, a local education agency, in cooperation with its city or county, must complete an application provided by the Tennessee Department of Education. The Department of Education reviews the applications and recommends to the Authority the projects deemed worthy of funding. Each local education agency and the respective city or county enters into a loan agreement with the Authority under which the Authority agrees to finance the projects and the respective city or county agrees to repay the loan.

Qualified School Construction Bond Program. To receive a QSCB loan, a local education agency, in cooperation with its city or county, must complete an application provided by the Authority. The Tennessee Advisory Commission on Intergovernmental Relations (TACIR) reviews the applications and recommends to the Authority the projects deemed worthy of funding. Each local education agency and respective city or county enters into a loan agreement with the Authority under which the Authority agrees to finance the projects and the respective city or county agrees to repay the loan.

For both the QZAB and QSCB programs, local education agencies receive their funding from the city and/or county where they are located. Debt Service for these two federal programs is secured by the general obligation pledge of the borrower and the intercept of unobligated state-shared taxes. In the event the city or county should fail to make timely debt service payments, the Commissioner of Finance and Administration, after notice from the Authority, shall intercept a portion of the state-shared taxes sufficient to cover the debt service payment. Local education agencies do not have taxing power in Tennessee. The power to tax is vested in cities and counties.

Future Outlook

Enrollment Trends in Higher Education. Enrollment to higher education facilities has surged due to the economic downturn during the years 2008 through 2010. During this period, enrollment in universities and community colleges increased by 7% and 22%, respectively. The Tennessee Education Lottery Scholarship program, has enabled more Tennesseans to attend college. In the 2009-10 academic year, the Tennessee Lottery provided an estimated \$284 million in scholarships to more than 98,000 students. In the Knowledge Economy, the importance of receiving training beyond high

school is significant. The growing demand for higher education will guarantee that the higher education system will sustain its long-term debt commitments well into the future.

Infrastructure Demand, K-12 Education. The Tennessee Advisory Commission on Intergovernmental Relations (“TACIR”) reported that during the five-year period of June 2007 to June 2012, the demand for improvements to existing schools and technology upgrades will total over \$1.899 billion with \$244 million of that being for technology. In 2010, the State was allocated \$32.065 million of QZABs and \$119.131 million of QSCBs to aid in funding this demand. In addition to the state 2010 QSCB allocation, Knox County, the Metropolitan Government of Nashville-Davidson County and the City of Memphis were allocated \$11.979, \$24.016 and \$49.710 million, respectively. These allocations were subsequently transferred to the Authority for issuance on the individual entity’s behalf. The Authority believes it will receive a similar allocation in 2011 for QZABs; however, the QSCB program was not extended past December 31, 2010.

FINANCIAL INFORMATION

Budget. The Authority has no formally approved operating budget. However, controls are in place to assure financial compliance for each project. All loans made and bonds issued must be approved by the Authority in public meetings. T.C.A. § 49-3-1201 et seq. permits the Authority to make and collect charges from the borrowers for all administrative fees that it determines to be reasonable. These administrative fees include but are not limited to costs relating to the issuance and payment of debt, liquidity facilities, trustee fees, and administrative costs of staff. All such fees and charges are subject to independent audit for reporting and compliance purposes.

Financial Statements. The financial statements included in this report present information on the financial condition of the Authority and whether resources were adequate to cover the costs of providing services during the reporting period. A discussion of the financial statements is included on pages 8 - 9 in the Management’s Discussion and Analysis section of this Comprehensive Annual Financial Report.

Change in Accounting Principle. The Authority adopted GASB Statement Number 53, effective July 1, 2009. GASB Statement Number 53 requires that derivative instruments be reported on the statement of net assets. For comparative purposes, the Authority restated the fiscal year 2009 totals on the statement of net assets included on page 13 in the Basic Financial Statements Section and the fiscal year 2009 totals and QZAB column on page 36 in the Supplementary Information Section. The statement of net assets included on page 8 in the Management’s Discussion and Analysis section of this report was restated for fiscal years 2009 and 2008 for comparative purposes. A discussion of this change is included in the Notes to the Financial Statements in Note 1, *Summary of Significant Accounting Policies – Change in Accounting Principle*, on page 19 and in Note 2, *Deposits and Investments – Terms of the Forward Delivery Agreements*, on page 22.

Debt Management. The Authority is authorized to issue both short-term debt and long-term debt on behalf of the higher education facilities. Higher education facilities’ projects are initially financed with short-term debt, and the borrowers are required to pay the monthly interest on the commercial paper until the projects have been completed at which time long-term debt is then issued and the commercial paper is redeemed. After long-term debt is issued for the higher education facilities, semiannual interest payments are required to be made on November 1 and May 1 and annual principal payments are required to be made on May 1 of each year. Pursuant to the bond resolutions, once the debt service payment due on the long-term debt is received, the Authority transfers the debt service payment to the Trustee. The Trustee then pays the bondholders of record.

The Authority issued QZABs and loaned the proceeds to local government units for the benefit of their respective local education agencies to fund various qualified projects. The local government units make annual payments to the Authority for the repayment of the debt. When the Authority receives the debt service payments, it deposits them into the appropriate sinking fund where they are invested until the final maturity of the QZABs. The interest earned on the repayments is credited to the borrower and reduces the total principal amount required to fulfill the loan obligation.

The Authority issued QSCBs and loaned the proceeds to local government units for the benefit of their respective local education agencies to fund various qualified projects. The local government units make monthly payments to the Authority for the repayment of the debt by depositing funds into the Local Government Investment Pool. The Authority then transfers the funds to the appropriate sinking funds where they are invested until the final maturity of the QSCBs. The interest earned on the repayments is credited to the borrower and reduces the total principal amount required to fulfill the loan obligation.

Cash Management. Authorized investments are identified in the various bond and note resolutions. Unexpended bond and note proceeds are invested by the State Treasurer in the State Pooled Investment Fund for higher education facilities and the Local Government Investment Pool for the local government borrowers. Investments of moneys held in the debt service reserve fund for the higher education facilities are held by the Trustee. Decisions on investments in the debt service reserve fund are made by the State Treasurer's staff in consultation with the Authority staff and the Trustee.

Payments made into the sinking fund for the Series 1999, 2001, and 2003 QZAB bonds are held in the State Pooled Investment Fund and invested by the State Treasurer. For the Series 2004 and 2005 bonds, however, the Authority entered into Forward Delivery Agreements (the "Agreements") with the Bank of America, N.A. and J.P. Morgan Chase Bank, N.A. (collectively, "the Banks") whereby the Banks select the sinking fund investments from eligible securities defined in the Agreements. Such investments are held by the State Treasurer in the Authority's name. Investments are described in the Notes to the Financial Statements, Note 2, of this report.

Payments into the sinking fund for the Series 2009 QSCBs did not commence until September 2010.

OTHER INFORMATION

Securities and Exchange Commission Disclosures. The Tennessee State School Bond Authority has entered into a Continuing Disclosure Undertaking ("Undertaking") with respect to certain debt issues. The Undertaking was made for the benefit of the holders of the debt pursuant to U.S. Securities and Exchange Commission Rule 15c2-12. The Authority has covenanted to provide certain annual financial information, including audited financial statements, as well as certain additional financial and operating data. However, certain financial and operating data required pursuant to the Undertaking is included in the Comprehensive Annual Financial Report of the State of Tennessee, not in this report. The reader of the State's Comprehensive Annual Financial Report should use the index located at the end of that report to identify the specific pages where the information is presented.

Independent Audit. T.C.A. § 4-3-304 requires that the Department of Audit perform currently a post-audit of all accounts and other financial records of the state government, and any department, institution, office or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the Comptroller of the Treasury.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Tennessee State School Bond Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This was the seventh consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

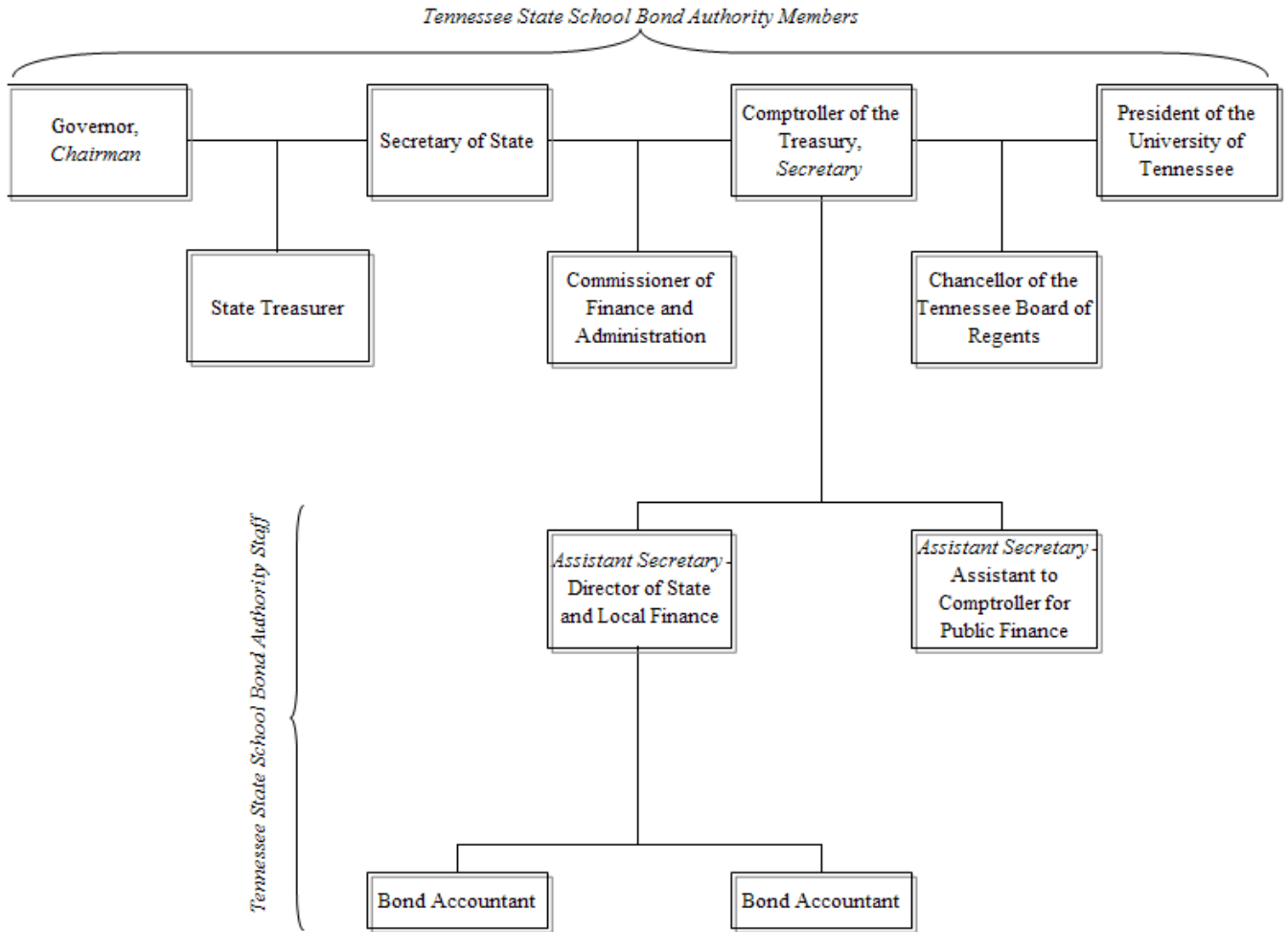
Acknowledgements. The preparation of the comprehensive annual financial report was made possible by the dedication of the staff of the Office of State & Local Finance in the Office of the Comptroller of the Treasury.

Respectfully submitted,



Mary-Margaret Collier, Assistant Secretary
Tennessee State School Bond Authority

Tennessee State School Bond Authority Organization Chart





TENNESSEE STATE SCHOOL BOND AUTHORITY

MEMBERS

Bill Haslam, Governor, *Chairman*¹

Justin P. Wilson, Comptroller of the Treasury, *Secretary*

Tre Hargett, Secretary of State

David Lillard, State Treasurer

Mark Emkes, Commissioner of Finance and Administration²

Dr. Joe DiPietro, President of the University of Tennessee³

John Morgan, Chancellor of the Tennessee Board of Regents⁴

STAFF

Mary-Margaret Collier, Director of Bond Finance, *Assistant Secretary*

Ann V. Butterworth, Assistant to Comptroller for Public Finance, *Assistant Secretary*

¹ Bill Haslam took office on January 15, 2011

² Mark Emkes, took office on January 15, 2011

³ Dr. Joe DiPietro took office on January 1, 2011

⁴ John Morgan took office on October 1, 2010

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Tennessee State School Bond Authority

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

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink, appearing to be "J. J.", positioned above the title "President".

President

A handwritten signature in black ink that reads "Jeffrey R. Emer", positioned above the title "Executive Director".

Executive Director



FINANCIAL SECTION





STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT

SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7897
FAX (615) 532-2765

Independent Auditor's Report

January 28, 2011

The Honorable Bill Haslam, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

and
Members of the Tennessee State School Bond Authority
State Capitol
Nashville, Tennessee 37243

Ladies and Gentlemen:

We have audited the accompanying statements of net assets of the Tennessee State School Bond Authority, a component unit of the State of Tennessee, as of June 30, 2010, and June 30, 2009, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements, based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. 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 Tennessee State School Bond Authority. We do not believe that the Comptroller's service in this capacity affected our ability to conduct an independent audit of the Tennessee State School Bond Authority.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee State School Bond Authority as of June 30, 2010, and June 30, 2009, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the Authority implemented GASB Statement 53, "Accounting and Financial Reporting for Derivative Instruments."

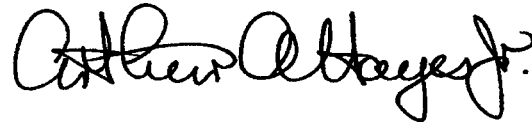
The management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements. The accompanying financial information listed as supplementary schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with generally accepted government auditing standards, we have also issued our report dated January 28, 2011, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts (including the bond resolutions) and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with generally accepted government auditing standards and should be considered in assessing the results of our audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Arthur A. Hayes, Jr.", written in a cursive style.

Arthur A. Hayes, Jr., CPA
Director

AAH/ddm

Management's Discussion and Analysis

As management of the Tennessee State School Bond Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities as presented in the financial statements and notes to the financial statements of the Authority for the fiscal year ended June 30, 2010. These activities are compared to the results of the fiscal years ended June 30, 2009 and 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and with the Independent Auditor's Report and the audited financial statements and accompanying notes of this report.

Program Activity Highlights

The Authority's purpose is to provide loans to the State's higher education institutions by issuing bonds and notes of the Authority and to local governments on behalf of local education agencies ("LEAs") through Qualified Zone Academy Bonds ("QZABs") and Qualified School Construction Bonds ("QSCBs"). The tables below summarize this business activity.

	Higher Education Facilities Programs		
	2010	2009	2008
Number of institutions with outstanding loans	20	23	23
Total number of outstanding loans	266	305	302
Balance of outstanding loans	\$1,071,728,642	\$999,366,228	\$859,656,775
Number of loans approved in fiscal year	16	13	28
Dollar value of loans approved in fiscal year	\$ 137,587,000	\$ 100,194,540	\$ 404,899,000
Dollar value of loans approved in fiscal year - unfunded	\$ 126,040,774	\$ 74,207,486	\$ 337,845,001
Dollar value of loans financed in fiscal year	\$ 114,860,132	\$ 177,063,069	\$ 143,962,380
Bonds issued in fiscal year	\$ -	\$ 276,895,000	\$ 118,530,000
Commercial paper issued in fiscal year	\$ 110,000,000	\$ 163,000,000	\$ 147,376,000

	Qualified Zone Academy Bond Program		
	2010	2009	2008
Number of LEAs with outstanding loans	14	14	14
Total number of outstanding loans	23	23	23
Balance of outstanding loans	\$ 28,011,400	\$ 31,020,448	\$ 33,613,648
Number of loans approved in fiscal year	-	-	-
Dollar value of loans approved in fiscal year	\$ -	\$ -	\$ -
Dollar value of loans approved in fiscal year - unfunded	\$ -	\$ -	\$ -
Dollar value of loans financed in fiscal year	\$ 88,899	\$ 201,522	\$ 7,744,414
Bonds issued in fiscal year	\$ -	\$ -	\$ -

	Qualified School Construction Bond Program		
	2010	2009	2008
Number of LEAs with outstanding loans	13	-	-
Total number of outstanding loans	13	-	-
Balance of outstanding loans	\$ 23,191,666	\$ -	\$ -
Number of loans approved in fiscal year	13	-	-
Dollar value of loans approved in fiscal year	\$ 177,000,000	\$ -	\$ -
Dollar value of loans approved in fiscal year - unfunded	\$ 164,654,954	\$ -	\$ -
Dollar value of loans financed in fiscal year	\$ 12,345,046	\$ -	\$ -
Bonds issued in fiscal year	\$ 177,000,000	\$ -	\$ -

The financial statements and the analysis provided in the remainder of this report reflect the financial results of this activity.

Debt Administration

Pursuant to Section 49-3-1201 et seq., *Tennessee Code Annotated*, the General Assembly of the State created the Tennessee State School Bond Authority to issue revenue bonds and notes to fund capital projects for the higher education institutions including both four-year institutions and two-year community colleges. Such loans are payable from user fees or savings generated from the projects in the case of energy conservation projects. The statute was amended in 1999 to authorize the Authority to issue QZABs and again in 2009 to authorize the Authority to issue QSCBs on behalf of local education agencies throughout the State. For more specific financial information on long-term debt activity, see **Note 5, Debt Payable, on pages 24 - 29 in the Notes to the Financial Statements.**

The State is not liable on the bonds, and the bonds are not a debt of the State of Tennessee.

Higher Education Facilities Programs. When an institution applies for project funding through the Authority, an analysis of the financial feasibility of each loan application is undertaken before it is approved by the Authority. Each higher education system (the University of Tennessee and the Tennessee Board of Regents) must include in its annual budget sufficient funds to repay total debt service. This pledge is a gross revenue pledge of the institution and its system. The Authority is also authorized by statute to intercept the state appropriation to that institution and system if the institution fails to make timely debt service payments to the Authority.

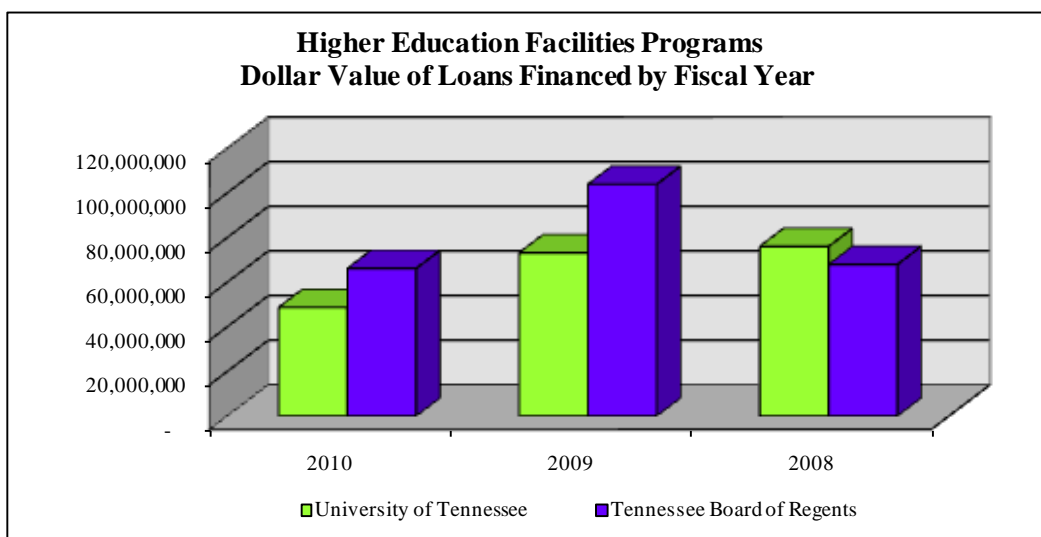
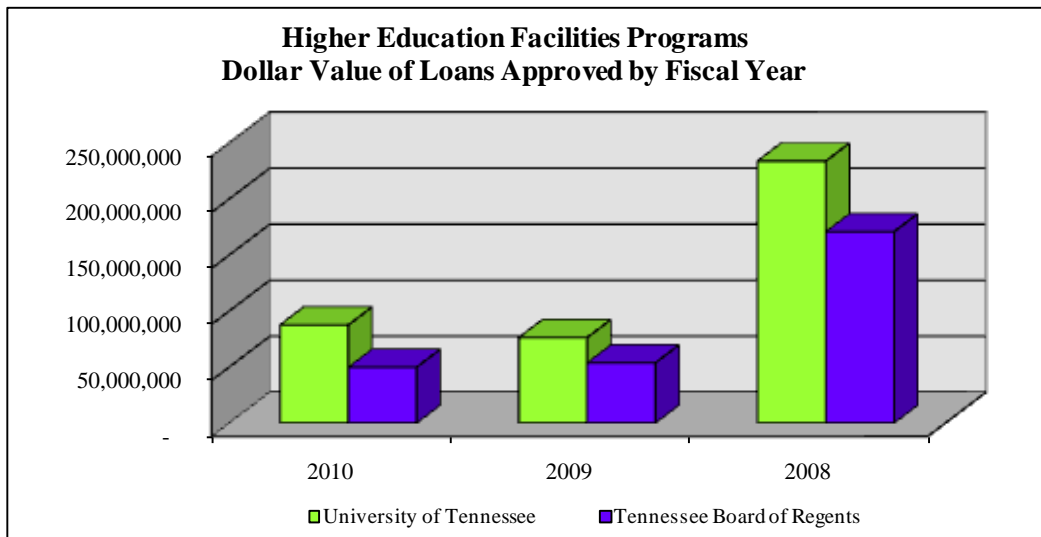
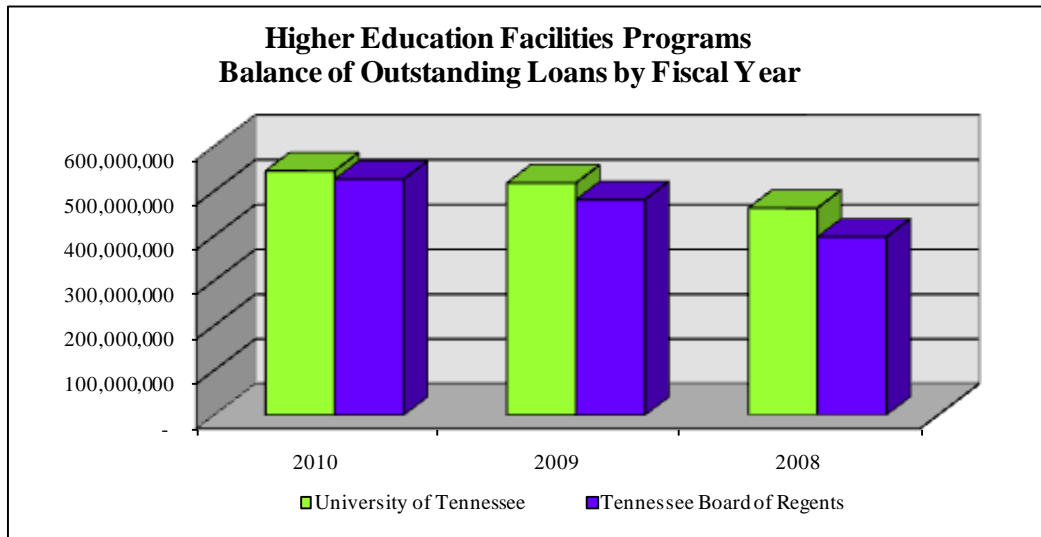
Generally under the financing program for higher education institutions, a project is funded through the Authority’s commercial paper program during its construction phase. When projects totaling \$50 million or greater are completed or near completion, the Authority fixes the interest rate for the term of the projects by issuing long-term debt. The range of the commercial paper interest rates are shown below for the fiscal year ended June 30, 2010, as compared to the fiscal years 2009 and 2008. The range of the commercial paper interest rates were a function of the term of the commercial paper and a volatile capital market.

Higher Education Facilities Programs Commercial Paper Interest Rates Range				
Fiscal Year	Tax-Exempt		Taxable	
	Low	High	Low	High
2010	0.17%	0.55%	0.15%	0.50%
2009	0.35%	5.00%	0.35%	6.25%
2008	0.70%	3.90%	2.45%	5.40%

The Authority currently has a Credit Agreement with State Street Bank allowing for a total amount of \$300,000,000 of commercial paper to be outstanding. The Credit Agreement with State Street Bank has an expiration date of March 30, 2014 and a commitment fee of .105% paid quarterly in arrears. If the liquidity facility is called upon, the Authority must repay the advance on the earlier of (i) the date of such Advance or (ii) the Termination Date. Should the Authority fail to repay the advance by the Term Loan Closing Date, the principal amount will convert to a term loan with six equal semi-annual payments. As of the fiscal year ended June 30, 2010, the Authority did not have to call upon the liquidity facility.

For the fiscal year ended June 30, 2010, interest rates on the higher education facilities long-term fixed-rate tax-exempt bonds ranged from a low of 2.00% to a high of 5.50%, and the interest rates on the higher education facilities long-term fixed-rate taxable bonds ranged from a low of 4.00% to a high of 5.66%. By pooling the financing of the capital needs for all public higher education facilities, management believes that economic efficiency is achieved through a single large borrowing administered by one agency. The creditworthiness of both large and small institutions is homogenized into one credit resulting in a lower cost of borrowing and providing a more equitable cost to students and other users who repay the debt through various user fees and charges and student debt service fees.

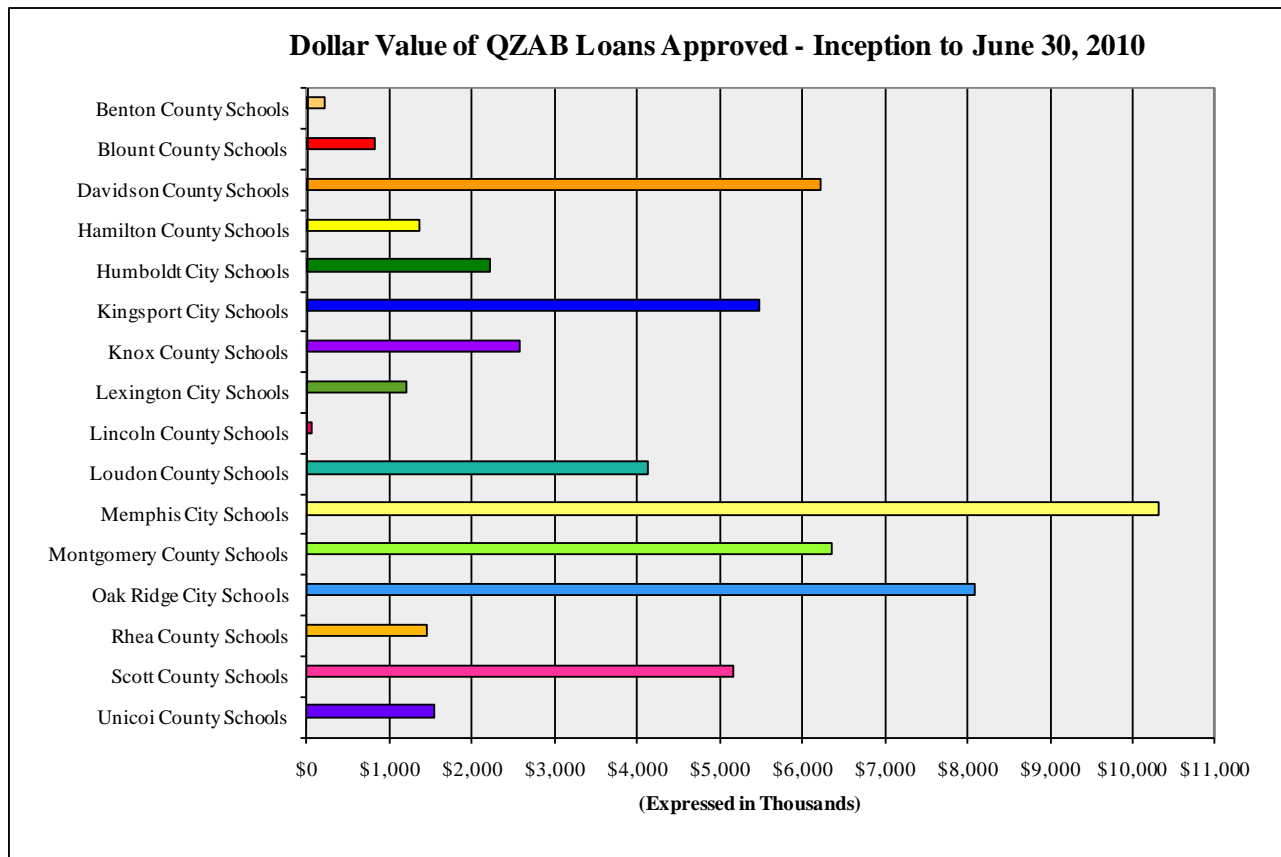
Higher Education Facilities Programs Debt Ratings. As of the fiscal year ended June 30, 2010, the Authority's higher education facilities program is rated AA, Aa2, and AA by Fitch, Moody's Investors Service and Standard & Poor's Rating Group, respectively.



Qualified Zone Academy Bond Program. The QZAB program is a capital financing program authorized by the federal government under the Taxpayer Relief Act of 1997, Section 227(a). A QZAB is a taxable bond issued by the State, the proceeds of which are used to finance certain eligible public schools' renovation projects and equipment purchases. During the time the bond is outstanding, an eligible holder of a QZAB is generally allowed annual federal income tax credits in lieu of receiving periodic interest payments from the issuer. These credits compensate the holder for lending money to the borrower and function as payments of interest on the bonds. The Tennessee Department of Education distributes the application for a QZAB allocation to all local education agencies in the State. The Department recommends those projects that best meet the requirements of the program to the Authority for funding.

The local education agencies and the city or county supporting the agency must provide a general obligation pledge to the Authority for the repayment of its loans. The Authority is authorized to intercept the local community's state-shared taxes, should the local education agency/local government fail to repay its loan timely.

As of June 30, 2010, the QZAB program has unused allocations totaling \$75,028,000. Of this amount, \$9,547,000 of the 2008 allocation expired on December 31, 2010. The State has up to two years after the yearly allocations are made by the federal government to issue bonds or the allocations will be forfeited.



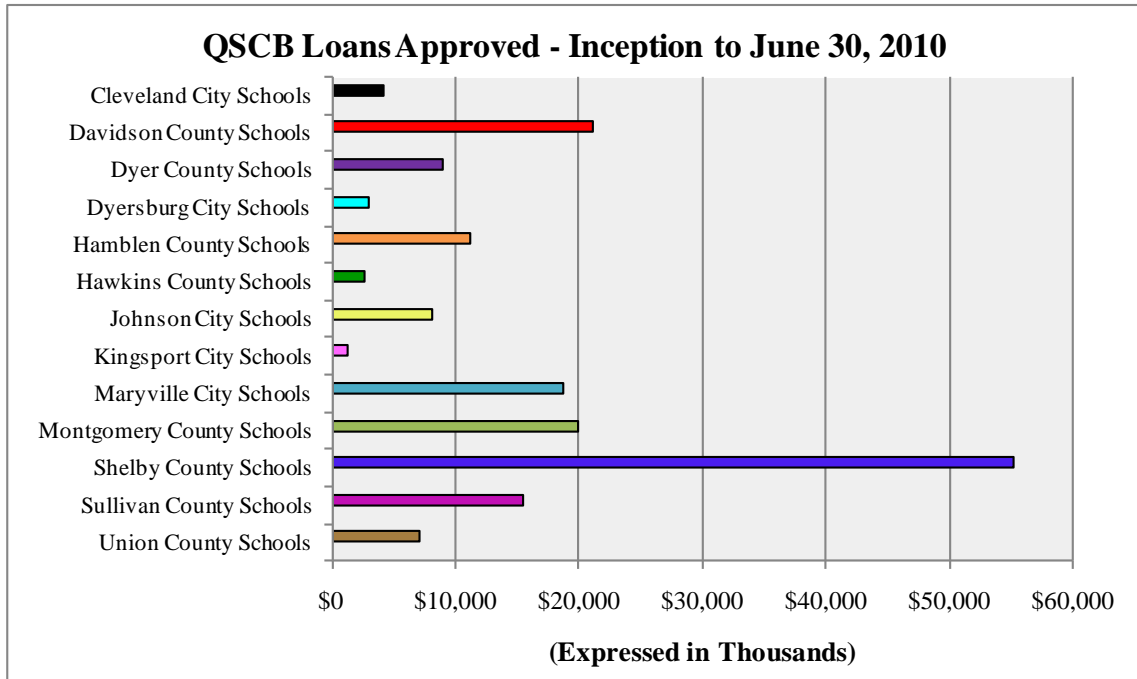
Qualified Zone Academy Bond Program Debt Ratings. All of the QZAB's have been placed with private investors. The QZAB's are not rated.

Qualified School Construction Bond Program. The QSCB program is a capital financing program originally authorized by the federal government under the American Recovery and Reinvestment Act of 2009 and TCA 49-3-12, as amended. A QSCB is a tax credit bond issued by the State, the proceeds of which are used to finance certain eligible public schools' renovation and rehabilitation projects, equipment purchases, new building construction and land acquisition. An eligible holder of a QSCB is generally allowed quarterly federal income tax credits in addition to quarterly supplemental interest payments from the issuer during the time the bond is outstanding. These credits compensate the holder for lending money to the borrower and function as partial payments of interest on the bonds.

In the fiscal year ended June 30, 2010, the United States Secretary of the Treasury allocated \$184.606 million of QSCBs for issuance in the State. Of that allocation, the Authority issued QSCBs totaling \$177 million (2010 QSCBs), the proceeds of which were loaned to 13 local government units.

The Authority distributes the applications for a QSCB allocation to all the local education agencies of the State. The Tennessee Advisory Committee on Intergovernmental Relations (“TACIR”) recommends those projects that best meet the requirements of the program to the Authority for funding. The city or county supporting the LEA must provide a general obligation pledge to the Authority for the repayment of its loans. The Authority is authorized to intercept the local community’s state-shared taxes, should the local government fail to repay its loan timely.

As of June 30, 2010, the QSCB program has unused allocations from the 2009 allocation totaling \$7,606,000 and has not yet used the 2010 allocation of \$204,836,000. The Authority staff along with the staff of the TACIR encouraged local education authorities, cities and counties to take advantage of these low interest loans.



Qualified School Construction Bonds Program Debt Ratings. As of the fiscal year ended June 30, 2010, the Authority’s QSCB program is rated Aa3 and AA by Moody’s Investors Service and Standard & Poor’s Rating Group, respectively.

Overview of the Financial Statements

The Authority is a discretely presented component unit of the State of Tennessee and uses proprietary fund accounting. The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America using the accrual basis of accounting and the flow of economic resources measurement focus. This basis recognizes revenues when earned and expenses at the time liabilities are incurred. Using the economic resources measurement focus, a reader is presented information that allows him/her to determine the transactions and events that have increased or decreased the total economic resources for the period.

This discussion and analysis is intended to serve as an introduction to the Authority’s basic financial statements. The Authority’s basic financial statements are comprised of two components: 1) the basic financial statements and 2) notes to the financial statements. The basic financial statements consist of the Statement of Net Assets; Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows.

The Statements of Net Assets on **page 13** depict the Authority’s financial position at June 30, 2010, and June 30, 2009. The Statements of Revenues, Expenses and Changes in Net Assets on **page 14** portray the results of operations and the change in net assets for the years presented. The Statements of Cash Flows on **pages 15 - 16** summarize the sources and uses of cash for the fiscal years presented. These statements are accompanied by notes to the financial statements that provide information that is essential to the reader’s understanding of the financial statements. The Authority’s basic financial statements are followed by supplementary information containing the financial statement information at the program level.

Financial Analysis of the Authority

Standard indicators of financial success are not applicable to the Authority. The financial goals of the Authority are to provide timely access to the capital markets for qualified educational institutions and local governments on behalf of local education agencies at the lowest possible cost, to repay debt timely and to achieve the highest possible rating for its debt.

The Authority achieved these goals under volatile market conditions. During the fiscal year ended June 30, 2010, the Authority frequently entered the short-term market. The Authority was also able to enter the long-term capital market on a timely basis. At no time did the Authority deny approval of a loan application due to its inability to access the capital market. There were no incidents requiring the Authority to withdraw funds from the debt service reserve fund or the commercial paper credit agreement to pay debt service timely. The Authority maintained both its long and short-term credit ratings with all rating agencies.

Statements of Net Assets Summary			
(in thousands)			
	2010	2009	2008
Current assets	\$ 102,776	\$ 108,126	\$ 74,269
Noncurrent assets	<u>1,298,421</u>	<u>1,042,164</u>	<u>889,627</u>
Total assets	<u>1,401,197</u>	<u>1,150,290</u>	<u>963,896</u>
Current liabilities	74,555	67,672	42,900
Noncurrent liabilities	<u>1,318,598</u>	<u>1,074,527</u>	<u>913,145</u>
Total liabilities	<u>1,393,153</u>	<u>1,142,199</u>	<u>956,045</u>
Net assets (unrestricted)	<u>\$ 8,044</u>	<u>\$ 8,091</u>	<u>\$ 7,851</u>

Note: The Authority owns no capital assets.

At June 30, 2010, current assets include \$19,196,131 of unexpended bond proceeds and commercial paper that will fund approved loans as compared to \$37,566,295 at June 30, 2009 and \$17,800,606 at June 30, 2008. During the fiscal year ended June 30, 2010, the Authority issued \$177,000,000 in QSCBs. During the fiscal year ended June 30, 2009, the Authority issued \$276,895,000 in Higher Education Facilities Second Program Bonds which were used to retire \$225,808,000 of commercial paper proceeds with the remainder to be used to fund various costs of the projects involved. During the fiscal year ended June 30, 2008, the Authority issued \$118,530,000 in Higher Education Facilities Second Program Bonds which were used to retire \$64,927,000 of commercial paper proceeds with the remainder to fund various costs for the projects involved. Principal payments were made on the outstanding long-term bonds in the amounts of \$47,352,000 in 2010; \$35,147,000 in 2009; and \$30,067,000 in 2008. No QZAB bonds were issued or retired during fiscal year 2010, 2009 or 2008.

Net assets are available to fund ongoing operations and other expenses necessary to meet the goals of the Authority. Assets and liabilities increase in correlation due to the increase in debt issuance and resulting loans and decrease in correlation due to the repayment of debt and loans. Due to the issuance of the 2009 Higher Education Facilities Second Program Bonds, the 2010 QSCBs and the repayment of debt in both years, there was not a significant change in net assets for the years ending June 30, 2010 and June 30, 2009. With interest earned by the Authority on funds placed with the Treasurer in the State Pooled Investment Fund, the Authority continues to absorb certain administrative costs associated with bonded indebtedness of the higher education facilities program rather than passing those costs to the borrowers of the higher education facilities program.

The Authority's operating revenues include revenue from loans in the form of administrative fees, interest on loans, and investment income earned on cash. Operating expenses include interest expense on outstanding bonds and commercial paper, administrative expenses, and the amortization of bond costs of issuance. For the fiscal year ending June 30, 2010, the change in net assets did not significantly vary from that of fiscal year 2009. The total increase in operating revenue for the fiscal year ending 2010 is primarily due to the addition of the QSCB program which increased loans to the borrowers which brought in increased interest revenue; however, it is offset by the increase in total operating expenses which also mainly pertained to the QSCB Program and the increased interest expense. For the fiscal year ending June 30, 2009, the change in net assets did not significantly vary from that of fiscal year 2008. The total increase in operating revenue for the fiscal year ending 2009 was primarily due to the increase in loans to borrowers; however, it was offset by the increase in total operating expenses which mainly pertained to the increase in interest expense which was caused by the interest rate spike for short-term debt during the fall of 2009.

Statements of Revenues, Expenses, and Changes in Net Assets Summary (in thousands)			
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating Revenues			
Revenue from loans	\$ 43,377	\$ 38,979	\$ 34,991
Investment earnings	386	742	1,356
Total operating revenue	<u>43,763</u>	<u>39,721</u>	<u>36,347</u>
Operating Expenses			
Interest expense	42,114	37,456	33,629
Subsidy to borrowers	291	511	1,183
Other expenses	1,405	1,513	1,242
Total operating expenses	<u>43,810</u>	<u>39,480</u>	<u>36,054</u>
Operating income (loss) and change in net assets	<u>\$ (47)</u>	<u>\$ 241</u>	<u>\$ 293</u>
<i>Note: The Authority has no non-operating revenues or expenses.</i>			

For the fiscal year ended June 30, 2010, the Authority elected to return the investment income that it earned on funds held by the Trustee and interest earned on unspent bond proceeds as a subsidy in the form of a credit on debt service to its borrowers in the higher education facilities program.

Pursuant to the bond resolution for the QZABs, Sinking Fund payments are invested in the State Pooled Investment Fund ("SPIF"). SPIF rates for 2010 ranged from 0.21% to 0.57%. Investment earnings related to the QZAB program are held by the Authority for the benefit of the local education agencies participating in the program and credited to their individual debt service sinking fund payment annually. Pursuant to the supplemental bond resolutions for the 2004 and 2005 Series QZABs, sinking fund payments are invested in Forward Delivery Agreements which guarantee a fixed rate of interest of 3.00% and 3.64%, respectively, on investments. The investments are held by the State Treasurer in the Authority's name.

Investment earnings related to the QSCB program are held by the Authority for the benefit of the local governments participating in the program and credited to their individual debt service interest payments monthly. The QSCB program had not received any principal payments as of June 30, 2010.

Future Financing Activities

Higher Education Facilities Programs. As Tennessee enters an economic era that emphasizes the human capital potential of its citizens rather than physical capital and natural resources, the higher education system must be positioned to serve the broader-based need for access to post-secondary education. A host of policy and environmental factors influence both demands for access and the means through which this demand will be met. These factors include:

- Economic conditions of 2008 through 2010 have produced a surge in enrollments in Tennessee. University enrollment increased seven percent from 2008 to 2010, while community college enrollment increased 22 percent in the same time period, the largest increase in more than two decades.
- The demographic composition of the state is changing dramatically and the higher education system must position itself to serve the needs of an increasingly diverse population.
- The advent of the Tennessee Education Lottery Scholarship program allowed more Tennesseans to attend college. In 2009-10, the Tennessee Lottery provided an estimated \$284 million in scholarships to more than 98,000 students.

In January 2010, Tennessee passed the Complete College Tennessee Act (CCTA), a comprehensive reform agenda that seeks to transform public higher education through changes in academic, fiscal and administrative policies at the state and institutional level. The primary goal of these reforms is for more Tennesseans to be better educated and trained. At the heart of the CCTA is a new Public Agenda for higher education which establishes the direct link between the state's economic development and its educational system. The overarching goal of the Public agenda is to have Tennessee meet the projected national average in educational attainment by 2025. The primary state policy levers for addressing the state's educational needs are a new funding formula, which incorporates outcomes in lieu of enrollment, a new Performance Funding program, which focuses on quality assurance, and the establishment of institutional mission statements or profiles, which distinguish each institution by degree level, program offerings and student characteristics. Other major components of the reform agenda include more efficient student transfer, a more integrated community college system, reforms to the delivery of student

remediation programs and an enhanced research focus for the University of Tennessee Knoxville and the University of Memphis, the state's two public Carnegie Research institutions.

In the Knowledge Economy, the importance of receiving training beyond high school is significant. In 2008, 24.5 percent of Tennessee's working-age adults held a college degree, compared to the national average of 29.5 percent. To reach the national average educational attainment levels, Tennessee would need an additional 170,000 citizens with a bachelor's degree or higher, more than double the current annual degree production of the state's public and private institutions. Furthermore, the percentage of adults in the state with an associate's degree or some college in 2008 was 31.3 percent, in comparison with the national average of 37.9 percent. To reach the national average, Tennessee would need an additional 220,000 citizens with an associate's degree or higher. The availability of new and/or improved learning facilities near work and home will have a major impact on the State's success in achieving these goals.

The increased enrollment and continued demand for advanced education and training will put stress on the capital facilities at all campuses. As a result, the State anticipates an increased need for funding of various facilities through the Authority.

Qualified School Construction Bond Program. QSCBs are tax credit bonds that were authorized in the American Recovery and Reinvestment Act of 2009 and TCA 49-3-12, as amended. The Authority was allocated by the Federal Government \$119.131 million in the 2010 allocations. Three local education agencies which included Nashville-Davidson County School District, Knox County School District, and Memphis City School District received a direct allocation for a combined total of \$85.705 million. The local education agencies reallocated to the Authority their direct allocations to be issued on their behalf by the Authority. With the combination of the State allocation, the local education agencies' direct allocations and the \$7.606 million remaining from the 2009 allocation, the Authority issued QSCBs in October 2010 in the amount of \$212.44 million to provide loans to fifteen borrowers. The QSCB program is a limited program and was only intended to provide funding for fiscal years 2009 and 2010. The QSCB program was not extended beyond December 31, 2010.

Contacting the Authority's Management Team

This discussion and analysis is designed to provide our citizens, education agencies, investors and creditors with a general overview of the Authority's finances and to demonstrate its accountability for the monies it receives. If you have questions about this report or need additional financial information, contact the Director of State and Local Finance, State of Tennessee, Suite 1600, James K. Polk Center, 505 Deaderick St., Nashville, Tennessee 37243-1402, visit our website at <http://www.tn.gov/comptroller/bf/bftssba.htm>, or call (615) 401-7872.

BASIC FINANCIAL SECTION



TENNESSEE STATE SCHOOL BOND AUTHORITY
STATEMENTS OF NET ASSETS
JUNE 30, 2010, AND JUNE 30, 2009

(Expressed in Thousands)

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
ASSETS		
Current assets:		
Cash (Note 2)	\$ 39,325	\$ 46,437
Cash with fiscal agent (Note 2)	357	957
Investments with fiscal agent (Note 2)	14	14
Deferred outflow - derivatives (Notes 1 and 2)	1,613	2,686
Prepaid interest expense	-	24
Loans receivable (Note 3)	54,475	50,807
Interest receivable (Note 3)	6,527	6,621
Receivables for administrative fees (Note 3)	<u>465</u>	<u>580</u>
Total current assets	<u>102,776</u>	<u>108,126</u>
Noncurrent assets:		
Restricted cash (Notes 2 and 4)	183,061	15,391
Restricted investments (Notes 2 and 4)	36,897	38,167
Loans receivable (Note 3)	1,068,456	979,585
Deferred charges	<u>10,007</u>	<u>9,021</u>
Total noncurrent assets	<u>1,298,421</u>	<u>1,042,164</u>
Total assets	<u>1,401,197</u>	<u>1,150,290</u>
LIABILITIES		
Current liabilities:		
Accounts payable	11,603	9,324
Accrued liabilities	10,847	-
Fair value of derivatives (Notes 1 and 2)	1,613	2,686
Due to primary government	7	-
Accrued interest payable	6,607	6,768
Unearned revenue (Note 6)	1,955	1,693
Bonds payable (Note 5)	<u>41,923</u>	<u>47,201</u>
Total current liabilities	<u>74,555</u>	<u>67,672</u>
Noncurrent liabilities:		
Unearned revenue (Note 6)	3,735	1,965
Commercial paper payable (Note 5)	281,782	174,300
Bonds payable (Note 5)	<u>1,033,081</u>	<u>898,262</u>
Total noncurrent liabilities	<u>1,318,598</u>	<u>1,074,527</u>
Total liabilities	<u>1,393,153</u>	<u>1,142,199</u>
NET ASSETS		
Unrestricted	<u>\$ 8,044</u>	<u>\$ 8,091</u>

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

TENNESSEE STATE SCHOOL BOND AUTHORITY
 STATEMENTS OF REVENUES, EXPENSES, AND
 CHANGES IN NET ASSETS
 FOR THE YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009

(Expressed in Thousands)

	Year Ended June 30, 2010	Year Ended June 30, 2009
OPERATING REVENUES		
Revenue from loans	\$ 43,377	\$ 38,979
Investment earnings	386	742
Total operating revenues	<u>43,763</u>	<u>39,721</u>
OPERATING EXPENSES		
Interest expense-commercial paper	757	3,457
Interest expense-bonds	41,357	33,999
Subsidy to borrowers	291	511
Administrative expense	773	970
Amortization of bond issuance costs	632	543
Total operating expenses	<u>43,810</u>	<u>39,480</u>
Operating income (loss) and change in net assets	(47)	241
Net assets, July 1	8,091	7,850
Net assets, June 30	<u>\$ 8,044</u>	<u>\$ 8,091</u>

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

TENNESSEE STATE SCHOOL BOND AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009

(Expressed in Thousands)

	Year Ended June 30, 2010	Year Ended June 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from borrowers for administrative fees	\$ 629	\$ 373
Payment to suppliers	(762)	(832)
Receipts from borrowers to the interest rate reserve fund	573	757
Payments to borrowers from the interest rate reserve fund	(394)	(616)
Net cash provided by (used in) operating activities	<u>46</u>	<u>(318)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from sale of bonds	177,000	282,737
Proceeds from sale of commercial paper	110,000	163,000
Bond issuance costs paid	(1,614)	(498)
Principal paid - bonds and commercial paper	(49,870)	(267,076)
Interest paid - bonds and commercial paper	(42,533)	(36,090)
Subsidy to borrowers	(438)	(511)
Net cash provided by (used in) noncapital financing activities	<u>192,545</u>	<u>141,562</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(17,593)	(46,246)
Proceeds from sales and maturities of investments	18,720	19,256
Interest received on investments	1,159	923
Loans issued	(125,633)	(177,264)
Loan escrow paid	(130)	2,306
Collections of loan principal	47,924	43,455
Interest received on loans	43,113	35,719
Refund to borrower	(193)	-
Net cash provided by (used in) investing activities	<u>(32,633)</u>	<u>(121,851)</u>
Net increase (decrease) in cash	159,958	19,393
Cash, July 1	62,785	43,392
Cash, June 30	<u>\$ 222,743</u>	<u>\$ 62,785</u>

(Continued on next page)

(Continued from previous page)

TENNESSEE STATE SCHOOL BOND AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009

(Expressed in Thousands)

Reconciliation of cash to the Statement of Net Assets:		
Cash	\$ 39,325	\$ 46,437
Cash with fiscal agent	357	957
Restricted cash	183,061	15,391
Cash, June 30	<u>\$ 222,743</u>	<u>\$ 62,785</u>
 Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	<u>\$ (47)</u>	<u>\$ 241</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Amortization of bond issuance costs	631	543
Investment earnings	(386)	(733)
Interest expense	42,114	37,456
Subsidy to borrowers	291	511
Interest income (loss) from loans	(42,459)	(38,555)
Changes in assets and liabilities:		
(Increase) decrease in receivables for administrative fees	(114)	213
(Increase) decrease in payables for administrative fees	(4)	(24)
Increase (decrease) in due to primary government	7	-
Increase (decrease) in unearned revenue	13	30
Total adjustments	<u>93</u>	<u>(559)</u>
Net cash provided by (used in) operating activities	<u>\$ 46</u>	<u>\$ (318)</u>
 Noncash financing activities:		
Accretion of capital appreciation bonds	\$ 151	\$ 322
Bond issuance costs	1,614	(5,481)
Total noncash financing activities	<u>\$ 1,765</u>	<u>\$ (5,159)</u>
 Noncash investing activities:		
Increase (decrease) in fair value of investments	<u>\$ (217)</u>	<u>\$ (52)</u>

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

Tennessee State School Bond Authority
Notes to the Financial Statements
June 30, 2010, and June 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Tennessee State School Bond Authority (the Authority) was created to provide a mechanism for financing capital projects for the state's higher education institutions. During 1999, the General Assembly empowered the Authority to issue Qualified Zone Academy Bonds (QZABs) for local governments to borrow for financing improvement projects on behalf of local education agencies pursuant to the federal program authorized in the Taxpayer Relief Act of 1997. In addition, under the American Recovery and Reinvestment Act of 2009, the Authority was authorized to issue Qualified School Construction Bonds (QSCBs) for local governments to borrow on behalf of local education agencies at nominal or zero percent interest for financing renovation and rehabilitation projects, equipment purchases, new building construction and land acquisition.

The Authority is a component unit of the State of Tennessee (the State) and a separate legal entity. In accordance with the Governmental Accounting Standards Board's (GASB) Statement No. 14, *The Financial Reporting Entity*, the Authority is discretely presented in the *Tennessee Comprehensive Annual Financial Report* because the Authority's board consists of state officials which include the Governor, the State Treasurer, the Secretary of State, the Commissioner of Finance and Administration, the Comptroller of the Treasury, the Chancellor of the Tennessee Board of Regents, and the President of the University of Tennessee. The Governor serves as chairman, and the Comptroller of the Treasury serves as secretary. The Director of the Division of State and Local Finance serves as the assistant secretary; the division provides administrative and financial services to the Authority. Therefore, the State has the ability to affect the day-to-day operations of the Authority.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Authority has the option of following subsequent private-sector guidance subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

Measurement Focus and Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting and the flow of economic resources measurement focus. Under this basis, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Tennessee State School Bond Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering services in connection with principal ongoing operations. The Authority's principal ongoing operation is to provide loans for constructing capital projects, renovating and rehabilitating facilities, acquiring land and acquiring equipment to higher educational facilities and to local government units pursuant to the criteria set by the federal government for the QZAB and QSCB programs. Therefore, the Authority also recognizes income on investments as operating revenue. The Authority's operating expenses include interest paid on borrowings, subsidies to borrowers, bond

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2010, and June 30, 2009

issuance costs, arbitrage, and administrative expenses. Any revenues and expenses not meeting this definition would be reported as nonoperating revenues and expenses.

Investments

Investments are stated at fair value.

Amortized Amounts

- A. Bond Issuance Costs. The Authority amortizes bond issuance costs using the straight-line method over the life of the bonds. Unamortized bond issuance costs are reported as deferred charges.
- B. Bond Discounts, Premiums, and Deferred Amount on Refundings. The Authority amortizes bond discounts and premiums using the straight-line method over the life of the bonds. The deferred amount on refundings is amortized using the straight-line method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Bonds payable are reported net of the applicable unamortized bond discount or premium and the unamortized deferred amount on refundings.

Amortization of bond discount, premium, and deferred amount on refundings is reported with bond interest expense in the financial statements.

- C. Accretion. The difference between the face amount of College Saver Bonds (capital appreciation bonds) and the public offering price is not treated as bond discount. Capital appreciation bonds are subject to redemption at prices which increase from the initial public offering price to the face amount. The carrying amount of these bonds is adjusted semi-annually and at June 30 to reflect the increased liability, with a corresponding charge to interest expense.
- D. Unearned Revenue. When the Authority issues bonds to finance capital projects, the par amount of the bonds is adjusted by certain amounts (such as bond discount/premium, underwriters' fees, and other costs of issuance) in order to arrive at the amount of bond proceeds available for capital expenditures. These amounts, discussed above, are capitalized and amortized pursuant to accounting principles generally accepted in the United States of America. A similar situation arises when accounting for the loans to the higher education institutions and local governments. Because of the adjustments mentioned above (discount, costs of issuance, etc.), the principal amount of the loan differs from the actual amount of funds available for capital expenditures. Because the higher education institutions and the local governments bear the cost of this difference, it is carried on the statement of net assets as unearned revenue and amortized on a straight-line basis over the life of the related bond.

The Authority requires the higher education institutions to contribute funds to the Interest Rate Reserve Fund based on the amount of outstanding commercial paper. The principal of the Interest Rate Reserve Fund is credited back to the institution as commercial paper is redeemed. The Interest Rate Reserve Fund is reported on the statement of net assets as unearned revenue and is not amortized.

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2010, and June 30, 2009

Change in Accounting Principle

Effective July 1, 2009, the Authority adopted Statement Number 53 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Derivative Instruments*. GASB Statement Number 53 requires that derivative instruments be reported at fair value on the statement of net assets. The classification of derivative instruments depends on whether they represent assets or liabilities. Totals on the statement of net assets for June 30, 2009, have been restated for comparative purposes. There is no effect on net assets or on investment earnings resulting from the restatement.

NOTE 2. DEPOSITS AND INVESTMENTS

The investments under the Higher Education First Program General Bond Resolution of the Tennessee State School Bond Authority can be invested in direct obligations of the United States, or obligations of which the principal and interest are guaranteed by the United States. Moneys pertaining to the Higher Education Second Program General Bond Resolution, the Qualified Zone Academy Bonds First Program Resolution and the Qualified School Construction Bonds General Bond Resolution of the Tennessee State School Bond Authority, pursuant to *Tennessee Code Annotated*, Section 49-3-1205, can be invested, pursuant to each Bond Resolution listed above, in obligations of the United States or its agencies under flexible repurchase agreements which are fully collateralized by obligations of the United States or obligations the timely payment of the principal of and interest on which are guaranteed by the United States, the State's pooled investment fund as provided in *Tennessee Code Annotated*, Section 9-4-603, and any other investment authorized by the state investment policy adopted by the State Funding Board pursuant to *Tennessee Code Annotated*, Section 9-4-602.

Deposits

The Tennessee State School Bond Authority has cash on deposit in the State Pooled Investment Fund and Local Government Investment Pool administered by the State Treasurer. The funds' investment policy and required risk disclosures are presented in the *State of Tennessee's Treasurer's Report*. That report is available on the State's website at <http://www.tn.gov/treasury> or by calling (615) 741-2956.

The Authority's deposits are held in a financial institution, which participates in the bank collateral pool administered by the State Treasurer. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2010, and June 30, 2009

Investments

As of June 30, 2010, the Authority has the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
U.S. Treasury Bills	October 28, 2010	\$24,544,925
	November 18, 2010	3,411,542
	December 2, 2010	3,920,939
U.S. Treasury Securities:		
State and Local Government Series		<u>5,033,477</u>
Total Investments		<u>\$36,910,883</u>

As of June 30, 2010, the Tennessee State School Bond Authority holds two separate State and Local Government Series U.S. Treasury Securities. One security covers the debt of the QZAB borrower's remaining loan balance of \$4,419,476, and the other security covers the remaining loan balance of \$614,001 of the Higher Education borrower's debt.

As of June 30, 2009, the Authority had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
U.S. Treasury Bills	October 29, 2009	\$27,469,941
	November 19, 2009	2,687,310
	December 3, 2009	2,886,619
U.S. Treasury Securities:		
State and Local Government Series		<u>5,137,888</u>
Total Investments		<u>\$38,181,758</u>

As of June 30, 2009, the Tennessee State School Bond Authority held two separate State and Local Government Series U.S. Treasury Securities. One security covered the debt of the QZAB borrower's remaining loan balance of \$4,419,476, and the other security covered the remaining loan balance of \$718,412 of the Higher Education borrower's debt.

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 Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to interest rate risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2010, and June 30, 2009, the Authority's investments were in U.S. Government obligations which are not considered to have credit risk.

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2010, and June 30, 2009

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Authority will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Authority's investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Authority and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name. At June 30, 2010, and June 30, 2009, the Authority's investments were registered in the name of the Authority.

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 that the issuer fails on its obligations. At June 30, 2010, and June 30, 2009, the Authority's investments were in U.S. Treasury securities.

Forward Delivery Agreements

On November 24, 2004, the Authority entered into a Forward Delivery Agreement (the "Agreement") with Bank of America, N.A. related to the series 2004 QZAB Bonds. The Agreement guarantees to the Authority a fixed rate of interest of 3%. Cash from borrowers' loan repayments will be used to purchase securities from Bank of America, N.A. in accordance with the Agreement. The accumulated funds will be used to redeem the \$12,600,000 series 2004 QZAB Bonds at maturity. As a result of the Agreement, borrowers will repay only \$9,984,800 of the \$12,600,000 principal. The investments will be held by the State Treasurer in the Authority's name. As of June 30, 2010, there is \$3,411,542 invested through the Agreement. As of June 30, 2009, there was \$2,687,310 invested through the Agreement. The Authority negotiated a "one way" termination provision in the event of counterparty default on the Agreement. The Authority also has the right to optionally terminate the Agreement at any time.

On December 28, 2005, the Authority entered into a Forward Delivery Agreement (the "Agreement") with J.P. Morgan Chase Bank, N.A. related to the series 2005 QZAB Bonds. The Agreement guarantees to the Authority a fixed rate of interest of 3.64%. Cash from borrowers' loan repayments will be used to purchase securities from J.P. Morgan Chase Bank, N.A. in accordance with the Agreement. The accumulated funds will be used to redeem the \$17,545,000 series 2005 QZAB Bonds at maturity. As a result of the Agreement, borrowers will repay only \$13,438,510 of the \$17,545,000 principal. The investments will be held by the State Treasurer in the Authority's name. As of June 30, 2010, there is \$3,920,939 invested through the Agreement. As of June 30, 2009, there was \$2,886,619 invested through the Agreement. The Authority negotiated a "one way" termination provision in the event of counterparty default on the Agreement. The Authority also has the right to optionally terminate the Agreement at any time.

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2010, and June 30, 2009

Terms of the Forward Delivery Agreements

	QZAB Series 2004	QZAB Series 2005
Trade Date	11/24/2004	12/28/2005
Provider	Bank of America, N.A	J.P Morgan Chase Bank, N.A.
Notional Amount	\$12,600,000	\$17,545,000
Guaranteed Interest Rate	3.00%	3.64%
Amount Invested in Agreement		
at 6/30/10 at fair value	\$3,411,542	\$3,920,939
Amount Invested in Agreement		
at 6/30/09 at fair value	\$2,687,310	\$2,886,619
Date of Deposits	Nov. 24, 2005 through 2020	Dec. 8, 2006 through 2020

For the fiscal year ended June 30, 2010, the Forward Delivery Agreement for the 2004 QZAB bonds has a negative fair value of (\$715,213) and the Forward Delivery Agreement for the 2005 QZAB bonds has a negative fair value of (\$897,463). For the fiscal year ended June 30, 2009, the Forward Delivery Agreement for the 2004 QZAB bonds had a negative fair value of (\$1,356,562) and the Forward Delivery Agreement for the 2005 QZAB bonds had a negative fair value of (\$1,329,638). The Authority did not enter into these agreements as interest rate hedges. These negative fair values are reported as liabilities on the statement of net assets. The agreements were valued by an independent investment advisor using the parameters contained in the Forward Delivery Agreements and prevailing market conditions and benchmark yields on June 30, 2010, upon which the fair values depend. Borrowers pay no interest on these bonds. The interest rate credit is established by the federal government. The Forward Delivery Agreements are agreed to as one of the terms of purchase to induce the investor to purchase the bond. The Authority has a scheduled amount of Qualified Securities required to be on deposit on specified delivery dates. These Forward Delivery Agreements are forward contracts, or commitments to deliver the same Qualified Securities on the scheduled dates at a pre-determined rate. Therefore, these are hedging derivative instruments employed as a fair value hedge of the Qualified Securities for the required deposits. These forward contracts meet all criteria under GASB 53 Paragraph 39 that addresses the consistent critical terms method for forward contracts. All terms of the required deposits and the Forward Delivery Agreements are consistent, therefore hedge accounting is applied.

Termination Risk

Termination risk is the risk that a counterparty will terminate a Forward Delivery Agreement at a time when the State owes it a termination payment. The State has mitigated this risk by specifying that the counterparty has the right to terminate only as a result of the following events: the failure by the State, for any reason, to purchase Qualified Securities in accordance with the Agreement; the amount to purchase Qualified Securities on the Delivery date is less than the Scheduled Fund Amount; the State is not in compliance with any covenant or obligation, incorporated by reference in, this Agreement; any representation or warranty of the State contained in the Agreement proves to have been incorrect, false or misleading; insolvency of the State; or the principal amount under the Bonds becomes due and payable for any reason prior to the maturity date.

If the current market interest rate is higher than the fixed interest rate agreed to in the Forward Delivery Agreement, the Forward Delivery Agreement has a negative fair value. In the event of termination

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2010, and June 30, 2009

under this circumstance, the State owes a termination payment to the counterparty. If the fair value is positive, the State is due a termination payment from the counterparty. As of June 30, 2010, the fair value of the State's Forward Delivery Agreements is a total negative value of (\$1,612,676). As of June 30, 2009, the fair value of the State's Forward Delivery Agreements was a total negative value of (\$2,686,200). Therefore, if the Agreement was terminated, for any reason, the State would owe a termination payment of this amount.

NOTE 3. LOANS RECEIVABLE

Higher Education Facilities Programs

The Authority has entered into financing agreements with both the Board of Trustees of the University of Tennessee (the Board of Trustees) and the Tennessee Board of Regents of the State University and Community College System of the State of Tennessee (the Tennessee Board of Regents). The First Financing Agreement and the Second Financing Agreement (the "Agreements"), are dated May 1, 1967, and November 1, 1997, respectively, as amended. Under the Agreements, the Authority agrees to finance construction projects for the Board of Trustees or the Tennessee Board of Regents. Annual financing charges payable under the Agreements must be sufficient to pay the debt obligations of the Authority and the costs of administering the programs.

Qualified Zone Academy Bonds Program

The Authority has entered into loan agreements with the local governments on behalf of local education agencies for the 1999 QZABs, dated November 30, 1999; the 2001 QZABs dated December 18, 2001; the 2003 QZABs dated December 23, 2003; the 2004 QZABs dated November 24, 2004; and the 2005 QZABs dated December 28, 2005. Under the agreements, the Authority agrees to finance renovation projects and equipment for the local education agencies. On the date designated in the agreements, annual financing charges must be paid by the borrower sufficient to pay the annual principal payment, which is deposited into a bond sinking fund held by the State Treasurer that will pay the bonds at maturity, and the costs of administering the program.

Qualified School Construction Bonds Program

The Authority has entered into loan agreements with the local governments on behalf of local education agencies for the 2009 QSCBs, dated December 1, 2009. Under the agreements, the Authority agrees to finance renovation and rehabilitation projects, equipment purchases, new building construction and land acquisition for the local education agencies. On the date designated in the agreements, monthly financing charges must be paid by the borrower sufficient to pay the monthly principal payment, which is deposited into a bond sinking fund held by the State Treasurer that will pay the bonds at maturity, and the costs of administering the program.

NOTE 4. RESTRICTED ASSETS

Cash and Investments

The General Higher Education Facilities Bond Resolution (the First Program) requires that an amount equal to the maximum annual debt service requirement be placed in a debt service reserve account with the trustee. The first general bond resolution is effective for all bonds issued prior to 1998.

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2010, and June 30, 2009

The Higher Education Facilities Second Program General Bond Resolution, effective for all bonds issued in 1998 and thereafter, permits the Authority to satisfy the debt service reserve requirement by either placing an amount equal to the maximum semiannual debt service requirement in a debt service reserve account or by maintaining a Reserve Fund Credit Facility. The Authority obtained a surety bond, constituting a Reserve Fund Credit Facility under the Resolution, in lieu of maintaining a debt service reserve fund for the 1998 Series A, B, C, and D; 2000 Series A and B; 2002 Series A; 2004 Series A, B, and C; 2005 Series A and B; 2006 Series A and B; 2007 Series A, B and C; and 2008 Series A Bonds. Due to market conditions at the time of issuance of the 2008 Series B and 2009 Series A Bonds, the Authority deposited funds into a debt service reserve account equal to the maximum semiannual debt service for those bonds.

The first program bond resolution of the QZABs requires the establishment of a special trust fund, the bond sinking fund account. This account represents the funds set aside to redeem the QZABs at maturity.

The first program bond resolution of the QSCBs requires the establishment of a special trust fund, the bond sinking fund account. This account represents the funds set aside to redeem the QSCBs at maturity.

NOTE 5. DEBT PAYABLE

The State of Tennessee shall not be liable on the bonds issued by the Authority and the bonds shall not be a debt of the State of Tennessee.

Higher Education Facilities Programs

- A. Bonds. The bonds issued under the First and Second Program Higher Education Facilities Bond Resolutions constitute special obligations of the Authority. The First Program, which commenced in 1967, is no longer utilized, but any payments by the Boards thereunder will be superior to the Boards' payments under the Second Program Higher Education Facilities Bond Resolution. The principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the bonds are payable solely from the Annual Financing Charges, Legislative Appropriations, and other moneys and securities held or set aside under the Resolutions.
- B. Commercial Paper. Commercial paper constitutes a special obligation of the Authority. Principal of and interest on the commercial paper is payable from the following sources: (i) as to principal only, the proceeds of the sale of commercial paper issued to pay the principal of other outstanding commercial paper, (ii) the proceeds of draws on the Liquidity Facility, (iii) available revenues, (iv) the moneys and securities (if any) on deposit in the Reimbursement Fund and in the Debt Service Fund, (v) the moneys and securities (if any) on deposit in the Project Construction Account for such projects, and (vi) the proceeds of bonds or notes issued to make such payments.

Qualified Zone Academy Bonds Program

On September 9, 1999, the Authority adopted a Qualified Zone Academy Bond Resolution authorizing the issuance of Qualified Zone Academy Bonds to make loans to local governments on behalf of local education agencies for the purpose of financing eligible costs of certain projects. The State Department of Education recommends the projects to the Authority that should be funded under the QZAB

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2010, and June 30, 2009

program. The Taxpayer Relief Act of 1997 provided this financial tool whereby interest on QZABs is paid by the federal government in the form of an annual tax credit to the financial institutions that hold the QZABs. The bonds are secured solely by the payments made by the borrowers under the Loan Agreements, including amounts collected from unobligated state-shared taxes in the event of non-payment by the local governments and by certain funds held under the Qualified Zone Academy Bond Resolution.

Qualified School Construction Bonds Program

On November 5, 2009, the Authority adopted a Qualified School Construction Bond Resolution authorizing the issuance of Qualified School Construction Bonds to make loans to local governments on behalf of local education agencies for the purpose of financing eligible costs of certain projects. The Tennessee Advisory Commission on Intergovernmental Relations (TACIR) recommends the projects to be funded by the Authority under the QSCB program. The American Recovery and Reinvestment Act of 2009 provided this financial tool whereby interest on QSCBs is paid by the federal government in the form of a quarterly tax credit to the financial institutions that hold the QSCBs. Market conditions at the time of issuance demanded the borrowers pay an additional quarterly interest payment to supplement the tax credit to the investors. The bonds are secured solely by the payments made by the borrowers under the Loan Agreements, including amounts collected from unobligated state-shared taxes in the event of non-payment by the local governments and by certain funds held under the Qualified School Construction Bond Resolution.

Changes in debt payable for the year ended June 30, 2010, and 2009 are as follows (expressed in thousands):

	Balance			Amounts	
	Balance			Balance	Due Within
	July 1, 2009	Additions	Deletions	June 30, 2010	One Year
Commercial paper	\$ 174,300	\$ 110,000	\$ 2,518	\$ 281,782	\$ -
Bonds payable	\$ 938,948	\$ 177,152	\$ 47,352	\$ 1,068,748	\$ 41,923
Less: unamortized bond discount	(426)	-	(63)	(363)	-
Add: unamortized bond premium	26,343	-	1,358	24,985	-
Less: unamortized deferred amount on refundings	(19,403)	-	(1,037)	(18,366)	-
Total bonds payable	\$ 945,462	\$ 177,152	\$ 47,610	\$ 1,075,004	\$ 41,923

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2010, and June 30, 2009

	Balance			Amounts	
	July 1, 2008	Additions	Deletions	Balance June 30, 2009	Due Within One Year
Commercial paper	\$ 243,229	\$ 163,000	\$ 231,929	\$ 174,300	\$ -
Bonds payable	\$ 696,878	\$ 277,217	\$ 35,147	\$ 938,948	\$ 47,201
Less: unamortized bond discount	(491)	-	(65)	(426)	-
Add: unamortized bond premium	20,393	7,156	1,206	26,343	-
Less: unamortized deferred amount on refundings	(20,440)	-	(1,037)	(19,403)	-
Total bonds payable	\$ 696,340	\$ 284,373	\$ 35,251	\$ 945,462	\$ 47,201

Additions to bonds payable include accretion of interest in the amount of \$151,368 in 2010 and \$322,432 in 2009.

Bonds and commercial paper payable at June 30, 2010, and June 30, 2009, are as follows (expressed in thousands):

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Bonds Payable:		
1976 Series B at an interest rate of 3.0% maturing to 2011 (original par - \$6,037)	\$ 183	\$ 360
1989 College Saver Bonds with a yield of 6.9% maturing to 2010 (at accreted value); (original principal - \$21,935)	0	2,608
1998 Refunding Series D at interest rates from 4.45% to 4.85% maturing to 2021 (original par - \$33,540)	15,695	16,940
2000 Series A at interest rates from 4.700% to 5.125% maturing to 2010 (original par - \$70,680)	0	2,250
2000 Series B (Federally Taxable) at an interest rate of 7.15% maturing to 2010 (original par - \$33,730)	0	2,820
2002 Series A at an interest rate of 5.00% maturing to 2012 (original par - \$119,135); see additional disclosures regarding the 2007 advance refunding	9,220	13,490
2004 Series A at interest rates from 4.00% to 4.50% maturing to 2026 (original par - \$67,965)	54,305	57,615
2004 Series B at interest rates from 4.00% to 4.50% maturing to 2034 (original par - \$60,575)	48,995	51,085

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2010, and June 30, 2009

2004 Series C (Federally Taxable) at interest rates from 4.00% to 5.50% maturing to 2034 (original par - \$37,230)	31,630	32,800
2005 Series A at interest rates from 3.375% to 5.00% maturing to 2030 (original par - \$100,540)	93,570	97,115
2005 Series B (Federally Taxable) at interest rates from 4.19% to 4.88% maturing to 2028 (original par - \$30,960)	30,410	30,960
2006 Series A at interest rates from 4.00% to 4.60% maturing to 2036 (original par - \$53,820)	46,455	48,310
2006 Series B at an interest rate of 4.00% maturing to 2011 (original par - \$12,485)	580	3,640
2007 Series A at interest rates from 4.00% to 5.00% maturing to 2036 (original par - \$33,730)	29,965	31,040
2007 Series B (Federally Taxable) at interest rates from 5.243% to 5.666% maturing to 2036 (original par - \$14,040)	12,155	12,700
2007 Series C at interest rates from 4.00% to 5.00% maturing to 2032 (original par - \$89,940)	85,740	87,195
2008 Series A at interest rates from 3.25% to 5.00% maturing to 2037 (original par - \$118,530)	112,130	115,185
2008 Series B at interest rates from 3.50% to 5.50% maturing to 2038 (original par - \$166,990)	161,225	165,720
2009 Series A at interest rates from 2.00% to 5.00% maturing to 2039 (original par - \$109,905)	102,280	109,905
1999 Qualified Zone Academy Bonds non-interest bearing maturing in 2011 (original par - \$13,290)	13,290	13,290
2001 Qualified Zone Academy Bonds non-interest bearing maturing in 2015 (original par - \$11,330)	11,330	11,330
2003 Qualified Zone Academy Bonds non-interest bearing maturing in 2018 (original par - \$2,445)	2,445	2,445
2004 Qualified Zone Academy Bonds non-interest bearing maturing in 2020 (original par - \$12,600)	12,600	12,600
2005 Qualified Zone Academy Bonds non-interest bearing maturing in 2020 (original par - \$17,545)	17,545	17,545
2009 Qualified School Construction Bonds at an interest rate of 1.515% and a federal tax credit rate of 5.86% maturing in 2026 (original par - \$177,000)	177,000	0

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2010, and June 30, 2009

Total Par Amount of Bonds Payable	1,068,748	938,948
Plus Unamortized Premium/Less Unamortized Discount	24,622	25,917
Bonds Payable Net of Unamortized Premium/ Discount	1,093,370	964,865
Less: Deferred Amount on Refundings	(18,366)	(19,403)
Net Bonds Payable	\$ 1,075,004	\$ 945,462
Commercial paper, at interest rates from 0.15% to 0.55%	\$ 281,782	\$ 174,300

Debt service requirements to maturity of the bonds payable at June 30, 2010, are as follows (expressed in thousands):

<u>For the Year(s)</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 56,518	\$ 37,074	\$ 93,592
2012	42,578	35,488	78,066
2013	42,253	33,929	76,182
2014	43,538	32,069	75,607
2015	50,353	30,331	80,684
2016-2020	235,588	125,944	361,532
2021-2025	199,426	79,836	279,262
2026-2030	322,646	38,793	361,439
2031-2035	73,750	14,460	88,210
2036-2039	26,720	1,948	28,668
	<u>\$ 1,093,370</u>	<u>\$ 429,872</u>	<u>\$ 1,523,242</u>

The above principal for bonds is more than that presented on the accompanying financial statements by \$18.366 million, representing the deferred amount on bond refundings. This amount is deducted from bonds payable in the accompanying financial statements but is included in the debt service schedule above.

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. For the year ended June 30, 2010 and June 30, 2009, the Authority did not have a liability for arbitrage.

On December 17, 2009, the Authority issued the 2009 Qualified School Construction Bonds ("2009 QSCB"). The 2009 QSCB proceeds in the amount of \$177,000,000 were issued for the purposes of financing various qualifying QSCB projects and to pay the costs of issuance of the 2009 QSCBs.

On April 15, 2009, the Authority issued the 2009 Series A Bonds. The 2009 Series A tax-exempt bond proceeds in the amount of \$109,905,000 were issued to redeem \$82,035,000 of the Authority's tax-

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2010, and June 30, 2009

exempt commercial paper and \$4,595,000 of the Authority's taxable commercial paper. The balance of the proceeds of the 2009 Series A was used to pay for new construction projects, various costs of issuance and to fund the debt service reserve fund.

On December 17, 2008 the Authority issued the 2008 Series B Bonds. The 2008 Series B tax-exempt bond proceeds in the amount of \$166,990,000 were issued to redeem \$139,178,000 of the Authority's tax-exempt commercial paper. The balance of the proceeds of the 2008 Series B was used to pay for new construction projects, various costs of issuance and to fund the debt service reserve fund.

Prior-Year Defeasance of Debt

In prior years, certain Authority bonds were defeased by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. On June 30, 2010, \$210,010,000 of bonds outstanding is considered defeased.

Commercial Paper Program

The Tennessee State School Bond Authority issues short-term debt to finance certain capital projects for the State of Tennessee's higher education institutions. The maximum principal to be issued by the Authority is \$300,000,000. Commercial paper may be issued as tax-exempt or as taxable. At the program's inception, commercial paper refinanced certain outstanding bond anticipation note indebtedness that the Authority had previously issued to finance capital projects. The commercial paper dealer is J.P. Morgan Chase. At June 30, 2010, \$139,552,000 of tax-exempt commercial paper and \$142,230,000 of taxable commercial paper is outstanding. At June 30, 2009, \$72,070,000 of tax-exempt commercial paper and \$102,230,000 of taxable commercial paper was outstanding

The maturity of the paper may not exceed 270 days, and the maximum interest rate may not exceed 12%. Upon maturity, the paper is remarketed by the commercial paper dealer, redeemed, or extinguished with long-term debt. Interest rates on commercial paper ranged from 0.15% to 0.55% during the fiscal year. Interest is payable upon maturity.

The Authority currently has State Street Bank and Trust Company as their liquidity provider under a Credit Agreement with an expiry date of March 30, 2014, subject to extension and earlier termination. The total available commitment is \$304,593,750. The obligation of State Street Bank and Trust Company is to purchase unremarketed commercial paper. In the event the liquidity facility is called upon, the Authority must repay the advance on the earlier of (i) the date of such Advance or (ii) the Termination Date. Unless the Authority repays the advance by the Term Loan Closing Date, the principal amount will convert to a term loan with six equal semi-annual payments. In accordance with Financial Accounting Standards Board Statement No. 6, *Classification of Short-Term Obligations Expected to Be Refinanced*, this agreement meets the criteria of a financing agreement; thus, the commercial paper payable is classified as a long-term liability.

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2010, and June 30, 2009

NOTE 6. UNEARNED REVENUE

Changes in unearned revenue for the year ended June 30, 2010, and 2009, are as follows (expressed in thousands):

	Balance			Balance	
	July 1, 2009	Additions	Deletions	June 30, 2010	
Interest rate reserve fund	\$ 1,195	\$ 574	\$ 394	\$ 1,375	
Other unearned revenue	2,463	2,758	905	4,316	
Total unearned revenue	<u>\$ 3,658</u>	<u>\$ 3,332</u>	<u>\$ 1,299</u>	<u>\$ 5,691</u>	

	Balance			Balance	
	July 1, 2008	Additions	Deletions	June 30, 2009	
Interest rate reserve fund	\$ 1,054	\$ 757	\$ 616	\$ 1,195	
Other unearned revenue	7,941	249	5,727	2,463	
Total unearned revenue	<u>\$ 8,995</u>	<u>\$ 1,006</u>	<u>\$ 6,343</u>	<u>\$ 3,658</u>	

Unearned revenue at June 30, 2010, and June 30, 2009, is as follows (expressed in thousands):

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Interest Rate Reserve Fund	\$ 1,375	\$ 1,195
Difference in bond proceeds available for capital expenditure and the par value of bonds to be repaid-adjustments for discount/premium, underwriters' fees, and other costs of issuance:		
1998 Series D bonds, which was an advance refunding of the 1992 Series A bonds; amortized through 2021	1,518	1,658
1999 Qualified Zone Academy Bonds; amortized through 2012	46	84
2000 Series A bonds; amortized through 2010	0	25
2000 Series B bonds; amortized through 2010	0	16
2001 Qualified Zone Academy Bonds; amortized through 2016	114	136
2002 Series A bonds; amortized through 2012	73	109

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2010, and June 30, 2009

2003 Qualified Zone Academy Bonds; amortized through 2019	68	76
2004 Series A bonds; amortized through 2026	3,478	3,699
2004 Series B bonds; amortized through 2034	(1,210)	(1,261)
2004 Series C bonds; amortized through 2034	384	400
2004 Qualified Zone Academy Bonds; amortized through 2020	55	61
2005 Series A bonds; amortized through 2030	72	75
2005 Series B bonds; amortized through 2028	3,470	3,664
2005 Qualified Zone Academy Bonds; amortized through 2021	386	423
2006 Series A bonds; amortized through 2021	533	581
2006 Series B bonds; amortized through 2011	10	20
2007 Series A bonds; amortized through 2026	(332)	(354)
2007 Series B bonds; amortized through 2036	127	132
2007 Series C bonds; amortized through 2032	(928)	(971)
2008 Series A bonds; amortized through 2027	(1,225)	(1,299)
2008 Series B bonds; amortized through 2038	(2,006)	(2,079)
2009 Series A bonds; amortized through 2039	(2,665)	(2,757)
2009 QSCB bonds; amortized through 2026	2,327	-
Other unearned revenue	21	25
Total	\$ 5,691	\$ 3,658

NOTE 7. SUBSEQUENT EVENTS

On January 28, 2011, the Authority has outstanding \$95,717,000 in tax-exempt commercial paper and \$10,595,000 in taxable commercial paper. Between June 30, 2010, and January 28, 2011, the Authority has issued \$50,218,000 in commercial paper to pay construction expenditures.

On September 15, 2010, the Authority issued the 2010 Series A Bonds and the 2010 B Bonds (Federally Taxable). The 2010 Series A tax-exempt bond proceeds in the amount of \$213,920,000 were issued to redeem \$94,036,000 of the Authority's tax-exempt commercial paper and \$110,498,000 of the Authority's taxable commercial paper. A portion of the projects funded under the 2010 Series A Bonds were being funded with taxable commercial paper awaiting a private letter ruling from the Internal Revenue Service. Once the private letter ruling had been received with the notion that those projects could be financed with tax-exempt bonds, the Authority included them in the 2010 Series A Bond issuance. The 2010 Series B taxable bond proceeds in the amount of \$18,015,000 were issued to

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2010, and June 30, 2009

redeem \$15,833,000 taxable commercial paper. The balance of the proceeds of the 2010 Series A and 2010 Series B were used to pay for new construction projects, various costs of issuance and to fund the debt service reserve fund.

On October 7, 2010, the Authority issued Qualified School Construction Bonds, Series 2010 (2010 QSCB) in the amount of \$212,440,000. The 2010 QSCB proceeds were issued for the purposes of financing various qualifying QSCB projects and to pay the costs of issuance of the 2010 QSCBs.

On December 31, 2010, \$9,547,000 of the 2008 QZAB allocation expired.

SUPPLEMENTARY SCHEDULES



This Page Intentionally Left Blank

TENNESSEE STATE SCHOOL BOND AUTHORITY
SUPPLEMENTARY SCHEDULES OF NET ASSETS - PROGRAM LEVEL
JUNE 30, 2010, AND JUNE 30, 2009

(Expressed in Thousands)

	June 30, 2010				June 30, 2009		
	Higher Education Facilities Programs	Qualified Zone Academy Bonds Program	Qualified School Construction Bonds Program	Total	Higher Education Facilities Programs	Qualified Zone Academy Bonds Program	Total
ASSETS							
Current assets:							
Cash	\$ 39,192	\$ 130	\$ 3	\$ 39,325	\$ 45,396	\$ 1,041	\$ 46,437
Cash with fiscal agent	357	-	-	357	957	-	957
Investments with fiscal agent	-	14	-	14	-	14	14
Deferred outflow - derivatives	-	1,613	-	1,613	-	2,686	2,686
Prepaid interest expense	-	-	-	-	24	-	24
Loans receivable	41,818	3,453	9,204	54,475	47,100	3,707	50,807
Interest receivable	6,478	16	33	6,527	6,605	16	6,621
Receivables for administrative fees	455	10	-	465	570	10	580
Total current assets	<u>88,300</u>	<u>5,236</u>	<u>9,240</u>	<u>102,776</u>	<u>100,652</u>	<u>7,474</u>	<u>108,126</u>
Noncurrent assets:							
Restricted cash	9	17,576	165,476	183,061	8	15,383	15,391
Restricted investments	25,159	11,738	-	36,897	28,188	9,979	38,167
Loans receivable	1,029,910	24,558	13,988	1,068,456	952,271	27,314	979,585
Deferred charges	7,836	601	1,570	10,007	8,331	690	9,021
Total noncurrent assets	<u>1,062,914</u>	<u>54,473</u>	<u>181,034</u>	<u>1,298,421</u>	<u>988,798</u>	<u>53,366</u>	<u>1,042,164</u>
Total assets	<u>1,151,214</u>	<u>59,709</u>	<u>190,274</u>	<u>1,401,197</u>	<u>1,089,450</u>	<u>60,840</u>	<u>1,150,290</u>
LIABILITIES							
Current liabilities:							
Accounts payable	11,600	-	3	11,603	9,324	-	9,324
Accrued liabilities	-	-	10,847	10,847	-	-	-
Fair value of derivatives	-	1,613	-	1,613	-	2,686	2,686
Due to primary government	-	-	7	7	-	-	-
Accrued interest payable	6,488	-	119	6,607	6,768	-	6,768
Unearned revenue	1,735	109	111	1,955	1,584	109	1,693
Bonds payable	41,923	-	-	41,923	47,201	-	47,201
Total current liabilities	<u>61,746</u>	<u>1,722</u>	<u>11,087</u>	<u>74,555</u>	<u>64,877</u>	<u>2,795</u>	<u>67,672</u>
Noncurrent liabilities:							
Unearned revenue	958	561	2,216	3,735	1,293	672	1,965
Commercial paper payable	281,782	-	-	281,782	174,300	-	174,300
Bonds payable	798,901	57,180	177,000	1,033,081	841,094	57,168	898,262
Total noncurrent liabilities	<u>1,081,641</u>	<u>57,741</u>	<u>179,216</u>	<u>1,318,598</u>	<u>1,016,687</u>	<u>57,840</u>	<u>1,074,527</u>
Total liabilities	<u>1,143,387</u>	<u>59,463</u>	<u>190,303</u>	<u>1,393,153</u>	<u>1,081,564</u>	<u>60,635</u>	<u>1,142,199</u>
NET ASSETS							
Unrestricted	<u>\$ 7,827</u>	<u>\$ 246</u>	<u>\$ (29)</u>	<u>\$ 8,044</u>	<u>\$ 7,886</u>	<u>\$ 205</u>	<u>\$ 8,091</u>

TENNESSEE STATE SCHOOL BOND AUTHORITY
 SUPPLEMENTARY SCHEDULES OF REVENUES,
 EXPENSES AND CHANGES IN NET ASSETS - PROGRAM LEVEL
 FOR THE YEARS ENDED JUNE 30, 2010, AND JUNE 30, 2009

(Expressed in Thousands)

	Year ended June 30, 2010				Year ended June 30, 2009		
	Higher Education Facilities Programs	Qualified Zone Academy Bonds Program	Qualified School Construction Bonds Program	Total	Higher Education Facilities Programs	Qualified Zone Academy Bonds Program	Total
OPERATING REVENUES							
Revenue from loans	\$ 41,749	\$ 128	\$ 1,500	\$ 43,377	\$ 38,851	\$ 128	\$ 38,979
Investment earnings	354	30	2	386	678	64	742
Total operating revenues	<u>42,103</u>	<u>158</u>	<u>1,502</u>	<u>43,763</u>	<u>39,529</u>	<u>192</u>	<u>39,721</u>
OPERATING EXPENSES							
Interest expense-commercial paper	757	-	-	757	3,457	-	3,457
Interest expense-bonds	39,899	13	1,445	41,357	33,986	13	33,999
Subsidy to borrowers	291	-	-	291	511	-	511
Administrative expense	719	15	39	773	949	21	970
Amortization of bond issuance costs	496	89	47	632	454	89	543
Total operating expenses	<u>42,162</u>	<u>117</u>	<u>1,531</u>	<u>43,810</u>	<u>39,357</u>	<u>123</u>	<u>39,480</u>
Operating income (loss) and change in net assets	(59)	41	(29)	(47)	172	69	241
Net assets, July 1	7,886	205	-	8,091	7,714	136	7,850
Net assets, June 30	<u>\$ 7,827</u>	<u>\$ 246</u>	<u>\$ (29)</u>	<u>\$ 8,044</u>	<u>\$ 7,886</u>	<u>\$ 205</u>	<u>\$ 8,091</u>

TENNESSEE STATE SCHOOL BOND AUTHORITY
SUPPLEMENTARY SCHEDULES OF CASH FLOWS - PROGRAM LEVEL
FOR THE YEARS ENDED JUNE 30, 2010, AND JUNE 30, 2009

(Expressed in Thousands)

	Year ended June 30, 2010				Year ended June 30, 2009		
	Higher Education Facilities Programs	Qualified Zone Academy Bonds Program	Qualified School Construction Bonds Program	Total	Higher Education Facilities Programs	Qualified Zone Academy Bonds Program	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from borrowers for administrative fees	\$ 613	\$ 16	\$ -	\$ 629	\$ 357	\$ 16	\$ 373
Payment to suppliers	(715)	(15)	(32)	(762)	(811)	(21)	(832)
Receipts from borrowers to the interest rate reserve fund	573	-	-	573	757	-	757
Payments to borrowers from the interest rate reserve fund	(394)	-	-	(394)	(616)	-	(616)
Net cash provided by (used in) operating activities	77	1	(32)	46	(313)	(5)	(318)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Proceeds from sale of bonds	-	-	177,000	177,000	282,737	-	282,737
Proceeds from sale of commercial paper	110,000	-	-	110,000	163,000	-	163,000
Bond issuance costs paid	-	-	(1,614)	(1,614)	(498)	-	(498)
Principal paid - bonds and commercial paper	(49,870)	-	-	(49,870)	(267,076)	-	(267,076)
Interest paid - bonds and commercial paper	(41,207)	-	(1,326)	(42,533)	(36,090)	-	(36,090)
Subsidy to borrowers	(438)	-	-	(438)	(511)	-	(511)
Net cash provided by (used in) noncapital financing activities	18,485	-	174,060	192,545	141,562	-	141,562
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchases of investments	(3,276)	(14,317)	-	(17,593)	(32,715)	(13,531)	(46,246)
Proceeds from sales and maturities of investments	6,132	12,588	-	18,720	7,399	11,857	19,256
Interest received on investments	520	448	191	1,159	593	330	923
Loans issued	(114,860)	(89)	(10,684)	(125,633)	(177,062)	(202)	(177,264)
Loan escrow paid	(130)	-	-	(130)	(130)	2,436	2,306
Collections of loan principal	45,080	2,844	-	47,924	43,199	256	43,455
Interest received on loans	41,169	-	1,944	43,113	35,936	(217)	35,719
Refund to borrower	-	(193)	-	(193)	-	-	-
Net cash provided by (used in) investing activities	(25,365)	1,281	(8,549)	(32,633)	(122,780)	929	(121,851)
Net increase (decrease) in cash	(6,803)	1,282	165,479	159,958	18,469	924	19,393
Cash, July 1	46,361	16,424	-	62,785	27,892	15,500	43,392
Cash, June 30	\$ 39,558	\$ 17,706	\$ 165,479	\$ 222,743	\$ 46,361	\$ 16,424	\$ 62,785
Reconciliation of cash to the Statement of Net Assets:							
Cash	\$ 39,192	\$ 130	\$ 3	\$ 39,325	\$ 45,396	\$ 1,041	\$ 46,437
Cash with fiscal agent	357	-	-	357	957	-	957
Restricted cash	9	17,576	165,476	183,061	8	15,383	15,391
Cash, June 30	\$ 39,558	\$ 17,706	\$ 165,479	\$ 222,743	\$ 46,361	\$ 16,424	\$ 62,785

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:

Operating income (loss)	\$ (59)	\$ 41	\$ (29)	\$ (47)	\$ 172	\$ 69	\$ 241
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Amortization of bond issuance costs	495	89	47	631	454	89	543
Investment earnings	(354)	(30)	(2)	(386)	(678)	(55)	(733)
Interest expense	40,656	13	1,445	42,114	37,443	13	37,456
Subsidy to borrowers	291	-	-	291	511	-	511
Interest income (loss) from loans	(41,014)	-	(1,445)	(42,459)	(38,546)	(9)	(38,555)
Changes in assets and liabilities:							
(Increase) in receivables for administrative fees	(114)	-	-	(114)	213	-	213
(Increase) decrease in payables for administrative fees	(4)	-	-	(4)	(24)	-	(24)
Increase (decrease) in due to primary government	-	-	7	7	-	-	-
Increase (decrease) in unearned revenue	180	(112)	(55)	13	142	(112)	30
Total adjustments	136	(40)	(3)	93	(485)	(74)	(559)
Net cash provided by (used in) operating activities	\$ 77	\$ 1	\$ (32)	\$ 46	\$ (313)	\$ (5)	\$ (318)
Noncash financing activities:							
Accretion of capital appreciation bonds	\$ 151	\$ -	\$ -	\$ 151	\$ 322	\$ -	\$ 322
Bond issuance costs	-	-	1,614	1,614	(5,481)	-	(5,481)
Total noncash financing activities	\$ 151	\$ -	\$ 1,614	\$ 1,765	\$ (5,159)	\$ -	\$ (5,159)
Noncash investing activities:							
Increase (decrease) in fair value of investments	\$ (217)	\$ -	\$ -	\$ (217)	\$ (52)	\$ -	\$ (52)



STATISTICAL SECTION



STATISTICAL SECTION

The Statistical Section provides additional historical information as a context for understanding what the information in the financial statements, notes to the financial statements and required supplementary information says about the Tennessee State School Bond Authority's overall financial health.

Financial Trends Information

This schedule presents trend information to help the reader understand how the Tennessee State School Bond Authority's performance and fiscal health have changed over time.

Schedules of Revenues, Expenses, and Changes in Net Assets	44
--	----

Revenue Capacity Information

This schedule contains information to help the reader understand the Tennessee State School Bond Authority's most significant revenue source.

Outstanding Loans from Borrowers.....	45
---------------------------------------	----

Debt Capacity Information

These schedules present information to help the reader understand and assess the Tennessee State School Bond Authority's outstanding debt and ability to issue debt in the future.

Outstanding Debt Payable.....	45
College and University Funds – Schedule of Fees/Charges, Legislative Appropriations and Debt Service	46
College and University Funds – Coverage of Annual Financing Charges	53
Qualified Zone Academy Bonds Program Debt Service Coverage	60
Qualified School Construction Bonds Program Debt Service Coverage	66

Demographic and Economic Information

This schedule contains information to help the reader understand the environment within which the Tennessee State School Bond Authority's financial activities take place.

Fall Term Full-Time Equivalent Enrollment – Higher Education Facilities Institutions	71
--	----

TENNESSEE STATE SCHOOL BOND AUTHORITY
SCHEDULES OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
FOR FISCAL YEARS 2001 TO 2010
(Expressed in Thousands)

	For the Year Ended									
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
OPERATING REVENUES										
Revenue from loans	\$ 43,377	\$ 38,979	\$ 34,991	\$ 30,157	\$ 26,841	\$ 27,027	\$ 22,956	\$ 24,927	\$ 21,553	\$ 21,712
Investment earnings	386	742	1,356	1,975	1,761	1,138	423	781	1,056	2,624
Total operating revenues	43,763	39,721	36,347	32,132	28,602	28,165	23,379	25,708	22,609	24,336
OPERATING EXPENSES										
Interest expense-commercial paper	757	3,457	6,244	4,405	3,482	939	515	353	1,177	3,365
Interest expense-bonds	41,357	33,999	27,385	24,091	22,994	24,916	21,758	24,092	19,988	17,240
Subsidy to borrowers	291	511	1,183	1,578	1,440	847	340	2,382	811	1,655
Administrative expense	773	970	681	663	539	548	527	457	545	644
Amortization of bond issuance costs	632	543	561	435	350	295	229	205	164	135
Total operating expenses	43,810	39,480	36,054	31,172	28,805	27,545	23,369	27,489	22,685	23,039
Operating income (loss) and change in net assets	(47)	241	293	960	(203)	620	10	(1,781)	(76)	1,297
Net assets, July 1	8,091	7,850	7,557	6,597	6,800	6,180	6,170	7,951	8,027	6,730
Net assets, June 30	\$ 8,044	\$ 8,091	\$ 7,850	\$ 7,557	\$ 6,597	\$ 6,800	\$ 6,180	\$ 6,170	\$ 7,951	\$ 8,027

**TENNESSEE STATE SCHOOL BOND AUTHORITY
OUTSTANDING LOANS FROM BORROWERS
FOR THE LAST TEN YEARS**

(Expressed in Thousands)

Fiscal Year	Higher Education Facilities Programs	Qualified Zone Academy Bonds Program	Qualified School Construction Bonds Program	Total
2010	\$ 1,071,729	\$ 28,011	\$ 23,192	\$ 1,122,932
2009	999,371	31,020	-	1,030,391
2008	859,706	33,614	-	893,320
2007	695,235	28,439	-	723,674
2006	578,694	22,401	-	601,095
2005	520,133	15,766	-	535,899
2004	477,867	17,375	-	495,242
2003	454,173	13,556	-	467,729
2002	416,264	9,485	-	425,749
2001	382,606	5,272	-	387,878

Note: The QSCB loan was made in fiscal year 2010.

**TENNESSEE STATE SCHOOL BOND AUTHORITY
OUTSTANDING DEBT PAYABLE
FOR THE LAST TEN YEARS**

(Expressed in Thousands)

Fiscal Year	Higher Education Facilities Programs		Qualified Zone Academy Bonds Program	Qualified School Construction Bonds Program	Total
	Bonds	Commercial Paper	QZAB Bonds	QSCB Bonds	
2010	\$ 1,075,005	\$ 281,782	\$ 57,181	\$ 177,000	\$ 1,590,968
2009	888,295	174,300	57,168	-	1,119,763
2008	639,185	243,229	57,155	-	939,569
2007	547,605	164,195	57,142	-	768,942
2006	525,685	129,046	57,130	-	711,861
2005	480,515	74,242	39,572	-	594,329
2004	500,426	32,156	26,959	-	559,541
2003	425,282	46,747	24,527	-	496,556
2002	446,620	13,757	24,516	-	484,893
2001	346,050	60,277	13,175	-	419,502

Note: QSCB bonds were obtained in fiscal year 2010.

TENNESSEE STATE SCHOOL BOND AUTHORITY
COLLEGE AND UNIVERSITY FUNDS ¹
SCHEDULE OF FEES/CHARGES, LEGISLATIVE APPROPRIATIONS AND DEBT SERVICE
(EXCLUDING COMMERCIAL PAPER)
FOR THE LAST TEN YEARS

(Expressed in Thousands)

UNIVERSITY OF TENNESSEE

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Prior and Subordinate	Debt Service
			Debt Service Requirements (Non Authority)	Requirements ³ (Authority Bonds)
2010	\$ 648,298	\$ 493,304	\$ 12	\$ 43,998
2009	599,973	476,333	35	43,577
2008	565,963	510,261	35	33,177
2007	532,582	471,730	45	26,652
2006	484,786	440,014	56	23,896
2005	448,955	430,412	66	25,317
2004	417,191	406,033	75	24,508
2003	413,632	409,612	-	24,804
2002	438,956	406,146	21	18,628
2001	401,918	408,671	21	16,872

AUSTIN PEAY STATE UNIVERSITY

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Prior and Subordinate	Debt Service
			Debt Service Requirements (Non Authority)	Requirements ³ (Authority Bonds)
2010	\$ 49,277	\$ 30,729	\$ -	\$ 3,512
2009	62,358	33,427	-	3,512
2008	61,033	37,180	-	2,581
2007	56,119	34,977	-	2,253
2006	50,818	32,684	-	2,104
2005	44,332	32,216	-	2,242
2004	40,120	30,712	48	1,515
2003	42,577	31,100	48	1,516
2002	38,957	30,484	48	649
2001	31,087	28,051	48	649

EAST TENNESSEE STATE UNIVERSITY

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Prior and Subordinate	Debt Service
			Debt Service Requirements (Non Authority)	Requirements ³ (Authority Bonds)
2010	\$ 126,146	\$ 85,811	\$ 1,399	\$ 9,502
2009	128,037	92,402	1,699	9,489
2008	121,820	98,619	1,889	5,172
2007	107,798	91,709	2,070	2,895
2006	100,454	86,173	2,242	2,221
2005	92,599	83,221	312	2,824
2004	85,854	79,247	315	2,609
2003	76,414	79,735	319	2,608
2002	72,774	77,965	261	1,916
2001	66,727	75,937	261	1,954

MIDDLE TENNESSEE STATE UNIVERSITY

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Prior and Subordinate	Debt Service
			Debt Service Requirements (Non Authority)	Requirements ³ (Authority Bonds)
2010	\$ 145,229	\$ 82,875	\$ -	\$ 12,962
2009	182,576	92,908	-	12,962
2008	168,872	100,859	-	8,011
2007	158,641	94,005	-	7,875
2006	149,759	86,971	-	6,455
2005	136,192	85,305	-	6,937
2004	126,161	81,057	-	6,540
2003	108,974	82,144	-	6,537
2002	98,031	77,990	-	5,472
2001	86,328	76,159	-	4,886

TENNESSEE STATE UNIVERSITY

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Prior and Subordinate	Debt Service
			Debt Service Requirements (Non Authority)	Requirements ³ (Authority Bonds)
2010	\$ 61,812	\$ 35,525	\$ -	\$ 4,041
2009	77,569	38,085	-	4,041
2008	61,058	46,407	-	3,506
2007	60,537	39,913	-	2,911
2006	59,847	37,864	-	2,893
2005	57,504	37,110	-	3,001
2004	54,375	34,569	-	3,136
2003	47,326	34,988	-	3,137
2002	45,119	35,067	-	2,193
2001	54,979	34,843	66	2,056

TENNESSEE TECHNOLOGICAL UNIVERSITY

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Prior and Subordinate	Debt Service
			Debt Service Requirements (Non Authority)	Requirements ³ (Authority Bonds)
2010	\$ 81,430	\$ 40,932	\$ -	\$ 1,786
2009	76,045	45,267	-	1,786
2008	70,801	48,812	-	1,273
2007	61,679	46,012	-	1,242
2006	56,568	43,370	-	1,042
2005	52,138	42,742	-	1,168
2004	47,194	40,165	-	897
2003	45,293	40,790	-	415
2002	41,311	40,392	-	639
2001	37,065	39,933	-	844

(Continued)

(Continued from previous page)

TENNESSEE STATE SCHOOL BOND AUTHORITY
COLLEGE AND UNIVERSITY FUNDS ¹
SCHEDULE OF FEES/CHARGES, LEGISLATIVE APPROPRIATIONS AND DEBT SERVICE
(EXCLUDING COMMERCIAL PAPER)
FOR THE LAST TEN YEARS

(Expressed in Thousands)

UNIVERSITY OF MEMPHIS

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Prior and Subordinate Debt Service Requirements (Non Authority)</u>	<u>Debt Service Requirements³ (Authority Bonds)</u>
2010	\$ 178,343	\$ 105,354	\$ -	\$ 8,914
2009	166,167	114,524	-	8,914
2008	188,462	123,719	-	6,280
2007	177,082	116,006	-	6,013
2006	166,652	108,395	-	4,993
2005	151,536	106,393	-	5,609
2004	140,957	100,602	-	6,291
2003	127,638	102,139	-	6,334
2002	120,196	99,786	-	3,777
2001	114,031	97,499	-	2,353

CHATTANOOGA STATE TECHNICAL COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Prior and Subordinate Debt Service Requirements (Non Authority)</u>	<u>Debt Service Requirements³ (Authority Bonds)</u>
2010	\$ 20,239	\$ 22,174	\$ -	\$ 489
2009	26,466	23,937	-	489
2008	22,190	25,074	-	489
2007	20,832	23,697	-	280
2006	19,084	22,336	-	69
2005	18,216	21,977	-	73
2004	17,297	20,802	65	73
2003	15,034	21,108	60	73
2002	13,947	21,233	70	73
2001	11,650	20,684	69	34

CLEVELAND STATE COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Prior and Subordinate Debt Service Requirements (Non Authority)</u>	<u>Debt Service Requirements³ (Authority Bonds)</u>
2010	\$ 5,804	\$ 9,763	\$ -	\$ 213
2009	8,188	10,379	-	213
2008	7,206	10,856	-	168
2007	6,422	10,317	-	169
2006	6,249	9,683	-	-
2005	5,737	9,580	-	-
2004	5,631	9,053	-	-
2003	4,757	9,212	-	-
2002	4,544	9,295	-	-
2001	3,952	9,072	-	-

COLUMBIA STATE COMMUNITY COLLEGE

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Prior and Subordinate	Debt Service
			Debt Service Requirements (Non Authority)	Requirements ³ (Authority Bonds)
2010	\$ 9,490	\$ 12,560	\$ -	\$ 18
2009	11,481	13,337	-	14
2008	13,829	13,710	-	18
2007	13,829	13,710	-	17
2006	13,027	12,731	-	17
2005	12,133	12,839	-	17
2004	10,799	11,344	-	-
2003	14,921	11,540	-	-
2002	13,136	11,437	-	-
2001	7,294	11,016	-	-

DYERSBURG STATE COMMUNITY COLLEGE

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Prior and Subordinate	Debt Service
			Debt Service Requirements (Non Authority)	Requirements ³ (Authority Bonds)
2010	\$ 4,284	\$ 7,758	\$ -	\$ 116
2009	6,945	7,276	-	116
2008	6,141	7,612	-	116
2007	6,032	7,118	-	117
2006	5,451	6,490	-	-
2005	5,490	6,386	-	-
2004	5,219	6,035	-	-
2003	4,010	6,108	-	-
2002	3,762	5,979	-	-
2001	3,127	5,809	-	-

JACKSON STATE COMMUNITY COLLEGE

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Prior and Subordinate	Debt Service
			Debt Service Requirements (Non Authority)	Requirements ³ (Authority Bonds)
2010	\$ 19,203	\$ 11,611	\$ -	\$ 166
2009	17,309	13,365	-	166
2008	14,329	13,147	-	166
2007	10,614	12,383	-	168
2006	9,280	11,480	-	-
2005	8,958	11,282	-	-
2004	8,290	10,610	-	-
2003	7,173	10,768	-	-
2002	6,773	10,477	-	-
2001	5,468	10,210	-	-

(Continued)

(Continued from previous page)

TENNESSEE STATE SCHOOL BOND AUTHORITY
COLLEGE AND UNIVERSITY FUNDS ¹
SCHEDULE OF FEES/CHARGES, LEGISLATIVE APPROPRIATIONS AND DEBT SERVICE
(EXCLUDING COMMERCIAL PAPER)
FOR THE LAST TEN YEARS

(Expressed in Thousands)

MOTLOW STATE COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Prior and Subordinate Debt Service Requirements (Non Authority)</u>	<u>Debt Service Requirements³ (Authority Bonds)</u>
2010	\$ 12,658	\$ 9,700	\$ -	\$ 170
2009	10,696	10,428	-	170
2008	9,780	10,951	-	170
2007	8,661	10,290	-	171
2006	7,678	9,434	-	-
2005	7,022	9,343	-	-
2004	6,369	8,747	-	-
2003	5,660	8,893	-	-
2002	5,225	8,514	-	-
2001	4,413	8,309	-	-

NASHVILLE STATE COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Prior and Subordinate Debt Service Requirements (Non Authority)</u>	<u>Debt Service Requirements³ (Authority Bonds)</u>
2010	\$ 24,984	\$ 13,578	\$ -	\$ 85
2009	19,940	15,579	-	70
2008	17,392	16,370	-	85
2007	15,828	15,185	-	13
2006	15,615	14,045	-	13
2005	13,955	13,449	-	13
2004	12,202	12,730	-	13
2003	13,519	13,099	-	13
2002	8,254	12,525	-	-
2001	8,322	12,168	-	-

NORTHEAST STATE TECHNICAL COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Prior and Subordinate Debt Service Requirements (Non Authority)</u>	<u>Debt Service Requirements³ (Authority Bonds)</u>
2010	\$ 9,225	\$ 11,548	\$ -	\$ 209
2009	13,534	12,622	-	209
2008	12,086	13,199	-	209
2007	11,731	12,256	-	212
2006	10,505	11,147	-	-
2005	9,883	10,958	-	-
2004	8,910	10,391	-	-
2003	7,283	10,543	-	-
2002	6,599	9,737	-	-
2001	5,534	9,501	-	-

PELLISSIPPI STATE TECHNICAL COMMUNITY COLLEGE

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Prior and Subordinate	Debt Service
			Debt Service Requirements (Non Authority)	Requirements ³ (Authority Bonds)
2010	\$ 19,697	\$ 19,105	\$ -	\$ 376
2009	25,530	20,983	-	376
2008	23,917	22,037	-	375
2007	20,801	20,657	-	293
2006	19,184	19,252	-	-
2005	17,376	18,935	-	-
2004	17,109	17,985	-	-
2003	14,393	18,247	-	-
2002	13,854	18,078	-	-
2001	12,693	17,514	-	-

ROANE STATE COMMUNITY COLLEGE

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Prior and Subordinate	Debt Service
			Debt Service Requirements (Non Authority)	Requirements ³ (Authority Bonds)
2010	\$ 10,029	\$ 16,997	\$ -	\$ 323
2009	15,366	18,104	-	323
2008	14,478	18,976	-	323
2007	13,510	17,892	-	330
2006	12,528	16,660	-	-
2005	11,823	16,470	-	-
2004	10,964	15,518	-	-
2003	9,532	15,779	-	-
2002	8,589	15,771	-	-
2001	7,697	15,524	-	-

SOUTHWEST TENNESSEE COMMUNITY COLLEGE

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Prior and Subordinate	Debt Service
			Debt Service Requirements (Non Authority)	Requirements ³ (Authority Bonds)
2010	\$ 20,712	\$ 35,892	\$ -	\$ 389
2009	20,523	38,230	-	389
2008	19,577	40,131	-	175
2007	22,042	38,723	-	174
2006	18,166	36,905	-	169
2005	16,749	36,210	-	179
2004	16,472	34,191	-	179
2003	21,839	34,827	-	179
2002	19,022	35,175	-	146
2001	18,325	34,451	-	146

(Continued)

(Continued from previous page)

**TENNESSEE STATES SCHOOL BOND AUTHORITY
COLLEGE AND UNIVERSITY FUNDS ¹
SCHEDULE OF FEES/CHARGES, LEGISLATIVE APPROPRIATIONS AND DEBT SERVICE
(EXCLUDING COMMERCIAL PAPER)
FOR THE LAST TEN YEARS**

(Expressed in Thousands)

VOLUNTEER STATE COMMUNITY COLLEGE

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Prior and Subordinate Debt Service Requirements (Non Authority)	Debt Service Requirements ³ (Authority Bonds)
2010	\$ 21,420	\$ 17,011	\$ -	\$ 139
2009	18,782	18,363	-	139
2008	15,457	19,245	-	139
2007	14,974	17,995	-	140
2006	14,224	16,548	-	17
2005	13,206	16,303	-	17
2004	12,256	15,417	-	-
2003	10,333	15,641	-	-
2002	9,600	15,689	-	-
2001	7,723	15,297	-	-

WALTERS STATE COMMUNITY COLLEGE

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Prior and Subordinate Debt Service Requirements (Non Authority)	Debt Service Requirements ³ (Authority Bonds)
2010	\$ 12,143	\$ 17,296	\$ -	\$ 289
2009	17,859	18,576	-	289
2008	15,379	19,429	-	289
2007	14,097	18,249	-	294
2006	12,740	16,860	-	-
2005	11,798	16,643	-	-
2004	11,211	15,689	-	-
2003	9,990	15,909	-	-
2002	9,381	15,595	-	-
2001	8,281	15,173	-	-

Source-Colleges & Universities (unaudited)

¹ Includes only those Institutions that have projects which have been financed with Bonds.

² Appropriations for operations and maintenance, including employer social security and retirement contributions; but not including special program funds, such as for Centers of Excellence and institution and research equipment.

³ Debt Service Requirements consist of only principal and interest.

**TENNESSEE STATE SCHOOL BOND AUTHORITY
COLLEGE AND UNIVERSITY FUNDS
COVERAGE OF ANNUAL FINANCING CHARGES
LONG-TERM DEBT SECURED BY FINANCING AGREEMENTS¹
FOR THE LAST TEN YEARS**

(Expressed in Thousands)

UNIVERSITY OF TENNESSEE

Coverage By:

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Annual Financing Chrgs and Admin Fees ^{3,4}	Fees & Charges	Fees, Charges, & Appropriations
2010	\$ 648,298	\$ 493,304	\$ 44,804	14.47 X	25.48 X
2009	599,973	476,333	33,870	17.71 X	31.78 X
2008	565,963	510,261	33,870	16.71 X	31.78 X
2007	532,582	471,730	27,157	19.61 X	36.98 X
2006	484,786	440,014	24,425	19.85 X	37.86 X
2005	448,955	430,412	25,854	17.37 X	34.01 X
2004	417,191	406,033	24,822	16.81 X	33.17 X
2003	413,632	409,612	25,138	16.45 X	32.75 X
2002	438,956	406,146	20,703	21.20 X	40.82 X
2001	401,918	408,671	18,814	21.36 X	43.08 X

AUSTIN PEAY STATE UNIVERSITY

Coverage By:

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Annual Financing Chrgs and Admin Fees ^{3,4}	Fees & Charges	Fees, Charges, & Appropriations
2010	\$ 49,277	\$ 30,729	\$ 3,625	13.59 X	22.07 X
2009	62,358	33,427	2,682	23.25 X	35.71 X
2008	61,033	37,180	2,682	22.76 X	36.62 X
2007	56,119	34,977	2,335	24.03 X	39.01 X
2006	50,818	32,684	2,162	23.51 X	38.62 X
2005	44,332	32,216	2,304	19.24 X	33.22 X
2004	40,120	30,712	1,546	25.95 X	45.82 X
2003	42,577	31,100	1,548	27.50 X	47.59 X
2002	38,957	30,484	651	59.84 X	106.67 X
2001	31,087	28,051	653	47.61 X	90.56 X

EAST TENNESSEE STATE UNIVERSITY

Coverage By:

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Annual Financing Chrgs and Admin Fees ^{3,4}	Fees & Charges	Fees, Charges, & Appropriations
2010	\$ 126,146	\$ 85,811	\$ 9,740	12.95 X	21.76 X
2009	128,037	92,402	5,297	24.17 X	41.62 X
2008	121,820	98,619	5,297	23.00 X	41.62 X
2007	107,798	91,709	2,943	36.63 X	67.79 X
2006	100,454	86,173	2,261	44.43 X	82.54 X
2005	92,599	83,221	2,881	32.14 X	61.03 X
2004	85,854	79,247	2,660	32.28 X	62.07 X
2003	76,414	79,735	2,661	28.72 X	58.68 X
2002	72,774	77,965	2,117	34.38 X	71.20 X
2001	66,727	75,937	1,946	34.29 X	73.31 X

(Continued)

(Continued from previous page)

**TENNESSEE STATE SCHOOL BOND AUTHORITY
COLLEGE AND UNIVERSITY FUNDS
COVERAGE OF ANNUAL FINANCING CHARGES
LONG-TERM DEBT SECURED BY FINANCING AGREEMENTS¹
FOR THE LAST TEN YEARS**

(Expressed in Thousands)

MIDDLE TENNESSEE STATE UNIVERSITY

Coverage By:

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Annual Financing Chrgs and Admin Fees^{3,4}</u>	<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2010	\$ 145,229	\$ 82,875	\$ 13,253	10.96 X	17.21 X
2009	182,576	92,908	8,181	22.32 X	33.67 X
2008	168,872	100,859	8,181	20.64 X	32.97 X
2007	158,641	94,005	8,036	19.74 X	31.44 X
2006	149,759	86,971	6,626	22.60 X	35.73 X
2005	136,192	85,305	7,103	19.17 X	31.18 X
2004	126,161	81,057	6,673	18.91 X	31.05 X
2003	108,974	82,144	6,675	16.33 X	28.63 X
2002	98,031	77,990	5,978	16.40 X	29.44 X
2001	86,328	76,159	5,571	15.50 X	29.17 X

TENNESSEE STATE UNIVERSITY

Coverage By:

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Annual Financing Chrgs and Admin Fees^{3,4}</u>	<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2010	\$ 61,812	\$ 35,525	\$ 4,135	14.95 X	23.54 X
2009	77,569	38,085	3,592	21.59 X	32.20 X
2008	61,058	46,407	3,592	17.00 X	29.92 X
2007	60,537	39,913	2,967	20.40 X	33.86 X
2006	59,847	37,864	2,958	20.23 X	33.03 X
2005	57,504	37,110	3,054	18.83 X	30.98 X
2004	54,375	34,569	3,070	17.71 X	28.97 X
2003	47,326	34,988	3,198	14.80 X	25.74 X
2002	45,119	35,067	2,272	19.86 X	35.29 X
2001	54,979	34,843	2,224	24.72 X	40.39 X

TENNESSEE TECHNOLOGICAL UNIVERSITY

Coverage By:

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Annual Financing Chrgs and Admin Fees^{3,4}</u>	<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2010	\$ 81,430	\$ 40,932	\$ 1,816	44.84 X	67.38 X
2009	76,045	45,267	1,294	58.77 X	93.75 X
2008	70,801	48,812	1,294	54.71 X	92.44 X
2007	61,679	46,012	1,261	48.91 X	85.40 X
2006	56,568	43,370	1,066	53.07 X	93.75 X
2005	52,138	42,742	1,190	43.81 X	79.73 X
2004	47,194	40,165	912	51.75 X	95.79 X
2003	45,293	40,790	420	107.84 X	204.96 X
2002	41,311	40,392	756	54.64 X	108.07 X
2001	37,065	39,933	748	49.55 X	102.94 X

UNIVERSITY OF MEMPHIS

Coverage By:

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Annual Financing Chrgs and Admin Fees^{3,4}</u>	<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2010	\$ 178,343	\$ 105,354	\$ 9,072	19.66 X	31.27 X
2009	166,167	114,524	6,380	26.04 X	44.00 X
2008	188,462	123,719	6,380	29.54 X	48.93 X
2007	177,082	116,006	6,114	28.96 X	47.94 X
2006	166,652	108,395	5,197	32.07 X	52.92 X
2005	151,536	106,393	5,792	26.16 X	44.53 X
2004	140,957	100,602	6,378	22.10 X	37.87 X
2003	127,638	102,139	6,432	19.84 X	35.72 X
2002	120,196	99,786	5,884	20.43 X	37.39 X
2001	114,031	97,499	3,846	29.65 X	55.00 X

CHATTANOOGA STATE TECHNICAL COMMUNITY COLLEGE

Coverage By:

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Annual Financing Chrgs and Admin Fees^{3,4}</u>	<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2010	\$ 20,239	\$ 22,174	\$ 495	40.89 X	85.68 X
2009	26,466	23,937	495	53.47 X	101.82 X
2008	22,190	25,074	495	44.83 X	95.48 X
2007	20,832	23,697	282	73.87 X	157.90 X
2006	19,084	22,336	71	268.79 X	583.38 X
2005	18,216	21,977	74	246.16 X	543.15 X
2004	17,297	20,802	74	233.74 X	514.85 X
2003	15,034	21,108	74	203.16 X	488.41 X
2002	13,947	21,233	74	188.47 X	0,475.41 X
2001	11,650	20,684	34	342.65 X	0,951.00 X

CLEVELAND STATE COMMUNITY COLLEGE

Coverage By:

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Annual Financing Chrgs and Admin Fees^{3,4}</u>	<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2010	\$ 5,804	\$ 9,763	\$ 214	27.12 X	72.74 X
2009	8,188	10,379	169	48.45 X	109.86 X
2008	7,206	10,856	169	42.64 X	106.88 X
2007	6,422	10,317	170	37.78 X	98.46 X
2006	6,249	9,683	-	-	-
2005	5,737	9,580	-	-	-
2004	5,631	9,053	-	-	-
2003	4,757	9,212	-	-	-
2002	4,544	9,295	-	-	-
2001	3,952	9,072	-	-	-

(Continued)

(Continued from previous page)

**TENNESSEE STATE SCHOOL BOND AUTHORITY
COLLEGE AND UNIVERSITY FUNDS
COVERAGE OF ANNUAL FINANCING CHARGES
LONG-TERM DEBT SECURED BY FINANCING AGREEMENTS¹
FOR THE LAST TEN YEARS**

(Expressed in Thousands)

COLUMBIA STATE COMMUNITY COLLEGE

Coverage By:

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Annual Financing Chrgs and Admin Fees^{3,4}</u>	<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2010	\$ 9,490	\$ 12,560	\$ 14		
2009	11,481	13,337	18	637.83 X	1,378.78 X
2008	13,829	13,710	18	768.28 X	1,529.94 X
2007	13,829	13,710	18	768.28 X	1,529.94 X
2006	13,027	12,731	18	723.72 X	1,431.00 X
2005	12,133	12,839	18	674.06 X	1,387.33 X
2004	10,799	11,344	-	-	-
2003	14,921	11,540	-	-	-
2002	13,136	11,437	-	-	-
2001	7,294	11,016	-	-	-

DYERSBURG STATE COMMUNITY COLLEGE

Coverage By:

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Annual Financing Chrgs and Admin Fees^{3,4}</u>	<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2010	\$ 4,284	\$ 7,758	\$ 116	36.93 X	103.81 X
2009	6,945	7,276	116	59.87 X	122.59 X
2008	6,141	7,612	116	52.94 X	118.56 X
2007	6,032	7,118	117	51.56 X	112.39 X
2006	5,451	6,490	-	-	-
2005	5,490	6,386	-	-	-
2004	5,219	6,035	-	-	-
2003	4,010	6,108	-	-	-
2002	3,762	5,979	-	-	-
2001	3,127	5,809	-	-	-

JACKSON STATE COMMUNITY COLLEGE

Coverage By:

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Annual Financing Chrgs and Admin Fees^{3,4}</u>	<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2010	\$ 19,203	\$ 11,611	\$ 167	114.99 X	184.51 X
2009	17,309	13,365	167	103.65 X	183.68 X
2008	14,329	13,147	167	85.80 X	164.53 X
2007	10,614	12,383	169	62.80 X	136.08 X
2006	9,280	11,480	-	-	-
2005	8,958	11,282	-	-	-
2004	8,290	10,610	-	-	-
2003	7,173	10,768	-	-	-
2002	6,773	10,477	-	-	-
2001	5,468	10,210	-	-	-

MOTLOW STATE COMMUNITY COLLEGE

Coverage By:

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Annual Financing Chrgs and Admin Fees^{3,4}</u>	<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2010	\$ 12,658	\$ 9,700	\$ 171	74.02 X	130.75 X
2009	10,696	10,428	171	62.55 X	123.53 X
2008	9,780	10,951	171	57.19 X	121.23 X
2007	8,661	10,290	173	50.06 X	109.54 X
2006	7,678	9,434	-	-	-
2005	7,022	9,343	-	-	-
2004	6,369	8,747	-	-	-
2003	5,660	8,893	-	-	-
2002	5,225	8,514	-	-	-
2001	4,413	8,309	-	-	-

NASHVILLE STATE COMMUNITY COLLEGE

Coverage By:

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Annual Financing Chrgs and Admin Fees^{3,4}</u>	<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2010	\$ 24,984	\$ 13,578	\$ 87	287.17 X	443.24 X
2009	19,940	15,579	87	229.20 X	408.26 X
2008	17,392	16,370	87	199.91 X	388.07 X
2007	15,828	15,185	13	1,217.54 X	2,385.62 X
2006	15,615	14,045	13	1,201.15 X	2,281.54 X
2005	13,955	13,449	13	1,073.46 X	2,108.00 X
2004	12,202	12,730	13	938.62 X	1,917.85 X
2003	13,519	13,099	13	1,039.92 X	2,047.54 X
2002	8,254	12,525	-	-	-
2001	8,322	12,168	-	-	-

NORTHEAST STATE TECHNICAL COMMUNITY COLLEGE

Coverage By:

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Annual Financing Chrgs and Admin Fees^{3,4}</u>	<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2010	\$ 9,225	\$ 11,548	\$ 210		
2009	13,534	12,622	210	64.45 X	124.55 X
2008	12,086	13,199	210	57.55 X	120.40 X
2007	11,731	12,256	214	54.82 X	112.09 X
2006	10,505	11,147	-	-	-
2005	9,883	10,958	-	-	-
2004	8,910	10,391	-	-	-
2003	7,283	10,543	-	-	-
2002	6,599	9,737	-	-	-
2001	5,534	9,501	-	-	-

(Continued)

(Continued from previous page)

**TENNESSEE STATE SCHOOL BOND AUTHORITY
COLLEGE AND UNIVERSITY FUNDS
COVERAGE OF ANNUAL FINANCING CHARGES
LONG-TERM DEBT SECURED BY FINANCING AGREEMENTS¹
FOR THE LAST TEN YEARS**

(Expressed in Thousands)

Coverage By:

PELLISSIPPI STATE TECHNICAL COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Annual Financing Chrgs and Admin Fees^{3,4}</u>	<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2010	\$ 19,697	\$ 19,105	\$ 380	51.83 X	102.11 X
2009	25,530	20,983	380	67.18 X	122.40 X
2008	23,917	22,037	380	62.94 X	120.93 X
2007	20,801	20,657	296	70.27 X	140.06 X
2006	19,184	19,252	-	-	-
2005	17,376	18,935	-	-	-
2004	17,109	17,985	-	-	-
2003	14,393	18,247	-	-	-
2002	13,854	18,078	-	-	-
2001	12,693	17,514	-	-	-

ROANE STATE COMMUNITY COLLEGE

Coverage By:

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Annual Financing Chrgs and Admin Fees^{3,4}</u>	<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2010	\$ 10,029	\$ 16,997	\$ 327	30.67 X	82.65 X
2009	15,366	18,104	327	46.99 X	102.35 X
2008	14,478	18,976	327	44.28 X	102.31 X
2007	13,510	17,892	334	40.45 X	94.02 X
2006	12,528	16,660	-	-	-
2005	11,823	16,470	-	-	-
2004	10,964	15,518	-	-	-
2003	9,532	15,779	-	-	-
2002	8,589	15,771	-	-	-
2001	7,697	15,524	-	-	-

SOUTHWEST TENNESSEE COMMUNITY COLLEGE

Coverage By:

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Annual Financing Chrgs and Admin Fees^{3,4}</u>	<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2010	\$ 20,712	\$ 35,892	\$ 396	52.30 X	142.94 X
2009	20,523	38,230	179	114.65 X	328.23 X
2008	19,577	40,131	179	109.37 X	333.56 X
2007	22,042	38,723	179	123.14 X	339.47 X
2006	18,166	36,905	175	103.81 X	314.69 X
2005	16,749	36,210	183	91.52 X	289.39 X
2004	16,472	34,191	183	90.01 X	276.85 X
2003	21,839	34,827	149	146.57 X	380.31 X
2002	19,022	35,175	149	127.66 X	363.74 X
2001	18,325	34,451	150	122.17 X	351.84 X

VOLUNTEER STATE COMMUNITY COLLEGE

Coverage By:

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Annual Financing Chrgs and Admin Fees^{3,4}</u>	<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2010	\$ 21,420	\$ 17,011	\$ 139	154.10 X	276.48 X
2009	16,964	18,363	139	122.04 X	254.15 X
2008	15,457	19,245	139	111.20 X	249.65 X
2007	14,974	17,995	141	106.20 X	233.82 X
2006	14,224	16,548	17	836.71 X	1,810.12 X
2005	13,206	16,303	17	776.82 X	1,735.82 X
2004	12,256	15,417	-	-	-
2003	10,333	15,641	-	-	-
2002	9,600	15,689	-	-	-
2001	7,723	15,297	-	-	-

WALTERS STATE COMMUNITY COLLEGE

Coverage By:

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Annual Financing Chrgs and Admin Fees^{3,4}</u>	<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2010	\$ 12,143	\$ 17,296	\$ 292	41.59 X	100.82 X
2009	17,859	18,576	292	61.16 X	124.78 X
2008	15,379	19,429	292	52.67 X	119.21 X
2007	14,097	18,249	297	47.46 X	108.91 X
2006	12,740	16,860	-	-	-
2005	11,798	16,643	-	-	-
2004	11,211	15,689	-	-	-
2003	9,990	15,909	-	-	-
2002	9,381	15,595	-	-	-
2001	8,281	15,173	-	-	-

Source - Universities and Colleges (Unaudited)

¹ Includes both the First Program and Second Program Bonds. Excludes Commercial Paper.

² Appropriations for operations and maintenance, including employer social security and retirement contributions; but not including special program funds, such as for Centers of Excellence and institution and research equipment.

³ Does not include coverage for debt outstanding as Commercial Paper.

⁴ Includes the maturity value only secured by refunding trusts.

**DEBT SERVICE COVERAGE
TENNESSEE STATE SCHOOL BOND AUTHORITY
QUALIFIED ZONE ACADEMY BONDS PROGRAM
FOR THE LAST TEN YEARS**

(Expressed in Thousands)

BENTON COUNTY SCHOOLS¹

STATE SHARED TAX OBLIGATIONS

Fiscal Year	QZAB Obligations	Other Pledged Obligations ³	Total Obligations	State Shared Taxes	Coverage
2010	\$ 14	\$ 62	\$ 76	\$ 3,192	42.00 X
2009	14	64	78	3,013	38.63 X
2008	14	170	184	2,982	16.21 X
2007	14	170	184	2,825	15.35 X
2006	-	35	35	2,660	75.99 X
2005	-	-	-	2,601	0.00 X
2004	-	-	-	-	0.00 X
2003	-	-	-	-	0.00 X
2002	-	-	-	-	0.00 X
2001	-	-	-	-	0.00 X

BLOUNT COUNTY SCHOOLS¹

STATE SHARED TAX OBLIGATIONS

Fiscal Year	QZAB Obligations	Other Pledged Obligations ³	Total Obligations	State Shared Taxes	Coverage
2010	\$ 51	\$ -	\$ 51	\$ 4,488	88.01 X
2009	51	-	51	4,597	90.14 X
2008	51	-	51	4,376	85.80 X
2007	51	-	51	3,977	77.99 X
2006	51	-	51	3,694	72.44 X
2005	-	-	-	3,536	0.00 X
2004	-	-	-	-	0.00 X
2003	-	-	-	-	0.00 X
2002	-	-	-	-	0.00 X
2001	-	-	-	-	0.00 X

DAVIDSON COUNTY SCHOOLS¹

STATE SHARED TAX OBLIGATIONS

Fiscal Year	QZAB Obligations	Other Pledged Obligations ³	Total Obligations	State Shared Taxes	Coverage
2010	\$ 415	\$ 26,438	\$ 26,853	\$ 71,367	2.66 X
2009	415	24,144	24,559	59,739	2.43 X
2008	415	25,788	26,203	61,874	2.36 X
2007	415	27,098	27,513	55,172	2.01 X
2006	-	36,019	36,019	49,999	1.39 X
2005	-	32,492	32,492	57,319	1.76 X
2004	-	-	-	-	0.00 X
2003	-	-	-	-	0.00 X
2002	-	-	-	-	0.00 X
2001	-	-	-	-	0.00 X

HAMILTON COUNTY SCHOOLS ¹**STATE SHARED TAX OBLIGATIONS**

Fiscal Year	QZAB Obligations	Other Pledged Obligations ³	Total Obligations	State Shared Taxes	Coverage
2010	\$ 91	\$ 596	\$ 687	\$ 8,961	13.04 X
2009	91	596	687	8,602	12.53 X
2008	91	596	687	8,510	12.39 X
2007	91	596	687	7,751	11.29 X
2006	91	596	687	6,864	9.99 X
2005	91	-	91	6,929	76.14 X
2004	-	-	-	-	0.00 X
2003	-	-	-	-	0.00 X
2002	-	-	-	-	0.00 X
2001	-	-	-	-	0.00 X

HUMBOLDT CITY SCHOOLS**STATE SHARED TAX OBLIGATIONS**

Fiscal Year	QZAB Obligations	Other Pledged Obligations ³	Total Obligations	State Shared Taxes	Coverage
2010	\$ 158	\$ 203	\$ 361	\$ 1,022	2.83 X
2009	158	203	361	1,049	2.91 X
2008	158	203	361	1,134	3.14 X
2007	158	203	361	1,082	3.00 X
2006	158	203	361	999	2.77 X
2005	158	203	361	937	2.59 X
2004	158	203	361	936	2.59 X
2003	158	203	361	975	2.70 X
2002	-	203	203	1,151	5.67 X
2001	-	203	203	1,023	5.04 X

KINGSPORT CITY SCHOOLS**STATE SHARED TAX OBLIGATIONS**

Fiscal Year	QZAB Obligations	Other Pledged Obligations ³	Total Obligations	State Shared Taxes	Coverage
2010	\$ 358	\$ 609	\$ 967	\$ 5,770	5.97 X
2009	358	609	967	6,180	6.39 X
2008	358	609	967	6,185	6.39 X
2007	358	609	967	5,801	6.00 X
2006	255	609	864	5,277	6.11 X
2005	34	961	995	4,906	4.93 X
2004	34	961	995	5,118	5.14 X
2003	34	516	550	5,065	9.21 X
2002	34	516	550	5,232	9.51 X
2001	34	-	34	4,960	145.89 X

(Continued)

(Continued from previous page)

**DEBT SERVICE COVERAGE
TENNESSEE STATE SCHOOL BOND AUTHORITY
QUALIFIED ZONE ACADEMY BONDS PROGRAM
FOR THE LAST TEN YEARS**

(Expressed in Thousands)

KNOX COUNTY SCHOOLS

STATE SHARED TAX OBLIGATIONS

<u>Fiscal</u> <u>Year</u>	<u>QZAB</u> <u>Obligations</u>	<u>Other Pledged</u> <u>Obligations</u> ³	<u>Total</u> <u>Obligations</u>	<u>State Shared</u> <u>Taxes</u>	<u>Coverage</u>
2010	\$ 215	\$ -	\$ 215	\$ 11,435	53.18 X
2009	215	-	215	11,366	52.86 X
2008	215	-	215	11,413	53.09 X
2007	215	-	215	9,756	45.38 X
2006	215	-	215	8,499	39.53 X
2005	215	-	215	7,681	35.72 X
2004	215	-	215	8,235	38.30 X
2003	215	-	215	8,561	39.82 X
2002	215	-	215	7,393	34.39 X
2001	215	5	220	9,620	43.73 X

LEXINGTON CITY SCHOOLS¹

STATE SHARED TAX OBLIGATIONS

<u>Fiscal</u> <u>Year</u>	<u>QZAB</u> <u>Obligations</u>	<u>Other Pledged</u> <u>Obligations</u> ³	<u>Total</u> <u>Obligations</u>	<u>State Shared</u> <u>Taxes</u>	<u>Coverage</u>
2010	\$ 76	-	76	\$ 789	10.38 X
2009	76	-	76	830	10.91 X
2008	76	-	76	729	9.59 X
2007	76	-	76	833	10.96 X
2006	76	-	76	720	9.47 X
2005	-	-	-	732	0.00 X
2004	-	-	-	-	0.00 X
2003	-	-	-	-	0.00 X
2002	-	-	-	-	0.00 X
2001	-	-	-	-	0.00 X

LINCOLN COUNTY SCHOOLS²

STATE SHARED TAX OBLIGATIONS

<u>Fiscal</u> <u>Year</u>	<u>QZAB</u> <u>Obligations</u>	<u>Other Pledged</u> <u>Obligations</u> ³	<u>Total</u> <u>Obligations</u>	<u>State Shared</u> <u>Taxes</u>	<u>Coverage</u>
2010	\$ -	-	-	\$ 2,776	0.00 X
2009	-	-	-	2,658	0.00 X
2008	-	-	-	2,704	0.00 X
2007	-	-	-	2,579	0.00 X
2006	-	-	-	2,458	0.00 X
2005	10	-	10	2,388	238.78 X
2004	10	-	10	2,366	236.63 X
2003	10	-	10	2,317	231.73 X
2002	10	-	10	2,345	234.45 X
2001	10	-	10	2,293	229.26 X

LOUDON COUNTY SCHOOLS ¹**STATE SHARED TAX OBLIGATIONS**

Fiscal Year	QZAB Obligations	Other Pledged Obligations ³	Total Obligations	State Shared Taxes	Coverage
2010	\$ 275		275	\$ 3,715	13.51 X
2009	275	-	275	3,588	13.05 X
2008	275	-	275	3,447	12.53 X
2007	275	-	275	2,960	10.76 X
2006	-	-	-	2,869	0.00 X
2005	-	-	-	2,520	0.00 X
2004	-	-	-	2,398	0.00 X
2003	-	-	-	-	0.00 X
2002	-	-	-	-	0.00 X
2001	-	-	-	-	0.00 X

MEMPHIS CITY SCHOOLS**STATE SHARED TAX OBLIGATIONS**

Fiscal Year	QZAB Obligations	Other Pledged Obligations ³	Total Obligations	State Shared Taxes	Coverage
2010	\$ 547		547	\$ 99,243	181.43 X
2009	547	-	547	100,257	183.28 X
2008	547	-	547	101,127	184.88 X
2007	917	-	917	94,488	103.07 X
2006	917	-	917	85,380	93.13 X
2005	917	-	917	78,499	85.63 X
2004	844	678	1,522	76,656	50.38 X
2003	844	1,434	2,278	76,879	33.75 X
2002	369	1,434	1,803	78,917	43.77 X
2001	369	1,426	1,795	75,712	42.18 X

MONTGOMERY COUNTY SCHOOLS ¹**STATE SHARED TAX OBLIGATIONS**

Fiscal Year	QZAB Obligations	Other Pledged Obligations ³	Total Obligations	State Shared Taxes	Coverage
2010	\$ 436		436	\$ 4,348	9.97 X
2009	436	-	436	4,164	9.55 X
2008	436	-	436	4,231	9.70 X
2007	436	-	436	3,988	9.15 X
2006	176	-	176	3,772	21.43 X
2005	176	-	176	3,688	20.96 X
2004	176	-	176	3,624	20.59 X
2003	176	-	176	3,556	20.21 X
2002	-	-	-	3,576	0.00 X
2001	-	-	-	3,504	0.00 X

(Continued)

(Continued from previous page)

**DEBT SERVICE COVERAGE
TENNESSEE STATE SCHOOL BOND AUTHORITY
QUALIFIED ZONE ACADEMY BONDS PROGRAM
FOR THE LAST EIGHT YEARS**

(Expressed in Thousands)

OAK RIDGE CITY SCHOOLS ¹

STATE SHARED TAX OBLIGATIONS

Fiscal Year	QZAB Obligations	Other Pledged Obligations ³	Total Obligations	State Shared Taxes	Coverage
2010	\$ 510	\$ 1,203	1,713	\$ 3,652	2.13 X
2009	510	1,219	1,729	3,771	2.18 X
2008	510	1,219	1,729	3,965	2.29 X
2007	509	1,219	1,728	3,509	2.03 X
2006	441	1,219	1,660	3,161	1.90 X
2005	-	1,560	1,560	2,922	1.87 X
2004	-	1,760	1,760	2,975	1.69 X
2003	-	1,258	1,258	-	0.00 X
2002	-	1,258	1,258	-	0.00 X
2001	-	1,258	1,258	-	0.00 X

RHEA COUNTY SCHOOLS ²

STATE SHARED TAX OBLIGATIONS

Fiscal Year	QZAB Obligations	Other Pledged Obligations ³	Total Obligations	State Shared Taxes	Coverage
2010	\$ 112	\$ -	\$ 112	\$ 3,285	29.33 X
2009	112	-	112	3,081	27.50 X
2008	112	-	112	2,609	23.29 X
2007	112	-	112	2,473	22.08 X
2006	78	-	78	2,345	30.07 X
2005	78	-	78	2,301	29.50 X
2004	78	-	78	2,249	28.83 X
2003	78	-	78	2,208	28.31 X
2002	78	-	78	2,219	28.45 X
2001	78	-	78	2,161	27.70 X

SCOTT COUNTY SCHOOLS ²

STATE SHARED TAX OBLIGATIONS

Fiscal Year	QZAB Obligations	Other Pledged Obligations ³	Total Obligations	State Shared Taxes	Coverage
2010	\$ -	\$ -	\$ -	\$ 2,389	0.00 X
2009	-	-	-	2,301	0.00 X
2008	-	-	-	2,382	0.00 X
2007	-	-	-	2,276	0.00 X
2006	-	-	-	2,200	0.00 X
2005	440	-	440	2,164	4.92 X
2004	140	-	140	2,131	15.22 X
2003	115	-	115	2,090	18.17 X
2002	71	-	71	2,104	29.64 X
2001	-	-	-	2,036	0.00 X

UNICOI COUNTY SCHOOLS

STATE SHARED TAX OBLIGATIONS

Fiscal Year	QZAB Obligations	Other Pledged Obligations ³	Total Obligations	State Shared Taxes	Coverage
2010	\$ 197	\$ -	\$ 197	\$ 1,704	8.65 X
2009	197	-	197	1,599	8.12 X
2008	197	-	197	1,703	8.64 X
2007	197	-	197	1,603	8.14 X
2006	197	-	197	1,541	7.82 X
2005	74	-	74	1,480	20.00 X
2004	74	-	74	1,514	20.46 X
2003	-	-	-	1,489	0.00 X
2002	-	15	15	1,473	98.19 X
2001	-	4	4	1,449	362.35 X

Note: The first QZAB bond was issued on November 30, 1999.

Source: Data on State-Shared Taxes is provided by Tennessee Department of Revenue.

¹ Coverage for current and/or prior years is zero due to no QZAB loans or other obligations.

² Borrower has paid-off QZAB loan.

³ Other Pledged Obligations includes Qualified School Construction Bonds (QSCB) and Tennessee Local Development Authority (TLDA)

DEBT SERVICE COVERAGE
TENNESSEE STATE SCHOOL BOND AUTHORITY
QUALIFIED SCHOOL CONSTRUCTION BONDS PROGRAM
FOR THE LAST TEN YEARS

(Expressed in Thousands)

CLEVELAND CITY SCHOOLS¹

Fiscal Year	STATE SHARED TAX OBLIGATIONS				
	QSCB Obligations	Other Pledged Obligations ²	Total Obligations	State Shared Taxes	Coverage
2010	\$ 42	\$ -	\$ 42	\$ 5,327	127.84 X
2009	-	-	-	-	0.00 X
2008	-	-	-	-	0.00 X
2007	-	-	-	-	0.00 X
2006	-	-	-	-	0.00 X
2005	-	-	-	-	0.00 X
2004	-	-	-	-	0.00 X
2003	-	-	-	-	0.00 X
2002	-	-	-	-	0.00 X
2001	-	-	-	-	0.00 X

DYER COUNTY SCHOOLS¹

Fiscal Year	STATE SHARED TAX OBLIGATIONS				
	QSCB Obligations	Other Pledged Obligations ²	Total Obligations	State Shared Taxes	Coverage
2010	\$ 90	\$ -	\$ 90	\$ 2,662	29.67 X
2009	-	-	-	-	0.00 X
2008	-	-	-	-	0.00 X
2007	-	-	-	-	0.00 X
2006	-	-	-	-	0.00 X
2005	-	-	-	-	0.00 X
2004	-	-	-	-	0.00 X
2003	-	-	-	-	0.00 X
2002	-	-	-	-	0.00 X
2001	-	-	-	-	0.00 X

DYERSBURG CITY SCHOOLS¹

Fiscal Year	STATE SHARED TAX OBLIGATIONS				
	QSCB Obligations	Other Pledged Obligations ²	Total Obligations	State Shared Taxes	Coverage
2010	\$ 30	\$ -	\$ 30	\$ 2,035	68.63 X
2009	-	-	-	-	0.00 X
2008	-	-	-	-	0.00 X
2007	-	-	-	-	0.00 X
2006	-	-	-	-	0.00 X
2005	-	-	-	-	0.00 X
2004	-	-	-	-	0.00 X
2003	-	-	-	-	0.00 X
2002	-	-	-	-	0.00 X
2001	-	-	-	-	0.00 X

HAMBLEN COUNTY SCHOOLS**STATE SHARED TAX OBLIGATIONS**

Fiscal Year	QSCB Obligations	Other Pledged Obligations ²	Total Obligations	State Shared Taxes	Coverage
2010	\$ 113	\$ -	\$ 113	\$ 2,635	23.32 X
2009	-	-	-	-	0.00 X
2008	-	-	-	-	0.00 X
2007	-	-	-	-	0.00 X
2006	-	-	-	-	0.00 X
2005	-	-	-	-	0.00 X
2004	-	-	-	-	0.00 X
2003	-	-	-	-	0.00 X
2002	-	-	-	-	0.00 X
2001	-	-	-	-	0.00 X

HAWKINS COUNTY SCHOOLS**STATE SHARED TAX OBLIGATIONS**

Fiscal Year	QSCB Obligations	Other Pledged Obligations ²	Total Obligations	State Shared Taxes	Coverage
2010	\$ 26	\$ -	\$ 26	\$ 3,270	123.68 X
2009	-	-	-	-	0.00 X
2008	-	-	-	-	0.00 X
2007	-	-	-	-	0.00 X
2006	-	-	-	-	0.00 X
2005	-	-	-	-	0.00 X
2004	-	-	-	-	0.00 X
2003	-	-	-	-	0.00 X
2002	-	-	-	-	0.00 X
2001	-	-	-	-	0.00 X

JOHNSON CITY SCHOOLS ¹**STATE SHARED TAX OBLIGATIONS**

Fiscal Year	QSCB Obligations	Other Pledged Obligations ²	Total Obligations	State Shared Taxes	Coverage
2010	\$ 82	\$ -	\$ 82	\$ 7,145	87.42 X
2009	-	-	-	-	0.00 X
2008	-	-	-	-	0.00 X
2007	-	-	-	-	0.00 X
2006	-	-	-	-	0.00 X
2005	-	-	-	-	0.00 X
2004	-	-	-	-	0.00 X
2003	-	-	-	-	0.00 X
2002	-	-	-	-	0.00 X
2001	-	-	-	-	0.00 X

(Continued)

(Continued from previous page)

DEBT SERVICE COVERAGE
TENNESSEE STATE SCHOOL BOND AUTHORITY
QUALIFIED SCHOOL CONSTRUCTION BONDS PROGRAM
FOR THE LAST TEN YEARS

(Expressed in Thousands)

KINGSPORT CITY SCHOOLS

Fiscal Year	STATE SHARED TAX OBLIGATIONS			State Shared Taxes	Coverage
	QSCB Obligations	Other Pledged Obligations ²	Total Obligations		
2010	\$ 12	\$ 609	621	\$ 5,770	9.29 X
2009	-	609	609	6,180	10.14 X
2008	-	609	609	6,185	10.15 X
2007	-	609	609	5,801	9.52 X
2006	-	609	609	5,277	8.66 X
2005	-	961	961	4,906	5.11 X
2004	-	961	961	5,118	5.33 X
2003	-	516	516	5,065	9.82 X
2002	-	516	516	5,232	10.14 X
2001	-	-	-	4,960	0.00 X

MARYVILLE CITY SCHOOLS ¹

Fiscal Year	STATE SHARED TAX OBLIGATIONS			State Shared Taxes	Coverage
	QSCB Obligations	Other Pledged Obligations ²	Total Obligations		
2010	\$ 187	\$ -	187	\$ 2,920	15.58 X
2009	-	-	-	-	0.00 X
2008	-	-	-	-	0.00 X
2007	-	-	-	-	0.00 X
2006	-	-	-	-	0.00 X
2005	-	-	-	-	0.00 X
2004	-	-	-	-	0.00 X
2003	-	-	-	-	0.00 X
2002	-	-	-	-	0.00 X
2001	-	-	-	-	0.00 X

METROPOLITAN GOVERNMENT OF NASHVILLE ¹

Fiscal Year	STATE SHARED TAX OBLIGATIONS			State Shared Taxes	Coverage
	QSCB Obligations	Other Pledged Obligations ²	Total Obligations		
2010	\$ 212	\$ 26,641	\$ 26,853	\$ 71,367	2.66 X
2009	-	24,144	\$ 24,144	59,739	2.47 X
2008	-	25,788	\$ 25,788	61,874	2.40 X
2007	-	27,098	\$ 27,098	55,172	2.04 X
2006	-	36,019	\$ 36,019	49,999	1.39 X
2005	-	32,492	\$ 32,492	57,319	1.76 X
2004	-	-	-	-	0.00 X
2003	-	-	-	-	0.00 X
2002	-	-	-	-	0.00 X
2001	-	-	-	-	0.00 X

MONTGOMERY COUNTY SCHOOLS ¹

STATE SHARED TAX OBLIGATIONS

Fiscal Year	QSCB Obligations	Other Pledged Obligations ²	Total Obligations	State Shared Taxes	Coverage
2010	\$ 200		200	\$ 4,348	21.70 X
2009	-	-	-	4,164	0.00 X
2008	-	-	-	4,231	0.00 X
2007	-	-	-	3,988	0.00 X
2006	-	-	-	3,772	0.00 X
2005	-	-	-	3,688	0.00 X
2004	-	-	-	3,624	0.00 X
2003	-	-	-	3,556	0.00 X
2002	-	-	-	3,576	0.00 X
2001	-	-	-	3,504	0.00 X

SHELBY COUNTY SCHOOLS ¹

STATE SHARED TAX OBLIGATIONS

Fiscal Year	QSCB Obligations	Other Pledged Obligations ²	Total Obligations	State Shared Taxes	Coverage
2010	\$ 552	\$ -	552	\$ 21,097	38.21 X
2009	-	-	-	-	0.00 X
2008	-	-	-	-	0.00 X
2007	-	-	-	-	0.00 X
2006	-	-	-	-	0.00 X
2005	-	-	-	-	0.00 X
2004	-	-	-	-	0.00 X
2003	-	-	-	-	0.00 X
2002	-	-	-	-	0.00 X
2001	-	-	-	-	0.00 X

SULLIVAN COUNTY SCHOOLS

STATE SHARED TAX OBLIGATIONS

Fiscal Year	QSCB Obligations	Other Pledged Obligations ²	Total Obligations	State Shared Taxes	Coverage
2010	\$ 155	\$ -	\$ 155	\$ 5,111	32.96 X
2009	-	-	-	-	0.00 X
2008	-	-	-	-	0.00 X
2007	-	-	-	-	0.00 X
2006	-	-	-	-	0.00 X
2005	-	-	-	-	0.00 X
2004	-	-	-	-	0.00 X
2003	-	-	-	-	0.00 X
2002	-	-	-	-	0.00 X
2001	-	-	-	-	0.00 X

(Continued)

(Continued from previous page)

DEBT SERVICE COVERAGE
TENNESSEE STATE SCHOOL BOND AUTHORITY
QUALIFIED SCHOOL CONSTRUCTION BONDS PROGRAM
FOR THE LAST EIGHT YEARS

(Expressed in Thousands)

UNION COUNTY SCHOOLS

STATE SHARED TAX OBLIGATIONS

Fiscal Year	QSCB Obligations	Other Pledged Obligations ²	Total Obligations	State Shared Taxes	Coverage
2010	\$ 72	\$ -	\$ 72	\$ 2,407	33.57 X
2009	-	-	-	-	0.00 X
2008	-	-	-	-	0.00 X
2007	-	-	-	-	0.00 X
2006	-	-	-	-	0.00 X
2005	-	-	-	-	0.00 X
2004	-	-	-	-	0.00 X
2003	-	-	-	-	0.00 X
2002	-	-	-	-	0.00 X
2001	-	-	-	-	0.00 X

Note: The first QSCB bond was issued on December 17, 2009.

Source: Data on State-Shared Taxes is provided by Tennessee Department of Revenue.

¹ Coverage for current and/or prior years is zero due to no QSCB loans or other obligations.

² Other Pledged Obligations includes Qualified Zone Academy Bonds (QZAB) and Tennessee Local Development Authority (TLDA)

History of Fall Term Full-Time Equivalent Enrollment in Public Institutions

Institution	2001	2002	2003	2004	2005	Four Year Institutions				2009	2010	% Change		
						2006	2007	2008	2009			2009-10	2010-11	
APSU	5,769	6,079	6,278	6,939	7,336	7,443	7,139	7,499	7,566	7,869	7,869	4.0%	7.3%	36.4%
ETSU*	9,507	9,664	9,936	10,070	10,185	10,594	10,770	11,117	11,727	12,197	12,197	4.0%	19.8%	28.3%
ECOM	n/a	n/a	n/a	n/a	n/a	n/a	239	245	253	258	258	2.0%	n/a	n/a
EPHRM	n/a	n/a	n/a	n/a	n/a	n/a	215	334	298	312	312	4.7%	n/a	n/a
MTSU	17,125	18,151	18,735	19,037	19,139	19,355	19,525	20,062	21,049	21,941	21,941	4.2%	14.6%	28.1%
TSU	7,425	7,703	7,716	7,662	7,462	7,464	7,465	6,694	7,025	7,121	7,121	1.4%	-4.6%	-4.1%
TTU	7,327	7,554	7,509	7,559	7,562	7,900	8,312	8,568	9,057	9,361	9,361	3.4%	23.8%	27.8%
UOM	15,890	15,696	15,720	16,128	15,910	15,946	15,747	15,910	16,792	17,448	17,448	3.9%	9.7%	9.8%
TBR Total	63,043	64,846	65,894	67,394	67,593	68,702	69,412	70,429	73,767	76,507	76,507	3.7%	13.2%	21.4%
UTC	6,955	7,050	7,138	7,326	7,317	7,564	8,168	8,446	9,116	9,331	9,331	2.4%	27.5%	34.2%
UTK**	23,183	23,221	22,730	23,141	23,642	24,016	24,160	24,697	24,214	24,774	24,774	2.3%	4.8%	6.9%
UT Vet	n/a	n/a	n/a	n/a	n/a	n/a	408	429	484	510	510	5.5%	n/a	n/a
UTSI	n/a	n/a	n/a	n/a	n/a	n/a	105	104	88	86	86	-2.7%	n/a	n/a
UTM	5,379	5,311	5,265	5,570	5,833	5,968	6,108	6,305	6,714	6,953	6,953	3.6%	19.2%	29.3%
UTMHSC	1,949	1,977	2,008	2,062	3,412	3,583	3,799	3,867	4,004	2,798	2,798	-30.1%	-18.0%	43.6%
UT Total	37,466	37,559	37,141	38,099	40,205	41,131	42,748	43,848	44,620	44,452	44,452	-0.4%	10.6%	18.6%
Total 4 Yr	100,509	102,404	103,035	105,494	107,797	109,833	112,160	114,277	118,387	120,959	120,959	2.2%	12.2%	20.3%
Two Year Institutions														
CHSCC	5,269	5,264	5,186	5,124	4,890	5,054	5,044	5,334	5,987	6,698	6,698	11.9%	37.0%	27.1%
CLSCC	2,318	2,200	2,224	2,088	2,103	2,034	2,022	2,195	2,504	2,601	2,601	3.9%	23.7%	12.2%
COSCC	2,984	3,108	3,082	3,145	3,120	2,963	3,003	3,081	3,569	3,556	3,556	-0.4%	14.0%	19.2%
DSOC	1,577	1,657	1,819	1,770	1,744	1,693	1,668	1,741	2,213	2,414	2,414	9.1%	38.4%	53.1%
JSCC	2,658	2,713	2,743	2,702	2,573	2,791	2,953	2,803	3,313	3,405	3,405	2.8%	32.3%	28.1%
MSCC	2,441	2,556	2,436	2,465	2,392	2,566	2,739	2,892	3,353	3,333	3,333	-0.6%	39.4%	36.5%
NASCC	3,631	3,757	3,769	3,889	4,074	4,083	4,063	4,315	5,154	5,612	5,612	8.9%	37.8%	54.6%
NESSC	2,879	2,968	3,112	3,334	3,142	3,374	3,387	3,606	4,231	4,614	4,614	9.1%	46.8%	60.3%
PSTCC	5,151	5,208	5,013	4,963	4,963	5,149	5,446	5,686	6,695	7,217	7,217	7.8%	45.4%	40.1%
RSCC	3,647	3,767	3,775	3,850	3,603	3,738	3,764	3,766	4,227	4,376	4,376	3.5%	21.5%	20.0%
STCC	7,743	7,141	7,361	7,561	7,332	7,306	6,794	7,219	8,465	8,366	8,366	-1.2%	14.1%	8.0%
VSCC	4,295	4,525	4,426	4,483	4,553	4,677	4,427	4,582	5,501	5,758	5,758	4.7%	26.5%	34.1%
WSCC	3,909	3,867	4,067	3,864	3,826	3,872	3,884	4,082	4,780	4,808	4,808	0.6%	25.7%	23.0%
Total 2 Yr	48,502	48,729	49,013	49,238	48,315	49,300	49,194	51,302	59,993	62,758	62,758	4.6%	29.9%	29.4%
TTC									12,112	13,570	13,570	12.0%		
Grand Total	149,011	151,133	152,048	154,732	156,112	159,133	161,354	165,579	190,491	197,287	197,287	3.6%	26.4%	32.4%

* Prior to 2007, ETSU totals included ETSU Med and ETSU Pharm.

** Prior to 2007, UTK totals included UT Vet and UTSI.

ACKNOWLEDGMENTS

OFFICE OF STATE AND LOCAL FINANCE

MARY-MARGARET COLLIER*

SANDRA THOMPSON*

JACQUELINE FELLAND*

SHARON SCHMUCKER*

LINDSEY GALLAGHER*

DIANNE MCKAY*

RON QUEEN

CINDY LIDDELL

DONNA KAUKAS

JOYCE WELBORN

KAYLA SHEWCRAFT

*PREPARER OF COMPREHENSIVE ANNUAL FINANCIAL REPORT