

TENNESSEE STATE SCHOOL BOND AUTHORITY

A COMPONENT UNIT OF THE STATE OF TENNESSEE

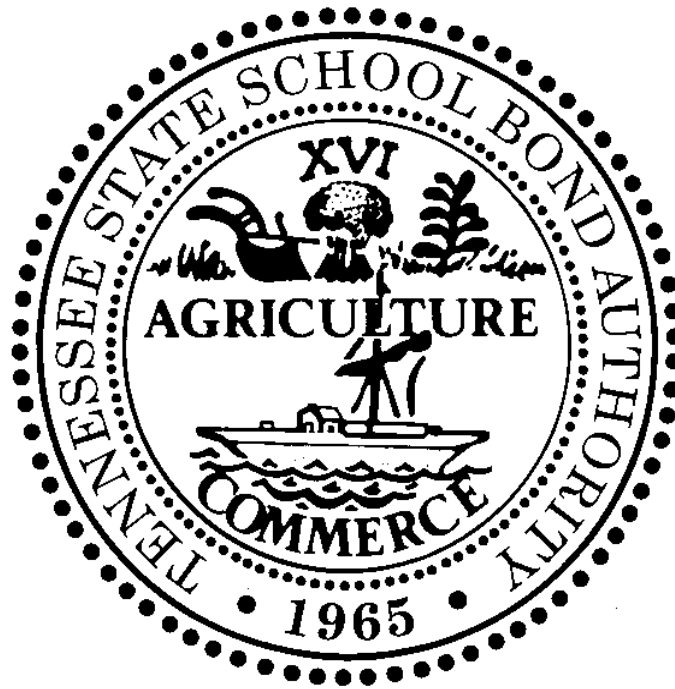


COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2008

Tennessee State School Bond Authority Comprehensive Annual Financial Report For the Year Ended June 30, 2008

PHIL BREDESEN, Governor and Chairman



A Component Unit of the State of Tennessee

Prepared by the Comptroller of the Treasury, Division of Bond Finance

Mary-Margaret Collier
Director, Division of Bond Finance
and
Assistant Secretary, TSSBA

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INTRODUCTORY SECTION





TENNESSEE STATE SCHOOL BOND AUTHORITY

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NASHVILLE, TENNESSEE 37243-0273

PHONE (615) 401-7872

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Governor Phil Bredesen, Chairman

John G. Morgan, Secretary

December 8, 2008

The Honorable Phil Bredesen, 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, 2008. 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 - 9 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 of the federal government. The Authority has no taxing power. Pursuant to Section 49-3-1204, *Tennessee Code Annotated* ("T.C.A."), 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. At that time, the 1967 Resolution was closed, and all bonds are now issued pursuant to the 1998 Resolution. Projects financed by the Authority must be revenue producing. 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 the fiscal year ended, June 30, 2008, the Authority increased to the authorization to issue a maximum amount of \$350 million. However, under the current Credit Agreement with State Street Bank and Trust Company, limits the maximum amount of outstanding commercial paper is \$300 million. The Commercial Paper is used to fund certain higher education facility's

projects during the construction phase of those projects. When the projects are placed in service, long-term, fixed-rate debt is issued to finance the project over its useful life payback 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 has a useful life of five to seven 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. These bonds are issued under the provisions of the Authority’s Qualified Zone Academy Bonds First Program Resolution. They are not supported by either the 1967 Resolution or the 1998 Resolution for Higher Education Facilities. Through this program, loans are provided to local education agencies to fund the renovation of classroom buildings and to purchase equipment to enhance learning opportunities. Funding for this 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.

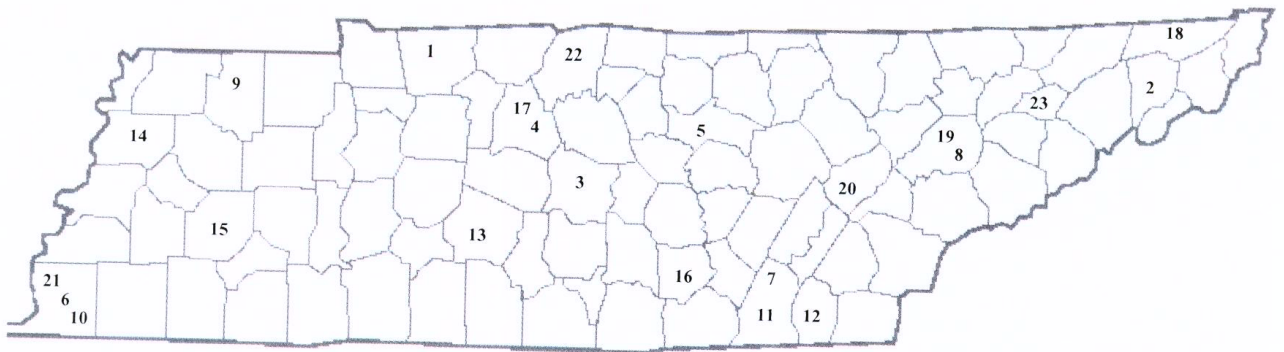
The Authority approved an Audit Charter created by the Audit Committee on September 14, 2006. The Audit Charter defines the responsibilities of the Audit Committee as follows:

- Overseeing the Authority’s financial reporting and related disclosures, especially when financial statements are issued;
- Reviewing management’s process for assessment of risk, including fraud risk, for adequacy;
- 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 campuses governed by the University of Tennessee Board of Trustees and the state universities, community colleges, and state technology centers governed by the Tennessee Board of Regents of the State University and Community College System of Tennessee. The Boards are the governing bodies for all public higher education in Tennessee.

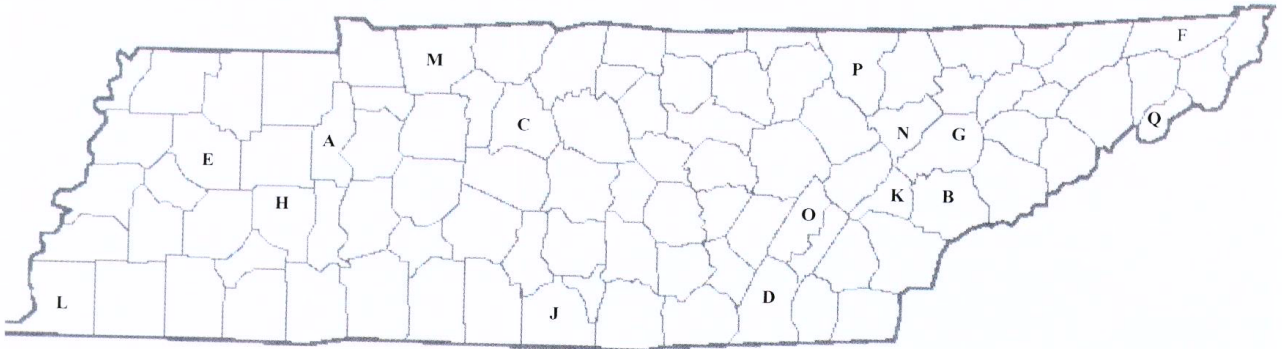
The University of Tennessee has four campuses (at Knoxville, Martin, Memphis, and Chattanooga), with 33 colleges, schools and divisions, all of which constitute a single “Institution”. The Tennessee Board of Regents governs the State University and Community College System. It currently includes 6 universities, 13 community colleges, and 28 state technology centers. The technology centers are not permitted to borrow from the Authority.



Eligible Higher Education Institutions

- | | | | |
|----|----------------------------------------------------------|----|-----------------------------------------------|
| 1 | Austin Peay State University | 13 | Columbia State Community College |
| 2 | East Tennessee State University | 14 | Dyersburg State Community College |
| 3 | Middle Tennessee State University | 15 | Jackson State Community College |
| 4 | Tennessee State University | 16 | Motlow State Community College |
| 5 | Tennessee Technological University | 17 | Nashville State Technical Community College |
| 6 | University of Memphis | 18 | Northeast State Technical Community College |
| 7 | University of Tennessee at Chattanooga | 19 | Pellissippi State Technical Community College |
| 8 | University of Tennessee at Knoxville | 20 | Roane State Community College |
| 9 | University of Tennessee at Martin | 21 | Southwest Tennessee Community College |
| 10 | University of Tennessee Health Science Center at Memphis | 22 | Volunteer State Community College |
| 11 | Chattanooga State Technical Community College | 23 | Walters State Community College |
| 12 | Cleveland State Community College | | |

Qualified Zone Academy Bond Program. The QZAB program is a capital financing program originally authorized by the federal government. The borrowers of the QZAB program consists 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.



Participating QZAB Local Education Agencies

- | | | | |
|---|-------------------------|---|---------------------------|
| A | Benton County Schools | J | Lincoln County Schools |
| B | Blount County Schools | K | Loudon County Schools |
| C | Davidson County Schools | L | Memphis City Schools |
| D | Hamilton County Schools | M | Montgomery County Schools |
| E | Humboldt City Schools | N | Oak Ridge City Schools |
| F | Kingsport City Schools | O | Rhea County Schools |
| G | Knox County Schools | P | Scott County Schools |
| H | Lexington City Schools | Q | Unicoi County Schools |

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.

Qualified Zone Academy Bond Program. In Tennessee, local education agencies do not have taxing power. The power to tax is vested in cities and counties. Local education agencies receive their funding from the city and/or county where they are located. 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.

Future Outlook

Enrollment Trends in Higher Education. Enrollment, on a full-time equivalent basis, in four-year public institutions of higher education has increased 15.5% over the past ten years and 4.3% in two-year public institutions with a combined increase of 11.9%. For the remainder of this decade, sustained growth in the number of graduates produced by public and private high schools in Tennessee is expected as a result of the baby-boom echo. More Tennesseans have been able to attend college since the advent of the State lottery in 2002, which provides funding for the Tennessee Education Lottery Scholarship program. It is expected that the Tennessee Education Lottery Scholarship program will provide scholarships to more than 88,000 students in the 2008-2009 academic year. 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”) reports that during the five year period of June 2004 to June 2009 the demand for improvements to existing schools and technology upgrades total over \$1.296 billion with \$688 million of that being for technology. The State was allocated \$8.950 million of QZABs in 2007 to aid in funding this demand. The Authority also has the power to intercept state-shared taxes should the community fail to make timely debt service payments.

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. A discussion of the financial statements is included on pages 7 - 9 in the Management’s Discussion and Analysis section of this Comprehensive Annual Financial Report.

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. Investments of moneys held in the debt service reserve fund 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.

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, 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 performs 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, 2007. This was the fifth 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.

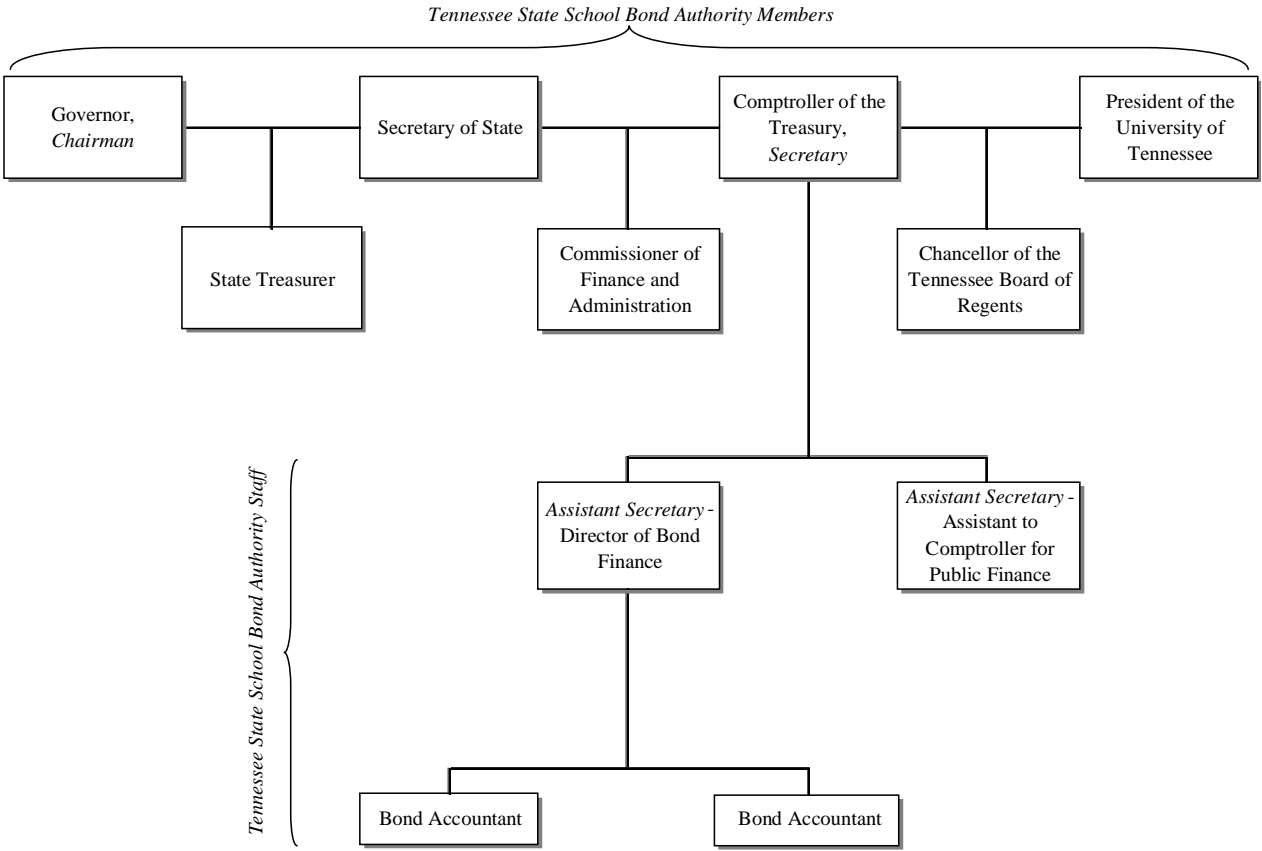
Acknowledgements. The preparation of the comprehensive annual financial report was made possible by the dedication of the staff of the Division of Bond Finance in the Office of the Comptroller of the Treasury.

Respectfully submitted,

A handwritten signature in black ink that reads "Mary-Margaret Collier". The signature is written in a cursive, flowing style.

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

Tennessee State School Bond Authority Organization Chart





TENNESSEE STATE SCHOOL BOND AUTHORITY

MEMBERS

Phil Bredesen, Governor, *Chairman*

John G. Morgan, Comptroller of the Treasury, *Secretary*

Riley C. Darnell, Secretary of State

Dale Sims, State Treasurer

Dave Goetz, Commissioner of Finance and Administration

Dr. John Petersen, President of the University of Tennessee

Dr. Charles Manning, Chancellor of the Tennessee Board of Regents

STAFF

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

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

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, 2007

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.



Charles S. Cox

President

Jeffrey R. Emer

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 37243-0264
PHONE (615) 401-7897
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Independent Auditor's Report

November 12, 2008

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

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, 2008, and June 30, 2007, 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.

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, 2008, and June 30, 2007, 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.

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

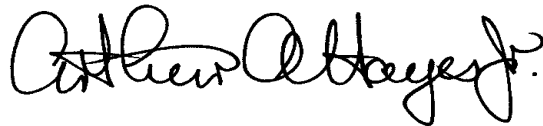
The Honorable John G. Morgan
November 12, 2008
Page Two

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 November 12, 2008, 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 read in conjunction with this report in considering the results of our audit.

Sincerely,

A handwritten signature in black ink that reads "Arthur A. Hayes, Jr." with a stylized flourish at the end.

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, 2008. These activities are compared to the results of the fiscal years ended June 30, 2007, and 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on **pages i - vi** 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 education agencies ("LEAs") through Qualified Zone Academy Bonds ("QZABs"). The tables below summarize this business activity.

	Higher Education Facilities Programs		
	2008	2007	2006
Number of institutions with outstanding loans	23	23	23
Total number of outstanding loans	302	301	272
Balance of outstanding loans	\$859,656,775	\$695,235,390	\$578,693,784
Number of loans approved in fiscal year	28	18	19
Dollar value of loans approved in fiscal year	\$ 404,899,000	\$ 127,095,000	\$ 108,133,760
Dollar value of loans approved in fiscal year - unfunded	\$ 337,845,001	\$ 126,075,466	\$ 107,250,572
Dollar value of loans financed in fiscal year	\$ 143,962,380	\$ 145,268,339	\$ 87,819,428
Bonds issued in fiscal year	\$ 118,530,000	\$ 137,710,000	\$ 66,305,000
Commercial paper issued in fiscal year	\$ 147,376,000	\$ 131,448,000	\$ 66,000,000

	Qualified Zone Academy Bond Program		
	2008	2007	2006
Number of LEAs with outstanding loans	14	14	14
Total number of outstanding loans	23	23	23
Balance of outstanding loans	\$ 33,613,648	\$ 28,438,951	\$ 22,401,091
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	\$ 7,744,414	\$ 10,260,932	\$ 9,732,516
Bonds issued in fiscal year	\$ -	\$ -	\$ 17,545,000

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 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. In 1999 the statute was amended to authorize the Authority to issue QZABs 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 23 - 29 in the Notes to the Financial Statements.**

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 project by issuing long-term debt. The range of the commercial paper interest rates are shown below for the fiscal year ended June 30, 2008, as compared to the fiscal years 2007 and 2006. The range of the commercial paper interest rates were a function of the term of the commercial paper and a volatile capital market.

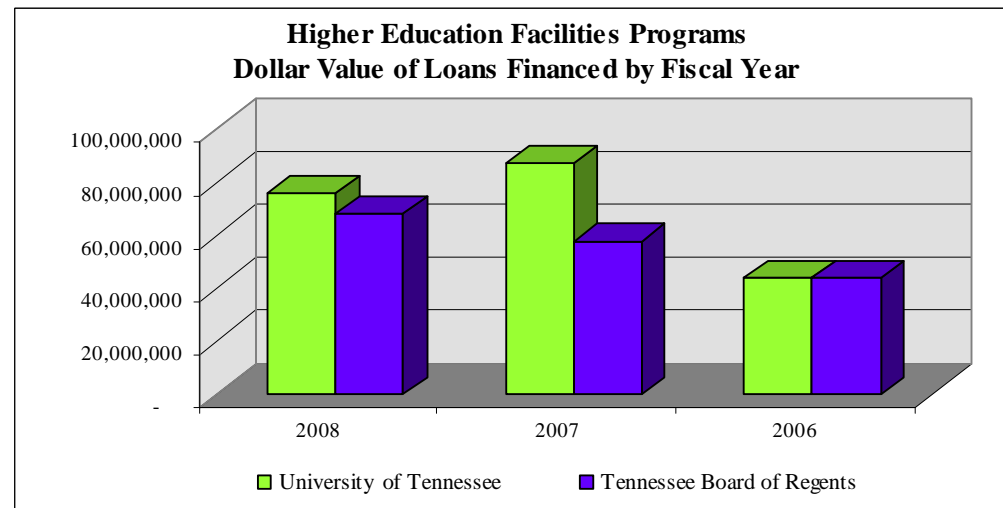
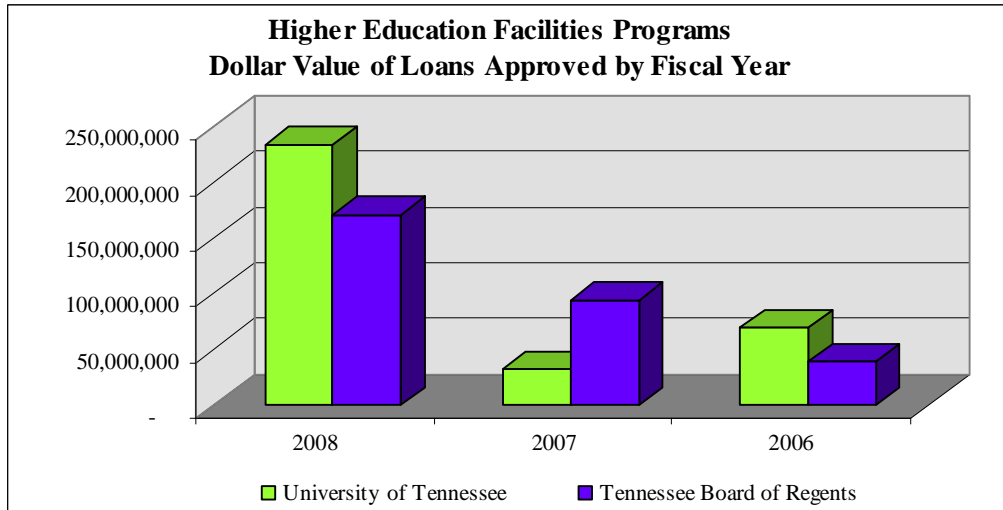
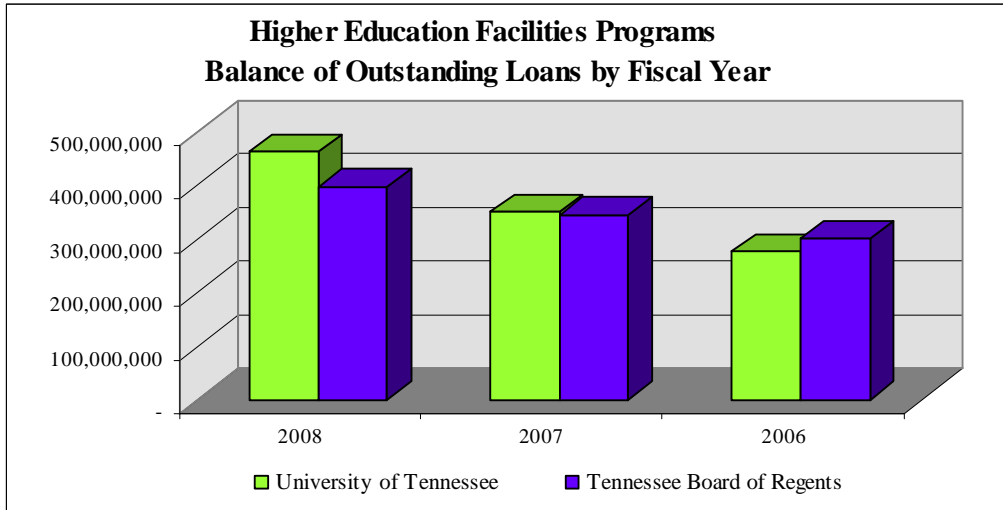
**Higher Education Facilities Programs
Commercial Paper Interest Rates Range**

Fiscal Year	Tax-Exempt		Taxable	
	Low	High	Low	High
2008	0.70%	3.90%	2.45%	5.40%
2007	3.20%	3.85%	5.08%	5.42%
2006	2.10%	3.63%	3.07%	5.00%

During the fiscal year ended June 30, 2008, the Authority amended the Credit Agreement with State Street Bank by increasing the total amount of commercial paper outstanding to \$300,000,000. The Credit Agreement with State Street Bank has an expiry 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, 2008, the Authority has not had to call upon the liquidity facility.

Interest rates on the higher educational facilities long-term fixed-rate tax-exempt bonds range from a low of 2.25% to a high of 5.00% and the interest rates on the higher educational facilities long-term fixed-rate taxable bonds range from a low of 2.80% to a high of 7.15%. By pooling the financing of their capital needs, management believes that economic efficiencies of a single large borrowing administered by one agency is achieved. The creditworthiness of both large and small institutions is homogenized into one credit resulting in a lower cost of borrowing and providing

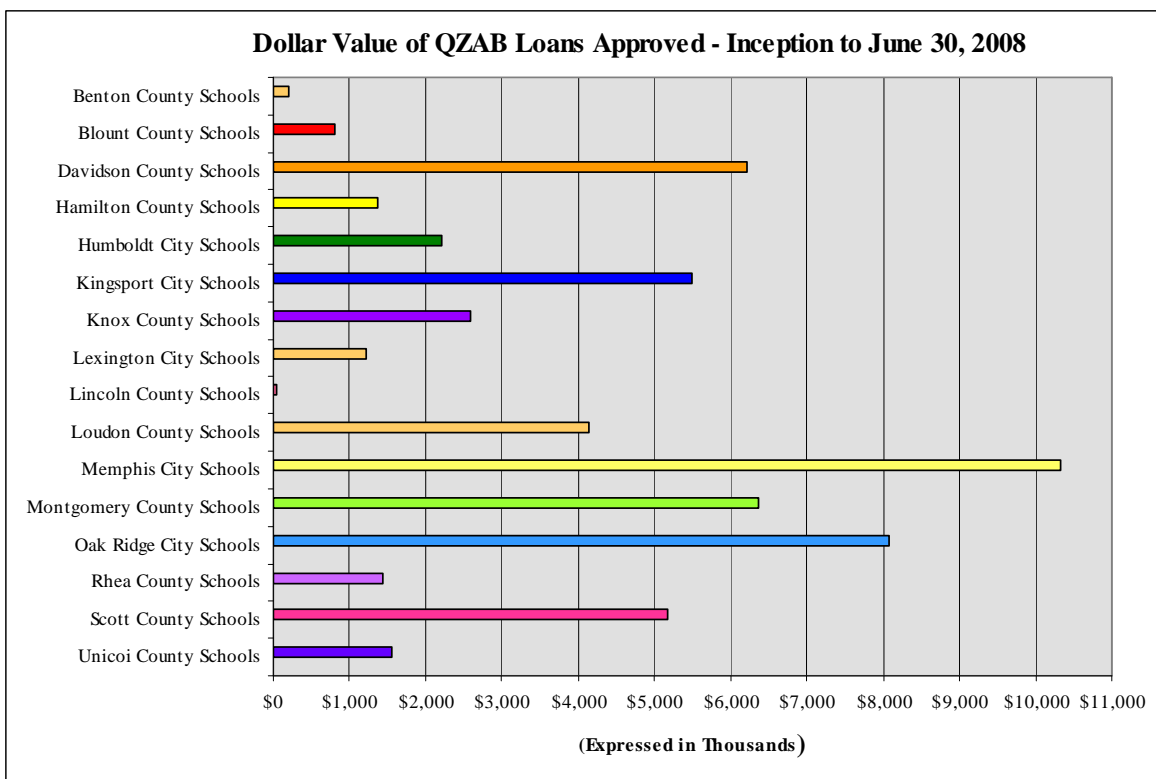
a more equitable cost to students and other users who repay the debt through various user fees and charges and student debt service fees. Additional benefits accrue to the higher education institutions and the two systems by having one point of debt issuance and administration for all institutions of higher education throughout the state.



As of the fiscal year ended June 30, 2008, the Authority's higher education facilities program was rated AA, Aa2, and AA by Fitch, Moody's Investors Service and Standard & Poor's Rating Group, respectively. Moody's commented that the rating reflected the improved prospects for state funding for public higher education in the state and the centralized stewardship of higher education capital and debt programs, combined with the strong fundamental credit quality of the public higher education system in Tennessee. Standard & Poor's cited the reason for the rating was the increasing system revenue fees which provide strong debt service coverage, as well as an improved state funding environment and strong debt management.

Qualified Zone Academy Bond Program. The QZAB program is a capital financing program originally 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.



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 comprise 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 found on **page 13** depict the Authority's financial position at June 30, 2008, and June 30, 2007. The Statements of Revenues, Expenses and Changes in Net Assets found on **page 14** portray the results of operations and the change in net assets for the years presented. The Statements of Cash Flows found 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 goal of the Authority is to provide timely access to the capital markets for qualified educational institutions at the lowest possible cost. The Authority successfully achieved this goal. The Authority frequently entered the short-term market with great success. Likewise, when long-term debt was sold in 2006 and 2008, at competitive sale, 12 syndicates placed bids for the 2008A Bonds and eight syndicates placed bids for the 2006 A and B Bonds. There were no incidents requiring the Authority to draw from the debt service reserve fund or refuse a loan from an applicant due to the inability to obtain capital funding. In the fiscal year ended June 30, 2007, the Authority issued refunding bonds that were sold at a negotiated sale which generated net present value savings of \$3,629,728.

Statements of Net Assets Summary			
(in thousands)			
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current assets	\$ 72,037	\$ 66,939	\$ 139,409
Noncurrent assets	<u>889,627</u>	<u>725,350</u>	<u>599,791</u>
Total assets	<u>961,664</u>	<u>792,289</u>	<u>739,200</u>
Current liabilities	40,670	35,945	35,680
Noncurrent liabilities	<u>913,144</u>	<u>748,787</u>	<u>696,923</u>
Total liabilities	<u>953,814</u>	<u>784,732</u>	<u>732,603</u>
Net assets (unrestricted)	<u>\$ 7,850</u>	<u>\$ 7,557</u>	<u>\$ 6,597</u>
<i>Note: The Authority owns no capital assets.</i>			

Current assets include approximately \$17,800,606 of unexpended bond proceeds and commercial paper at June 30, 2008, that will fund approved loans, as compared to approximately \$15,828,845 at June 30, 2007, and approximately \$97,900,057 at June 30, 2006. 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. During the fiscal year ended June 30, 2007, the Authority issued \$137,710,000 in Higher Education Facilities Second Program Bonds which were used to retire \$28,735,849 of commercial paper proceeds and partially refund a portion of the 1996B, 1996C, 1998A and 2002A bonds with the remainder to fund various costs for the projects involved. The refunding resulted in a net present value savings of \$3,629,728. During the year ended June 30, 2006, the Authority issued \$66,305,000 in Higher Education Facilities Second Program Bonds which were used to retire \$55,474,000 of commercial paper proceeds with the remaining proceeds used to fund various costs needed to complete the projects involved in the bond issue. Principal payments were made on the long-term bonds in the amount of \$30,067,000 in 2008; \$28,497,000 in 2007; \$22,201,000 in 2006. During 2008 the Authority issued \$147,376,000 in new commercial paper and redeemed \$68,342,000. The Authority issued \$131,448,000 in new commercial paper and

redeemed \$96,299,000 during 2007 and issued \$66,000,000 in new commercial paper and redeemed \$11,196,000 during 2006. The Authority also issued \$17,545,000 of Qualified Zone Academy Bonds during the year ended June 30, 2006. There were no QZAB's issued in the fiscal years ended June 30, 2007 and June 30, 2008.

The net assets are available to fund ongoing operations and other expenses necessary to meet the goals of the Authority. The slight increase in the net assets for the year ending 2008 was primarily due to the issuance of the 2008 bonds. The increase in net assets during the year ending 2007 was primarily related to the increase in earnings on the Authority's loans and investments. 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.

Statements of Revenues, Expenses, and Changes in Net Assets Summary (in thousands)			
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating Revenues			
Revenue from loans	\$ 34,991	\$ 30,157	\$ 26,841
Investment earnings	<u>1,356</u>	<u>1,975</u>	<u>1,761</u>
Total operating revenue	<u>36,347</u>	<u>32,132</u>	<u>28,602</u>
Operating Expenses			
Interest expense	33,629	28,496	26,476
Subsidy to borrowers	1,183	1,578	1,440
Other expenses	<u>1,242</u>	<u>1,098</u>	<u>889</u>
Total operating expenses	<u>36,054</u>	<u>31,172</u>	<u>28,805</u>
Operating income (loss) and change in net assets	<u>\$ 293</u>	<u>\$ 960</u>	<u>\$ (203)</u>
<i>Note: The Authority has no non-operating revenues or expenses.</i>			

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. The Authority elected to return the investment income that it earns on funds held by the Trustee and interest earned on unspent bond proceeds as a subsidy 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 (the "SPIF"). SPIF rates for 2008 ranged from 2.25% to 5.29%. Investment earnings related to the QZAB program are held by the Authority for the benefit of the local education agencies and credited to their individual loans annually. Pursuant to the bond resolution for the 2004 and 2005 Series QZABs, sinking fund payments are invested in Forward Delivery Agreements which guarantees 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.

Although there was an increase in total operating revenues, there was a larger increase in total operating expenses to offset it which caused a decrease in operating income and change in net assets between the fiscal years 2008 and 2007. The increase in interest expense due to the increasing interest rates was the primary reason for the increase in operating expenses and the total decrease in operating income and changes in net assets. The increase in operating income and change in net assets between the fiscal years 2007 and 2006 was mostly affected by the Authority's investments and proceeds from the collection on loans earning a higher rate in fiscal year 2007 than in fiscal year 2006. The majority of the investment earnings pertain to the funds invested in the State Pooled Investment Fund which earned at an average interest rate of 5.254% in fiscal year 2007 as compared to an average interest rate of 4.063% in fiscal year 2006. The investment earnings are a function of prevailing market interest rates and the daily invested balance.

Economic and Demographic Factors Affecting 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:

- The advent of the Tennessee Education Lottery Scholarship program allowed more Tennesseans to attend college. In 2008-2009, the Tennessee Lottery will provide an estimated \$266 million in scholarships to more than 88,000 students.
- Tennessee will experience sustained enrollment growth throughout the remainder of the decade as a result of the baby-boom echo. In the next decade, Tennessee may experience a slight increase of around 5% in the number of high school graduates. We anticipate that many of these students will matriculate through Tennessee's higher education system.
- 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.

In the Knowledge Economy, the importance of receiving training beyond high school is significant. In 2006, 23.4 percent of Tennessee's working-age adults held a college degree, compared to the national average of 28.9 percent. In order to reach the average educational attainment levels of the Southern states, Tennessee would need an additional 58,000 citizens with a bachelor's degree or higher, more than double the current annual degree production of the state's public and private institutions. To attain the national average, Tennessee would need an additional 180,000 degreed citizens, or nearly four times its current annual degree production. Furthermore, the percentage of adults in the state with an associate degree or some college in 2006 was 29.9 percent, in comparison with the national average of 37.2 percent. 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.

Qualified Zone Academy Bond Program. As of June 30, 2008, the QZAB program had unused allocations totaling \$17,900,000. Of this amount, \$8,950,000 of the 2006 allocation will expire on December 31, 2008. 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. Also, during the fiscal year ended June 30, 2007, the federal government put in new regulations with changes to the issuance of QZAB bonds and the treatment of arbitrage and rebate. The Authority staff along with the staff of the Department of Education is encouraging local education authorities, cities and counties to take advantage of these interest-free loans.

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 Bond Finance, State of Tennessee, Suite 1600, James K. Polk Building, Nashville, Tennessee 37243-0273, visit our website at www.comptroller.state.tn.us/cpdivbf.htm, or call (615) 401-7872.



BASIC FINANCIAL STATEMENTS



TENNESSEE STATE SCHOOL BOND AUTHORITY
STATEMENTS OF NET ASSETS
JUNE 30, 2008, AND JUNE 30, 2007

(Expressed in Thousands)		
	June 30, 2008	June 30, 2007
ASSETS		
Current assets:		
Cash (Note 2)	\$ 29,121	\$ 30,494
Cash with fiscal agent (Note 2)	3	-
Investments with fiscal agent (Note 2)	14	32
Loans receivable (Note 3)	37,334	31,171
Interest receivable (Note 3)	5,198	4,813
Receivables for administrative fees (Note 3)	367	429
Total current assets	72,037	66,939
Noncurrent assets:		
Restricted cash (Notes 2 and 4)	14,268	15,566
Restricted investments (Notes 2 and 4)	12,012	10,525
Loans receivable (Note 3)	855,957	692,504
Deferred charges	7,390	6,755
Total noncurrent assets	889,627	725,350
Total assets	961,664	792,289
LIABILITIES		
Current liabilities:		
Accounts payable	14	-
Accrued interest payable	5,237	4,983
Unearned revenue (Note 6)	1,693	1,461
Bonds payable (Note 5)	33,726	29,501
Total current liabilities	40,670	35,945
Noncurrent liabilities:		
Unearned revenue (Note 6)	7,301	9,345
Commercial paper payable (Note 5)	243,229	164,195
Bonds payable (Note 5)	662,614	575,247
Total noncurrent liabilities	913,144	748,787
Total liabilities	953,814	784,732
NET ASSETS		
Unrestricted	\$ 7,850	\$ 7,557

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, 2008, AND JUNE 30, 2007

(Expressed in Thousands)

	<u>Year Ended June 30, 2008</u>	<u>Year Ended June 30, 2007</u>
OPERATING REVENUES		
Revenue from loans	\$ 34,991	\$ 30,157
Investment earnings	<u>1,356</u>	<u>1,975</u>
Total operating revenues	<u>36,347</u>	<u>32,132</u>
OPERATING EXPENSES		
Interest expense-commercial paper	6,244	4,405
Interest expense-bonds	27,385	24,091
Subsidy to borrowers	1,183	1,578
Administrative expense	681	663
Amortization of bond issuance costs	<u>561</u>	<u>435</u>
Total operating expenses	<u>36,054</u>	<u>31,172</u>
Operating income and change in net assets	293	960
Net assets, July 1	<u>7,557</u>	<u>6,597</u>
Net assets, June 30	<u><u>\$ 7,850</u></u>	<u><u>\$ 7,557</u></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, 2008 AND JUNE 30, 2007

(Expressed in Thousands)

	Year Ended June 30, 2008	Year Ended June 30, 2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from borrowers for administrative fees	\$ 432	\$ 392
Payment to suppliers	(667)	(682)
Receipts from borrowers to the interest rate reserve fund	624	541
Payments to borrowers from the interest rate reserve fund	(263)	(427)
Net cash provided by (used in) operating activities	<u>126</u>	<u>(176)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from sale of bonds	120,780	48,264
Proceeds from sale of refunding bonds	-	95,929
Proceeds from sale of commercial paper	147,376	131,448
Bond issuance costs paid	(213)	(291)
Refunding bond proceeds placed in escrow	-	(95,881)
Principal paid - bonds and commercial paper	(98,409)	(124,796)
Interest paid - bonds and commercial paper	(33,280)	(27,473)
Subsidy to borrowers	(1,289)	(1,621)
Net cash provided by noncapital financing activities	<u>134,965</u>	<u>25,579</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(18,544)	(11,950)
Proceeds from sales and maturities of investments	17,288	12,608
Interest received on investments	1,458	1,719
Loans issued	(207,680)	(157,854)
Loan escrow paid	1,637	(130)
Collections of loan principal	35,323	32,701
Interest received on loans	32,759	27,546
Net cash used in investing activities	<u>(137,759)</u>	<u>(95,360)</u>
Net (decrease) in cash	<u>(2,668)</u>	<u>(69,957)</u>
Cash, July 1	<u>46,060</u>	<u>116,017</u>
Cash, June 30	<u>\$ 43,392</u>	<u>\$ 46,060</u>

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TENNESSEE STATE SCHOOL BOND AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007

(Expressed in Thousands)

Reconciliation of cash to the Statement of Net Assets:

Cash	\$ 29,121	\$ 30,494
Cash with fiscal agent	3	-
Restricted cash	<u>14,268</u>	<u>15,566</u>
Cash, June 30	<u>\$ 43,392</u>	<u>\$ 46,060</u>

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

Operating income	<u>\$ 293</u>	<u>\$ 960</u>
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Amortization of bond issuance costs	561	435
Investment earnings	(1,328)	(1,975)
Interest expense	33,629	28,496
Subsidy to borrowers	1,183	1,578
Interest income from loans	(34,399)	(29,719)
Changes in assets and liabilities:		
(Increase) in receivables for administrative fees	(61)	(46)
(Increase) decrease in payables for administrative fees	30	(19)
Increase in unearned revenue	<u>218</u>	<u>114</u>
Total adjustments	<u>(167)</u>	<u>(1,136)</u>
Net cash provided by (used in) operating activities	<u>\$ 126</u>	<u>\$ (176)</u>

Noncash financing activities:

Accretion of capital appreciation bonds	\$ 482	\$ 631
Bond issuance costs	<u>(1,833)</u>	<u>(6,077)</u>
Total noncash financing activities	<u>\$ (1,351)</u>	<u>\$ (5,446)</u>

Noncash investing activities:

Increase (decrease) in fair value of investments	<u>\$ (22)</u>	<u>\$ 29</u>
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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, 2008, and June 30, 2007

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. In addition, during 1999, the General Assembly empowered the Authority to issue Qualified Zone Academy Bonds (QZABs) for financing improvement projects to local education agencies pursuant to the federal program authorized in the Taxpayer Relief Act of 1997.

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 and, 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 goods in connection with principal ongoing operations. The Authority's principal operation is to provide loans to higher educational facilities and to local government units pursuant to the criteria set by the federal government for the QZAB program. 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 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.

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2008, and June 30, 2007

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 education agencies. 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 education agencies 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.

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 and the Qualified Zone

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2008, and June 30, 2007

Academy Bonds First Program Resolution of the Tennessee State School Bond Authority, pursuant to *Tennessee Code Annotated*, Section 49-3-1205, can be invested 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 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 administered by the State Treasurer. The fund's investment policy and required risk disclosures are presented in the *Tennessee Comprehensive Annual Financial Report* for the years ended June 30, 2008, and June 30, 2007. The report is posted on the State's website at <http://tennessee.gov/finance/act/cafr.html> or may be obtained by writing to the Tennessee Department of Finance and Administration, Division of Accounts, 14th Floor William R. Snodgrass Tennessee Tower, 312 Rosa L. Parks Avenue, Nashville, Tennessee 37243-1102, or by calling (615) 741-2140.

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.

Investments

As of June 30, 2008, the Authority had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
U.S. Treasury Bills	October 31, 2008	\$ 2,945,418
	December 8, 2008	1,873,943
	July 28, 2008	1,971,164
U.S. Treasury Securities:		
State and Local Government Series		<u>5,238,550</u>
Total Investments		<u>\$12,029,075</u>

As of June 30, 2008, 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 \$819,074 of the Higher Education borrower's debt.

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2008, and June 30, 2007

As of June 30, 2007, the Authority had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
U.S. Treasury Bills	October 25, 2007	\$ 3,025,361
	December 6, 2007	911,398
U.S. Treasury Securities: State and Local Government Series	July 26, 2007	1,285,871
		<u>5,334,802</u>
Total Investments		<u>\$10,557,432</u>

As of June 30, 2007, 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 \$915,326 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, 2008, and June 30, 2007, the Authority's investments were in U.S. Government obligations which are not considered to have credit risk.

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, 2008, and June 30, 2007, 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, 2008, and June 30, 2007, 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

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2008, and June 30, 2007

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, 2008, there is \$1,971,164 invested through the Agreement. As of June 30, 2007, there was \$1,285,871 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, 2008, there is \$1,873,943 invested through the Agreement. As of June 30, 2007, there was \$911,398 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.

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 6/30/08	\$1,971,164	\$1,873,943
Amount Invested in		
Agreement at 6/30/07	\$1,285,871	\$911,398
Date of Deposits	Nov. 24, 2005 through 2020	Dec. 8, 2006 through 2020

For the fiscal year ended June 30, 2008, the Forward Delivery Agreement for the 2004 QZAB bonds had a negative fair value of (\$1,146,275) and the Forward Delivery Agreement for the 2005 QZAB bonds had a negative fair value of (\$1,084,696). For the fiscal year ended June 30, 2007, the Forward Delivery Agreement for the 2004 QZAB bonds had a negative fair value of (\$1,517,769) and the Forward Delivery Agreement for the 2005 QZAB bonds had a negative fair value of (\$1,575,357). The Authority did not enter into these agreements as interest rate hedges. 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.

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2008, and June 30, 2007

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 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, 2008, the fair value of the State's Forward Delivery Agreements has a total negative value of (\$2,230,971). As of June 30, 2007, the fair value of the State's Forward Delivery Agreement had a total negative value of (\$3,093,126). 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 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, the borrower makes an annual principal payment into a bond sinking fund held by the State Treasurer that will pay the bonds at maturity.

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2008, and June 30, 2007

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.

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 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 Bonds; 2006 Series A and B Bonds; 2007 Series A, B and C; and 2008 Series A.

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

NOTE 5. DEBT PAYABLE

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 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 QZABs program. The

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2008, and June 30, 2007

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 education agencies and by certain funds held under the Qualified Zone Academy Bond Resolution. The Authority has no taxing power. Furthermore, the State of Tennessee shall not be liable on the bonds and the bonds shall not be a debt of the State of Tennessee.

Changes in debt payable for the year ended June 30, 2008, and 2007 are as follows (expressed in thousands):

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Amounts Due Within One Year
Commercial paper	\$ 164,195	\$ 147,376	\$ 68,342	\$ 243,229	\$ -
Bonds payable	\$ 607,933	\$ 119,012	\$ 30,067	\$ 696,878	\$ 33,726
Less: unamortized bond discount	(560)	-	(69)	(491)	-
Add: unamortized bond premium	18,895	2,619	1,121	20,393	-
Less: unamortized deferred amount on refundings	(21,521)	-	(1,081)	(20,440)	-
Total bonds payable	<u>\$ 604,747</u>	<u>\$ 121,631</u>	<u>\$ 30,038</u>	<u>\$ 696,340</u>	<u>\$ 33,726</u>

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Amounts Due Within One Year
Commercial paper	\$ 129,046	\$ 131,448	\$ 96,299	\$ 164,195	\$ -
Bonds payable	\$ 589,104	\$ 138,341	\$ 119,512	\$ 607,933	\$ 29,501
Less: unamortized bond discount	(854)	-	(294)	(560)	-
Add: unamortized bond premium	12,927	7,228	1,260	18,895	-
Less: unamortized deferred amount on refundings	(18,362)	(4,292)	(1,133)	(21,521)	-
Total bonds payable	<u>\$ 582,815</u>	<u>\$ 141,277</u>	<u>\$ 119,345</u>	<u>\$ 604,747</u>	<u>\$ 29,501</u>

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2008, and June 30, 2007

Additions to bonds payable include accretion of interest in the amount of \$482,301 in 2008 and \$630,632 in 2007.

Bonds and commercial paper payable at June 30, 2008, and June 30, 2007, are as follows (expressed in thousands):

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Bonds Payable:		
1976 Series B at an interest rate of 3.0% maturing to 2011 (original par - \$6,037)	\$ 532	\$ 699
1989 College Saver Bonds with a yield of 6.9% maturing to 2010 (at accreted value); (original principal - \$21,935)	5,046	7,324
1998 Series A at an interest rate of 4.30% maturing to 2008 (original par - \$54,865); see additional disclosures regarding the 2007 advance refunding	0	1,690
1998 Series B (Federally Taxable) at an interest rate of 5.90% maturing to 2009 (original - par \$15,460)	390	755
1998 Refunding Series C at an interest rate of 4.20% maturing to 2008 (original par - \$48,735)	0	1,460
1998 Refunding Series D at interest rates from 4.25% to 4.85% maturing to 2021 (original par - \$33,540)	18,130	19,265
2000 Series A at interest rates from 4.700% to 5.125% maturing to 2010 (original par - \$70,680)	4,395	6,440
2000 Series B (Federally Taxable) at an interest rate of 7.15% maturing to 2010 (original par - \$33,730)	5,445	7,890
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	17,550	21,410
2004 Series A at interest rates from 2.25% to 4.50% maturing to 2026 (original par - \$67,965)	60,855	64,030
2004 Series B at interest rates from 2.25% to 4.50% maturing to 2034 (original par - \$60,575)	53,125	55,120
2004 Series C (Federally Taxable) at interest rates from 3.10% to 5.50% maturing to 2034 (original par - \$37,230)	33,930	35,030
2005 Series A at interest rates from 3.25% to 5.00% maturing to 2030 (original par - \$100,540)	100,540	100,540

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2008, and June 30, 2007

2005 Series B (Federally Taxable) at interest rates from 4.15% to 4.88% maturing to 2028 (original par - \$30,960)	30,960	30,960
2006 Series A at interest rates from 4.00% to 4.60% maturing to 2036 (original par - \$53,820)	50,095	51,805
2006 Series B at an interest rate of 4.00% maturing to 2011 (original par - \$12,485)	6,680	9,600
2007 Series A at interest rates from 4.00% to 5.00% maturing to 2036 (original par - \$33,730)	32,070	33,060
2007 Series B (Federally Taxable) at interest rates from 5.243% to 5.666% maturing to 2036 (original par - \$14,040)	13,215	13,705
2007 Series C at interest rates from 4.00% to 5.00% maturing to 2032 (original par - \$89,940)	88,595	89,940
2008 Series A at interest rates from 3.25% to 5.00% maturing to 2037 (original par - \$118,530)	118,115	0
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
Total Par Amount of Bonds Payable	696,878	607,933
Plus Unamortized Premium/Less Unamortized Discount	19,902	18,335
Bonds Payable Net of Unamortized Premium/ Discount	716,780	626,268
Less: Deferred Amount on Refundings	(20,440)	(21,521)
Net Bonds Payable	\$ 696,340	\$ 604,747
Commercial paper, at interest rates from 0.70% to 5.40%	\$ 243,229	\$ 164,195

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2008, and June 30, 2007

Debt service requirements to maturity of the bonds payable at June 30, 2008, are as follows (expressed in thousands):

For the Year(s) Ending June 30	Principal	Interest	Total
2009	\$ 32,909	\$ 29,808	\$ 62,717
2010	34,217	28,586	62,803
2011	42,940	25,075	68,015
2012	29,130	23,915	53,045
2013	28,350	22,781	51,131
2014-2018	159,257	95,427	254,684
2019-2023	175,511	63,630	239,141
2024-2028	120,873	33,169	154,042
2029-2033	73,127	12,000	85,127
2034-2037	16,855	1,657	18,512
	\$ 713,169	\$ 336,048	\$ 1,049,217

The above principal for bonds is more than that presented on the accompanying financial statements by \$16.829 million. Of this amount, \$3.611 million represents accretion to date on the unmatured portion of the 1989 College Saver Bonds. This accretion has been reported as bond principal in the accompanying financial statements. In the debt service schedule above, however, it has been reported as interest in the years (2008-2011) in which the bonds mature. The \$16.829 million also includes \$20.440 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, 2008, the Authority paid arbitrage liabilities in the amount of \$41,499 on the 2004 Series B Bonds. At June 30, 2008 and June 30, 2007, the Authority did not have a liability for arbitrage.

On January 31, 2008, the Authority issued the 2008 Series A Bonds. The 2008 Series A tax-exempt bond proceeds in the amount of \$118,530,000 were issued to redeem \$64,927,000 of the Authority's tax-exempt commercial paper. The balance of the proceeds of the 2008 Series A was used to pay for new construction projects and various costs of issuance.

On January 23, 2007, the Authority issued three new series of bonds, 2007 Series A, B and C. The 2007 Series A tax-exempt bond proceeds in the amount of \$33,730,000 were issued to redeem \$25,183,588 of the Authority's tax-exempt commercial paper and the 2007 Series B taxable bond proceeds in the amount of \$14,040,000 were issued to redeem \$3,552,261 of the Authority's taxable commercial paper. The balance of the proceeds of the 2007 Series A and B was used to pay for new construction projects and various costs of issuance. The 2007 Series C tax-exempt bond proceeds in

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2008, and June 30, 2007

the amount of \$89,940,000 were issued to current refund \$4,940,000 of the 1996 Series B bonds and \$4,045,000 of the 1996 Series C and to advance refund \$19,970,000 aggregate principal amount of the 1998 Series A bonds and \$62,060,000 aggregate principal amount of the 2002 Series A bonds. The 2007 Series C refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$4,292,157. This amount is reported as a deduction from bonds payable and is being charged to operations through the year 2032. The 2007 Series C refunding resulted in a reduction of total debt service payments of \$5,678,795 over the next 26 years and an economic gain (difference between the present values of the old and new debt service payments) of \$3,747,405. The funds provided for the advance refundings were placed in irrevocable refunding trust funds to pay the interest on the refunded bonds on each interest payment date to and including the respective redemption date and on the respective redemption the redemption price then due on the refunded bonds

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, 2008, \$224,755,000 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, 2008, \$185,404,000 of tax-exempt commercial paper and \$57,825,000 of taxable commercial paper was outstanding. At June 30, 2007, \$150,607,000 of tax-exempt commercial paper and \$13,588,000 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 0.70% to 5.40% during the fiscal year. Interest is payable upon maturity.

During the fiscal year ended, June 30, 2008, the Authority increased the maximum amount of commercial paper permitted to be outstanding to \$350,000,000. However, under the current Credit Agreement with State Street Bank and Trust Company, the maximum amount of outstanding commercial paper is \$300,000,000, with a total available commitment of \$304,593,750.

During the fiscal year ended, June 30, 2007, the Authority changed liquidity providers from WestLB to State Street Bank and Trust Company under a Credit Agreement with an expiry date of March 30, 2014, subject to extension and earlier termination. The total available commitment is \$253,828,125. 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

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2008, and June 30, 2007

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.

NOTE 6. UNEARNED REVENUE

Changes in unearned revenue for the year ended June 30, 2008, and 2007, are as follows (expressed in thousands):

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Interest rate reserve fund	\$ 693	\$ 624	\$ 263	\$ 1,054
Other unearned revenue	10,113	154	2,326	7,941
Total unearned revenue	<u>\$ 10,806</u>	<u>\$ 778</u>	<u>\$ 2,589</u>	<u>\$ 8,995</u>

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Interest rate reserve fund	\$ 579	\$ 541	\$ 427	\$ 693
Other unearned revenue	13,238	4,682	7,807	10,113
Total unearned revenue	<u>\$ 13,817</u>	<u>\$ 5,223</u>	<u>\$ 8,234</u>	<u>\$ 10,806</u>

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2008, and June 30, 2007

Unearned revenue at June 30, 2008, and June 30, 2007, is as follows (expressed in thousands):

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Interest Rate Reserve Fund	\$ 1,054	\$ 693
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 A bonds; amortized through 2008	-	32
1998 Series B bonds; amortized through 2009	4	9
1998 Series C bonds; amortized through 2008	-	23
1998 Series D bonds, which was an advance refunding of the 1992 Series A bonds; amortized through 2021	1,798	1,938
1999 Qualified Zone Academy Bonds; amortized through 2012	123	172
2000 Series A bonds; amortized through 2010	50	75
2000 Series B bonds; amortized through 2010	33	49
2001 Qualified Zone Academy Bonds; amortized through 2016	157	178
2002 Series A bonds; amortized through 2012	145	181
2003 Qualified Zone Academy Bonds; amortized through 2019	84	93
2004 Series A bonds; amortized through 2026	3,920	4,141
2004 Series B bonds; amortized through 2034	(1,312)	(1,363)
2004 Series C bonds; amortized through 2034	416	433
2004 Qualified Zone Academy Bonds; amortized through 2020	67	73
2005 Series A bonds; amortized through 2030	79	82
2005 Series B bonds; amortized through 2028	3,858	4,051
2005 Qualified Zone Academy Bonds; amortized through 2021	460	515

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2008, and June 30, 2007

2006 Series A bonds, amortized through 2021	629	678
2006 Series B bonds, amortized through 2011	30	41
2007 Series A bonds; amortized through 2026	(375)	(397)
2007 Series B bonds; amortized through 2036	137	142
2007 Series C bonds; amortized through 2032	(1,014)	(1,057)
2008 Series A bonds; amortized through 2027	(1,373)	-
Other unearned revenue	25	24
Total	\$ 8,995	\$ 10,806

NOTE 7. SUBSEQUENT EVENTS

On November 12, 2008, the Authority had outstanding \$230,172,000 in tax-exempt commercial paper and \$69,825,000 in taxable commercial paper. Between June 30, 2008, and November 12, 2008, the Authority has issued \$56,768,000 in commercial paper to pay construction expenditures.



SUPPLEMENTARY SCHEDULES



TENNESSEE STATE SCHOOL BOND AUTHORITY
SUPPLEMENTARY SCHEDULES OF NET ASSETS - PROGRAM LEVEL
JUNE 30, 2008, AND JUNE 30, 2007

(Expressed in Thousands)

	June 30, 2008			June 30, 2007		
	Higher Education Facilities Programs	Qualified Zone Academy Bonds Program	Total	Higher Education Facilities Programs	Qualified Zone Academy Bonds Program	Total
ASSETS						
Current assets:						
Cash	\$ 27,883	\$ 1,238	\$ 29,121	\$ 23,770	\$ 6,724	\$ 30,494
Cash with fiscal agent	3	-	3	-	-	-
Investments with fiscal agent	-	14	14	32	-	32
Loans receivable	33,628	3,706	37,334	29,406	1,765	31,171
Interest receivable	5,183	15	5,198	4,797	16	4,813
Receivables for administrative fees	357	10	367	418	11	429
Total current assets	67,054	4,983	72,037	58,423	8,516	66,939
Noncurrent assets:						
Restricted cash	6	14,262	14,268	5	15,561	15,566
Restricted investments	3,762	8,250	12,012	3,908	6,617	10,525
Loans receivable	826,049	29,908	855,957	665,830	26,674	692,504
Deferred charges	6,611	779	7,390	5,869	886	6,755
Total noncurrent assets	836,428	53,199	889,627	675,612	49,738	725,350
Total assets	903,482	58,182	961,664	734,035	58,254	792,289
LIABILITIES						
Current liabilities:						
Accounts payable	14	-	14	-	-	-
Accrued interest payable	5,237	-	5,237	4,983	-	4,983
Unearned revenue	1,584	109	1,693	1,353	108	1,461
Bonds payable	33,726	-	33,726	29,501	-	29,501
Total current liabilities	40,561	109	40,670	35,837	108	35,945
Noncurrent liabilities:						
Unearned revenue	6,519	782	7,301	8,423	922	9,345
Commercial paper payable	243,229	-	243,229	164,195	-	164,195
Bonds payable	605,459	57,155	662,614	518,104	57,143	575,247
Total noncurrent liabilities	855,207	57,937	913,144	690,722	58,065	748,787
Total liabilities	895,768	58,046	953,814	726,559	58,173	784,732
NET ASSETS						
Unrestricted	\$ 7,714	\$ 136	\$ 7,850	\$ 7,476	\$ 81	\$ 7,557

TENNESSEE STATE SCHOOL BOND AUTHORITY
SUPPLEMENTARY SCHEDULES OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS - PROGRAM LEVEL
FOR THE YEARS ENDED JUNE 30, 2008, AND JUNE 30, 2007

(Expressed in Thousands)						
	Year ended June 30, 2008			Year ended June 30, 2007		
	Higher Education Facilities Programs	Qualified Zone Academy Bonds Program	Total	Higher Education Facilities Programs	Qualified Zone Academy Bonds Program	Total
OPERATING REVENUES						
Revenue from loans	\$ 34,834	\$ 157	\$ 34,991	\$ 30,048	\$ 109	\$ 30,157
Investment earnings	1,298	58	1,356	1,973	2	1,975
Total operating revenues	<u>36,132</u>	<u>215</u>	<u>36,347</u>	<u>32,021</u>	<u>111</u>	<u>32,132</u>
OPERATING EXPENSES						
Interest expense-commercial paper	6,244	-	6,244	4,405	-	4,405
Interest expense-bonds	27,372	13	27,385	24,078	13	24,091
Subsidy to borrowers	1,183	-	1,183	1,578	-	1,578
Administrative expense	641	40	681	649	14	663
Amortization of bond issuance costs	454	107	561	364	71	435
Total operating expenses	<u>35,894</u>	<u>160</u>	<u>36,054</u>	<u>31,074</u>	<u>98</u>	<u>31,172</u>
Operating income and change in net assets	238	55	293	947	13	960
Net assets, July 1	<u>7,476</u>	<u>81</u>	<u>7,557</u>	<u>6,529</u>	<u>68</u>	<u>6,597</u>
Net assets, June 30	<u>\$ 7,714</u>	<u>\$ 136</u>	<u>\$ 7,850</u>	<u>\$ 7,476</u>	<u>\$ 81</u>	<u>\$ 7,557</u>

TENNESSEE STATE SCHOOL BOND AUTHORITY
SUPPLEMENTARY SCHEDULES OF CASH FLOWS - PROGRAM LEVEL
FOR THE YEARS ENDED JUNE 30, 2008, AND JUNE 30, 2007

(Expressed in Thousands)

	Year ended June 30, 2008			Year ended June 30, 2007		
	Higher Education Facilities Programs	Qualified Zone Academy Bonds Program	Total	Higher Education Facilities Programs	Qualified Zone Academy Bonds Program	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from borrowers for administrative fees	\$ 418	\$ 14	\$ 432	\$ 375	\$ 17	\$ 392
Payment to suppliers	(627)	(40)	(667)	(668)	(14)	(682)
Receipts from borrowers to the interest rate reserve fund	624	-	624	541	-	541
Payments to borrowers from the interest rate reserve fund	(263)	-	(263)	(427)	-	(427)
Net cash provided by (used in) operating activities	152	(26)	126	(179)	3	(176)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Proceeds from sale of bonds	120,780	-	120,780	48,264	-	48,264
Proceeds from sale of refunding bonds	-	-	-	95,929	-	95,929
Proceeds from sale of commercial paper	147,376	-	147,376	131,448	-	131,448
Bond issuance costs paid	(213)	-	(213)	(291)	-	(291)
Refunding bond proceeds placed in escrow	-	-	-	(95,881)	-	(95,881)
Principal paid - bonds and commercial paper	(98,409)	-	(98,409)	(124,796)	-	(124,796)
Interest paid - bonds and commercial paper	(33,280)	-	(33,280)	(27,473)	-	(27,473)
Subsidy to borrowers	(1,289)	-	(1,289)	(1,621)	-	(1,621)
Net cash provided by noncapital financing activities	134,965	-	134,965	25,579	-	25,579
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of investments	(7,740)	(10,804)	(18,544)	(10,383)	(1,567)	(11,950)
Proceeds from sales and maturities of investments	8,102	9,186	17,288	12,608	-	12,608
Interest received on investments	1,183	275	1,458	1,719	-	1,719
Loans issued	(199,936)	(7,744)	(207,680)	(145,269)	(12,585)	(157,854)
Loan escrow paid	(130)	1,767	1,637	(130)	-	(130)
Collections of loan principal	34,535	788	35,323	28,297	4,404	32,701
Interest received on loans	32,986	(227)	32,759	27,545	1	27,546
Net cash used in investing activities	(131,000)	(6,759)	(137,759)	(85,613)	(9,747)	(95,360)
Net increase (decrease) in cash	4,117	(6,785)	(2,668)	(60,213)	(9,744)	(69,957)
Cash, July 1	23,775	22,285	46,060	83,988	32,029	116,017
Cash, June 30	\$ 27,892	\$ 15,500	\$ 43,392	\$ 23,775	\$ 22,285	\$ 46,060
Reconciliation of cash to the Statement of Net Assets:						
Cash	\$ 27,883	\$ 1,238	\$ 29,121	\$ 23,770	\$ 6,724	\$ 30,494
Cash with fiscal agent	3	-	3	-	-	-
Restricted cash	6	14,262	14,268	5	15,561	15,566
Cash, June 30	\$ 27,892	\$ 15,500	\$ 43,392	\$ 23,775	\$ 22,285	\$ 46,060
Reconciliation of operating income to net cash provided by (used in) operating activities:						
Operating income	\$ 238	\$ 55	\$ 293	\$ 947	\$ 13	\$ 960
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:						
Amortization of bond issuance costs	454	107	561	364	71	435
Investment earnings	(1,298)	(30)	(1,328)	(1,973)	(2)	(1,975)
Interest expense	33,616	13	33,629	28,483	13	28,496
Subsidy to borrowers	1,183	-	1,183	1,578	-	1,578
Interest income from loans	(34,371)	(28)	(34,399)	(29,627)	(92)	(29,719)
Changes in assets and liabilities:						
(Increase) in receivables for administrative fees	(61)	-	(61)	(46)	-	(46)
(Increase) decrease in payables for administrative fees	30	-	30	(19)	-	(19)
Increase (decrease) in unearned revenue	361	(143)	218	114	-	114
Total adjustments	(86)	(81)	(167)	(1,126)	(10)	(1,136)
Net cash provided by (used in) operating activities	\$ 152	\$ (26)	\$ 126	\$ (179)	\$ 3	\$ (176)
Noncash financing activities:						
Accretion of capital appreciation bonds	\$ 482	\$ -	\$ 482	\$ 631	\$ -	\$ 631
Bond issuance costs	(1,833)	-	(1,833)	(6,077)	-	(6,077)
Total noncash financing activities	\$ (1,351)	\$ -	\$ (1,351)	\$ (5,446)	\$ -	\$ (5,446)
Noncash investing activities:						
Increase (decrease) in fair value of investments	\$ (22)	\$ -	\$ (22)	\$ 29	\$ -	\$ 29



STATISTICAL SECTION



**TENNESSEE STATE SCHOOL BOND AUTHORITY
SCHEDULES OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
FOR FISCAL YEARS 2001 TO 2007**

(Expressed in Thousands)

	For the Year Ended							
	<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	\$ 34,991	\$ 30,157	\$ 26,841	\$ 27,027	\$ 22,956	\$ 24,927	\$ 21,553	\$ 21,712
Investment earnings	1,356	1,975	1,761	1,138	423	781	1,056	2,624
Total operating revenues	<u>36,347</u>	<u>32,132</u>	<u>28,602</u>	<u>28,165</u>	<u>23,379</u>	<u>25,708</u>	<u>22,609</u>	<u>24,336</u>
OPERATING EXPENSES								
Interest expense-commercial paper	6,244	4,405	3,482	939	515	353	1,177	3,365
Interest expense-bonds	27,385	24,091	22,994	24,916	21,758	24,092	19,988	17,240
Subsidy to borrowers	1,183	1,578	1,440	847	340	2,382	811	1,655
Administrative expense	681	663	539	548	527	457	545	644
Amortization of bond issuance costs	561	435	350	295	229	205	164	135
Total operating expenses	<u>36,054</u>	<u>31,172</u>	<u>28,805</u>	<u>27,545</u>	<u>23,369</u>	<u>27,489</u>	<u>22,685</u>	<u>23,039</u>
Operating income (loss) and change in net assets	293	960	(203)	620	10	(1,781)	(76)	1,297
Net assets, July 1	<u>7,557</u>	<u>6,597</u>	<u>6,800</u>	<u>6,180</u>	<u>6,170</u>	<u>7,951</u>	<u>8,027</u>	<u>6,730</u>
Net assets, June 30	<u>\$ 7,850</u>	<u>\$ 7,557</u>	<u>\$ 6,597</u>	<u>\$ 6,800</u>	<u>\$ 6,180</u>	<u>\$ 6,170</u>	<u>\$ 7,951</u>	<u>\$ 8,027</u>

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2001 - 2008 are available.

**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	Total
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
2000	343,643	-	343,643
1999	457,342	-	457,342

Note: The first QZAB loan was made in fiscal year 2000.

**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	Total
	Bonds	Commercial Paper	QZAB Bonds		
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
2000	258,651	102,700	13,163		374,514
1999	329,562	162,050	-		491,612

Note: QZAB bonds were obtained in fiscal year 2000.

STATE OF TENNESSEE
SCHEDULE OF FEES/CHARGES, LEGISLATIVE APPROPRIATIONS AND DEBT SERVICE
COMPONENT UNITS
COLLEGE AND UNIVERSITY FUNDS ¹
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 Requirements (Non Authority)	Debt Service Requirements ³ (Authority Bonds)
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
2000	410,086	375,872	21	24,431
1999	622,109	373,207	21	28,657

AUSTIN PEAY STATE UNIVERSITY

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Prior and Subordinate Debt Service Requirements (Non Authority)	Debt Service Requirements ³ (Authority Bonds)
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
2000	28,387	28,001	48	651
1999	23,188	27,444	48	672

EAST TENNESSEE STATE UNIVERSITY

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Prior and Subordinate Debt Service Requirements (Non Authority)	Debt Service Requirements ³ (Authority Bonds)
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
2000	64,386	72,837	258	1,743
1999	64,652	70,814	-	1,588

MIDDLE TENNESSEE STATE UNIVERSITY

<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>
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
2000	78,317	73,273	-	3,357
1999	70,530	70,576	-	1,872

TENNESSEE STATE UNIVERSITY

<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>
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
2000	52,156	36,337	66	1,470
1999	46,423	35,597	66	1,257

TENNESSEE TECHNOLOGICAL UNIVERISTY

<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>
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
2000	33,791	38,938	-	1,075
1999	31,616	39,259	-	1,145

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STATE OF TENNESSEE
SCHEDULE OF FEES/CHARGES, LEGISLATIVE APPROPRIATIONS AND DEBT SERVICE
COMPONENT UNITS
COLLEGE AND UNIVERSITY FUNDS
FOR THE LAST TEN 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>
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
2000	102,186	94,289	-	3,054
1999	93,593	93,576	-	2,991

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>
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
2000	11,074	20,234	72	-
1999	10,453	19,602	69	-

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>
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	-	-
2000	3,726	8,843	-	-
1999	3,484	8,519	-	-

COLUMBIA 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>
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	-	-
2000	6,836	10,675	-	-
1999	6,615	10,143	-	-

DYERSBURG 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>
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	-	-
2000	2,918	5,666	-	-
1999	2,859	5,466	-	-

JACKSON 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>
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	-	-
2000	6,376	9,417	-	-
1999	5,809	9,028	-	-

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STATE OF TENNESSEE
SCHEDULE OF FEES/CHARGES, LEGISLATIVE APPROPRIATIONS AND DEBT SERVICE
COMPONENT UNITS
COLLEGE AND UNIVERSITY FUNDS
FOR THE LAST TEN 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>
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	-	-
2000	4,120	8,094	-	-
1999	3,886	7,790	-	-

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>
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	-	-
2000	7,474	11,655	-	-
1999	6,816	11,092	-	-

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>
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	-	-
2000	5,111	8,946	-	-
1999	4,764	8,629	-	-

PELLISSIPPI 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>
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	-	-
2000	11,429	17,062	131	-
1999	10,827	16,549	114	-

ROANE 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>
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	-	-
2000	7,565	14,879	-	-
1999	6,940	14,254	-	-

SOUTHWEST TENNESSEE 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>
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
2000	10,838	18,464	-	56
1999	9,991	18,527	-	-

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STATE OF TENNESSEE
SCHEDULE OF FEES/CHARGES, LEGISLATIVE APPROPRIATIONS AND DEBT SERVICE
COMPONENT UNITS
COLLEGE AND UNIVERSITY FUNDS
FOR THE LAST TEN YEARS

(Expressed in Thousands)

VOLUNTEER 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>
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	-	-
2000	7,067	14,853	-	-
1999	6,901	14,233	-	-

WALTERS 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>
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	-	-
2000	9,001	14,767	-	-
1999	8,408	14,265	-	-

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.

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

(Expressed in Thousands)

UNIVERSITY OF TENNESSEE

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Annual Financing Chrgs and Admin Fees ^{3,4}	Coverage By:	
				Fees & Charges	Fees, Charges, & Appropriations
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
2000	410,086	375,872	16,876	24.30 X	46.57 X
1999	622,109	373,207	24,589	25.30 X	40.48 X

AUSTIN PEAY STATE UNIVERSITY

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Annual Financing Chrgs and Admin Fees ^{3,4}	Coverage By:	
				Fees & Charges	Fees, Charges, & Appropriations
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	621	62.73 X	111.82 X
2001	31,087	28,051	623	49.90 X	94.92 X
2000	28,387	28,001	623	45.57 X	90.51 X
1999	23,188	27,444	655	35.40 X	77.30 X

EAST TENNESSEE STATE UNIVERSITY

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Annual Financing Chrgs and Admin Fees ^{3,4}	Coverage By:	
				Fees & Charges	Fees, Charges, & Appropriations
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
2000	64,386	72,837	1,984	32.45 X	69.16 X
1999	64,652	70,814	1,765	36.63 X	76.75 X

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

(Expressed in Thousands)

MIDDLE TENNESSEE STATE UNIVERSITY

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Annual Financing Chrgs and Admin Fees ^{3,4}	Coverage By:	
				Fees & Charges	Fees, Charges, & Appropriations
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
2000	78,317	73,273	4,987	15.70 X	30.40 X
1999	70,530	70,576	3,427	20.58 X	41.17 X

TENNESSEE STATE UNIVERSITY

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Annual Financing Chrgs and Admin Fees ^{3,4}	Coverage By:	
				Fees & Charges	Fees, Charges, & Appropriations
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
2000	52,156	36,337	2,087	24.99 X	42.40 X
1999	46,423	35,597	1,493	31.09 X	54.94 X

TENNESSEE TECHNOLOGICAL UNIVERSITY

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Annual Financing Chrgs and Admin Fees ^{3,4}	Coverage By:	
				Fees & Charges	Fees, Charges, & Appropriations
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
2000	33,791	38,938	950	35.57 X	76.56 X
1999	31,616	39,259	1,082	29.22 X	65.50 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>
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
2000	102,186	94,289	2,387	42.81 X	82.31 X
1999	93,593	93,576	3,078	30.41 X	60.81 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>
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	34	0.00 X	0.00 X
2001	11,650	20,684	-	0.00 X	0.00 X
2000	11,074	20,234	-	0.00 X	0.00 X
1999	10,453	19,602	-	0.00 X	0.00 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>
2008	\$ 7,206	\$ 10,856	\$ 169	42.64 X	106.88 X
2007	6,422	10,317	170	0.00 X	0.00 X
2006	6,249	9,683	-	0.00 X	0.00 X
2005	5,737	9,580	-	0.00 X	0.00 X
2004	5,631	9,053	-	0.00 X	0.00 X
2003	4,757	9,212	-	0.00 X	0.00 X
2002	4,544	9,295	-	0.00 X	0.00 X
2001	3,952	9,072	-	0.00 X	0.00 X
2000	3,726	8,843	-	0.00 X	0.00 X
1999	3,484	8,519	-	0.00 X	0.00 X

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STATE OF TENNESSEE
COVERAGE OF ANNUAL FINANCING CHARGES
LONG-TERM DEBT SECURED BY FINANCING AGREEMENTS¹
COLLEGE AND UNIVERSITY FUNDS
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>
2008	\$ 13,829	\$ 13,710	\$ 18	768.28 X	1529.94 X
2007	13,829	13,710	18	768.28 X	1529.94 X
2006	13,027	12,731	18	723.72 X	1431.00 X
2005	12,133	12,839	18	674.06 X	1387.33 X
2004	10,799	11,344	-	0.00 X	0.00 X
2003	14,921	11,540	-	0.00 X	0.00 X
2002	13,136	11,437	-	0.00 X	0.00 X
2001	7,294	11,016	-	0.00 X	0.00 X
2000	6,836	10,675	-	0.00 X	0.00 X
1999	6,615	10,143	-	0.00 X	0.00 X

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>
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	-	0.00 X	0.00 X
2005	5,490	6,386	-	0.00 X	0.00 X
2004	5,219	6,035	-	0.00 X	0.00 X
2003	4,010	6,108	-	0.00 X	0.00 X
2002	3,762	5,979	-	0.00 X	0.00 X
2001	3,127	5,809	-	0.00 X	0.00 X
2000	2,918	5,666	-	0.00 X	0.00 X
1999	2,859	5,466	-	0.00 X	0.00 X

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>
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	-	0.00 X	0.00 X
2005	8,958	11,282	-	0.00 X	0.00 X
2004	8,290	10,610	-	0.00 X	0.00 X
2003	7,173	10,768	-	0.00 X	0.00 X
2002	6,773	10,477	-	0.00 X	0.00 X
2001	5,468	10,210	-	0.00 X	0.00 X
2000	6,376	9,417	-	0.00 X	0.00 X
1999	5,809	9,028	-	0.00 X	0.00 X

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>
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	-	0.00 X	0.00 X
2005	7,022	9,343	-	0.00 X	0.00 X
2004	6,369	8,747	-	0.00 X	0.00 X
2003	5,660	8,893	-	0.00 X	0.00 X
2002	5,225	8,514	-	0.00 X	0.00 X
2001	4,413	8,309	-	0.00 X	0.00 X
2000	4,120	8,094	-	0.00 X	0.00 X
1999	3,886	7,790	-	0.00 X	0.00 X

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>
2008	\$ 17,392	\$ 16,370	\$ 87	199.91 X	388.07 X
2007	15,828	15,185	13	1217.54 X	2385.62 X
2006	15,615	14,045	13	1201.15 X	2281.54 X
2005	13,955	13,449	13	1073.46 X	2108.00 X
2004	12,202	12,730	13	938.62 X	1917.85 X
2003	13,519	13,099	13	1039.92 X	2047.54 X
2002	8,254	12,525	-	0.00 X	0.00 X
2001	8,322	12,168	-	0.00 X	0.00 X
2000	7,474	11,655	-	0.00 X	0.00 X
1999	6,816	11,092	-	0.00 X	0.00 X

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>
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	-	0.00 X	0.00 X
2005	9,883	10,958	-	0.00 X	0.00 X
2004	8,910	10,391	-	0.00 X	0.00 X
2003	7,283	10,543	-	0.00 X	0.00 X
2002	6,599	9,737	-	0.00 X	0.00 X
2001	5,534	9,501	-	0.00 X	0.00 X
2000	5,111	8,946	-	0.00 X	0.00 X
1999	4,764	8,629	-	0.00 X	0.00 X

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

(Expressed in Thousands)

PELLISSIPPI 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>
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	-	0.00 X	0.00 X
2005	17,376	18,935	-	0.00 X	0.00 X
2004	17,109	17,985	-	0.00 X	0.00 X
2003	14,393	18,247	-	0.00 X	0.00 X
2002	13,854	18,078	-	0.00 X	0.00 X
2001	12,693	17,514	-	0.00 X	0.00 X
2000	11,429	17,062	-	0.00 X	0.00 X
1999	10,827	16,549	-	0.00 X	0.00 X

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>
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	-	0.00 X	0.00 X
2005	11,823	16,470	-	0.00 X	0.00 X
2004	10,964	15,518	-	0.00 X	0.00 X
2003	9,532	15,779	-	0.00 X	0.00 X
2002	8,589	15,771	-	0.00 X	0.00 X
2001	7,697	15,524	-	0.00 X	0.00 X
2000	7,565	14,879	-	0.00 X	0.00 X
1999	6,940	14,254	-	0.00 X	0.00 X

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>
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
2000	10,838	18,464	58	186.86 X	505.21 X
1999	9,991	18,527	-	0.00 X	0.00 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>
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	1810.12 X
2005	13,206	16,303	17	776.82 X	1735.82 X
2004	12,256	15,417	-	0.00 X	0.00 X
2003	10,333	15,641	-	0.00 X	0.00 X
2002	9,600	15,689	-	0.00 X	0.00 X
2001	7,723	15,297	-	0.00 X	0.00 X
2000	7,067	14,853	-	0.00 X	0.00 X
1999	6,901	14,233	-	0.00 X	0.00 X

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>
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	-	0.00 X	0.00 X
2005	11,798	16,643	-	0.00 X	0.00 X
2004	11,211	15,689	-	0.00 X	0.00 X
2003	9,990	15,909	-	0.00 X	0.00 X
2002	9,381	15,595	-	0.00 X	0.00 X
2001	8,281	15,173	-	0.00 X	0.00 X
2000	9,001	14,767	-	0.00 X	0.00 X
1999	8,408	14,265	-	0.00 X	0.00 X

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, and includes full accretion of College Savings Bonds and certain bonds secured by refunding trusts.

**Tennessee State School Bond Authority
Higher Education Facilities Institutions
History of Fall Term Full-Time Equivalent Enrollment in Public Institutions**

Institution ¹	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	% Change			
												1997-08	1993-08	1988-08	
Four Year Institutions															
APSU	7,499	7,139	7,443	7,336	6,939	6,278	6,079	5,769	5,671	5,721	5,816	5.0%	19.5%	28.9%	
ETSU*	11,117	10,770	10,594	10,185	10,070	9,936	9,664	9,507	9,364	9,638	9,792	3.2%	11.9%	13.5%	
ETSU Med	245	239	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2.5%	n/a	n/a	
ETSU Pharm	334	215	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	55.4%	n/a	n/a	
MTSU	20,062	19,525	19,355	19,139	19,037	18,735	18,151	17,125	16,339	16,173	15,655	2.7%	7.1%	28.1%	
TSU	6,694	7,465	7,464	7,462	7,662	7,716	7,703	7,425	7,431	7,629	7,383	-10.3%	-13.2%	-9.3%	
TTU	8,568	8,312	7,900	7,562	7,559	7,509	7,554	7,327	7,212	7,227	7,112	3.1%	14.1%	20.5%	
UM	15,910	15,747	15,946	15,910	16,128	15,720	15,696	15,890	15,613	15,909	15,771	1.0%	1.2%	0.9%	
TBR Total	70,429	69,412	68,702	67,593	67,394	65,894	64,846	63,043	61,629	62,298	61,529	1.5%	6.9%	14.5%	
UTC	8,446	8,168	7,564	7,317	7,326	7,138	7,050	6,955	6,832	7,019	7,040	3.4%	18.3%	20.0%	
UTK**	24,697	24,160	24,016	23,642	23,141	22,730	23,221	23,183	22,960	23,277	22,476	2.2%	8.7%	9.9%	
UT Vet	429	408	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5.1%	n/a	n/a	
UTSI	104	105	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-1.0%	n/a	n/a	
UTM	6,305	6,108	5,968	5,833	5,570	5,265	5,311	5,379	5,324	5,278	5,480	3.2%	19.7%	15.1%	
UTMHSC	3,867	3,799	3,583	3,412	2,062	2,008	1,977	1,949	1,999	2,023	2,024	1.8%	92.6%	91.1%	
UT Total	43,848	42,748	41,131	40,205	38,099	37,141	37,559	37,466	37,115	37,597	37,020	2.6%	18.1%	18.4%	
Total 4 Yr	114,277	112,160	109,833	107,797	105,494	103,035	102,404	100,509	98,744	99,895	98,549	1.9%	10.9%	16.0%	
Two-Year Institutions															
CSTCC	5,334	5,044	5,054	4,890	5,124	5,186	5,264	5,269	4,832	5,038	5,140	5.8%	2.9%	3.8%	
CLSCC	2,195	2,022	2,034	2,103	2,088	2,224	2,200	2,318	2,083	2,158	2,176	8.6%	-1.3%	0.9%	
COSCC	3,081	3,003	2,963	3,120	3,145	3,082	3,108	2,984	2,788	2,906	2,947	2.6%	0.0%	4.5%	
DSCC	1,741	1,668	1,693	1,744	1,770	1,819	1,657	1,577	1,563	1,435	1,522	4.4%	-4.3%	14.4%	
JSCC	2,803	2,953	2,791	2,573	2,702	2,743	2,713	2,658	2,514	2,548	2,416	-5.1%	2.2%	16.0%	
MSCC	2,892	2,739	2,566	2,392	2,465	2,436	2,556	2,441	2,199	2,221	2,273	5.6%	18.7%	27.2%	
NSCC	4,315	4,063	4,083	4,074	3,889	3,769	3,757	3,631	3,548	3,527	3,492	6.2%	14.5%	23.6%	
NSTCC	3,606	3,387	3,374	3,142	3,334	3,112	2,968	2,879	2,607	2,601	2,513	6.5%	15.9%	43.5%	
PSTCC	5,686	5,446	5,149	4,963	4,963	5,013	5,208	5,151	5,079	5,080	5,258	4.4%	13.4%	8.1%	
RSCC	3,766	3,764	3,738	3,603	3,850	3,775	3,767	3,647	3,474	3,797	3,675	0.1%	-0.2%	2.5%	
SSCC	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2,805	2,887	n/a	n/a	n/a	
STIM	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4,532	4,472	n/a	n/a	n/a	
STCC***	7,219	6,794	7,306	7,332	7,561	7,361	7,141	7,743	7,059	7,338	7,359	6.3%	-1.9%	-1.9%	
VSCC	4,582	4,427	4,677	4,553	4,483	4,426	4,525	4,295	4,138	4,107	4,198	3.5%	3.5%	9.2%	
WSCC	4,082	3,884	3,872	3,826	3,864	4,067	3,867	3,909	3,665	3,594	3,666	5.1%	0.4%	11.3%	
Total 2 Yr	51,302	49,194	49,300	48,315	49,238	49,013	48,729	48,502	45,550	46,349	46,635	4.3%	4.7%	10.0%	
Grand Total	165,579	161,354	159,133	156,112	154,732	152,048	151,133	149,011	144,294	146,244	145,184	2.6%	8.9%	14.0%	

Source – The Tennessee Higher Education Commission

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

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

***Contains combined totals for STIM and SSCC from 1990-99

¹ TBR = Tennessee Board of Regents APSU = Austin Peay State University, ETSU = East Tennessee State University, MTSU = Middle Tennessee State University, TSU = Tennessee State University,

TTU = Tennessee Technological University, UOM = University of Memphis, UT = University of Tennessee, UTC = University of Tennessee at Chattanooga, UTK = University of Tennessee at Knoxville,

UTM = University of Tennessee at Martin, UTMem = University of Tennessee at Memphis, CSTCC = Chattanooga State Technical Community College, CLSCC = Cleveland State Community College,

COSCC = Columbia State Community College, DSCC = Dyersburg State Community College, JSCC = Jackson State Community College, MSCC = Motlow State Community College, NSTCC = Northeast State

Technical Community College, NSCC = Nashville State Community College, PSTCC = Pellissippi State Technical Community College, RSCC = Roane State Community College, SSCC = Shelby State

Community College, STIM = State Tennessee Institute in Memphis, STCC = Southwest Tennessee Community College, VSCC = Volunteer State Community College, WSCC = Walters State Community College

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

(Expressed in Thousands)

BENTON COUNTY SCHOOLS¹

Fiscal Year	STATE SHARED TAX OBLIGATIONS			Prior Year State Shared Taxes	Coverage
	QZAB Obligations	Other Pledged Obligations (Non-Authority)	Total Obligations		
2008	\$ 14	\$ 170	\$ 184	\$ 3,013	16.37 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
2000	-	-	-	-	0.00 X

BLOUNT COUNTY SCHOOLS¹

Fiscal Year	STATE SHARED TAX OBLIGATIONS			Prior Year State Shared Taxes	Coverage
	QZAB Obligations	Other Pledged Obligations (Non-Authority)	Total Obligations		
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
2000	-	-	-	-	0.00 X

DAVIDSON COUNTY SCHOOLS¹

Fiscal Year	STATE SHARED TAX OBLIGATIONS			Prior Year State Shared Taxes	Coverage
	QZAB Obligations	Other Pledged Obligations (Non-Authority)	Total Obligations		
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
2000	-	-	-	-	0.00 X

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

(Expressed in Thousands)

HAMILTON COUNTY SCHOOLS ¹

Fiscal Year	STATE SHARED TAX OBLIGATIONS			Prior Year State Shared Taxes	Coverage
	QZAB Obligations	Other Pledged Obligations (Non-Authority)	Total Obligations		
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
2000	-	-	-	-	0.00 X

HUMBOLDT CITY SCHOOLS

Fiscal Year	STATE SHARED TAX OBLIGATIONS			Prior Year State Shared Taxes	Coverage
	QZAB Obligations	Other Pledged Obligations (Non-Authority)	Total Obligations		
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
2000	-	203	203	987	4.86 X

KINGSPORT CITY SCHOOLS

Fiscal Year	STATE SHARED TAX OBLIGATIONS			Prior Year State Shared Taxes	Coverage
	QZAB Obligations	Other Pledged Obligations (Non-Authority)	Total Obligations		
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
2000	-	-	-	4,936	0.00 X

KNOX COUNTY SCHOOLS

STATE SHARED TAX OBLIGATIONS						
Fiscal Year	QZAB Obligations	Other Pledged Obligations (Non-Authority)	Total Obligations	Prior Year State Shared Taxes	Coverage	
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	
2000	-	5	5	7,670	1533.98 X	

LEXINGTON CITY SCHOOLS ¹

STATE SHARED TAX OBLIGATIONS						
Fiscal Year	QZAB Obligations	Other Pledged Obligations (Non-Authority)	Total Obligations	Prior Year State Shared Taxes	Coverage	
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	
2000	-	-	-	-	0.00 X	

LINCOLN COUNTY SCHOOLS ²

STATE SHARED TAX OBLIGATIONS						
Fiscal Year	QZAB Obligations	Other Pledged Obligations (Non-Authority)	Total Obligations	Prior Year State Shared Taxes	Coverage	
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	
2000	-	-	-	2,214	0.00 X	

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

(Expressed in Thousands)

LOUDON COUNTY SCHOOLS ¹

Fiscal Year	STATE SHARED TAX OBLIGATIONS			Prior Year State Shared Taxes	Coverage
	QZAB Obligations	Other Pledged Obligations (Non-Authority)	Total Obligations		
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
2000	-	-	-	-	0.00 X

MEMPHIS CITY SCHOOLS

Fiscal Year	STATE SHARED TAX OBLIGATIONS			Prior Year State Shared Taxes	Coverage
	QZAB Obligations	Other Pledged Obligations (Non-Authority)	Total Obligations		
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
2000	-	1,418	1,418	71,767	50.60 X

MONTGOMERY COUNTY SCHOOLS ¹

Fiscal Year	STATE SHARED TAX OBLIGATIONS			Prior Year State Shared Taxes	Coverage
	QZAB Obligations	Other Pledged Obligations (Non-Authority)	Total Obligations		
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
2000	-	-	-	3,280	0.00 X

OAK RIDGE CITY SCHOOLS¹**STATE SHARED TAX OBLIGATIONS**

Fiscal Year	STATE SHARED TAX OBLIGATIONS			Prior Year State Shared Taxes	Coverage
	QZAB Obligations	Other Pledged Obligations (Non-Authority)	Total Obligations		
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
2000	-	1,258	1,258	-	0.00 X

RHEA COUNTY SCHOOLS¹**STATE SHARED TAX OBLIGATIONS**

Fiscal Year	STATE SHARED TAX OBLIGATIONS			Prior Year State Shared Taxes	Coverage
	QZAB Obligations	Other Pledged Obligations (Non-Authority)	Total Obligations		
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
2000	-	-	-	2,145	0.00 X

SCOTT COUNTY SCHOOLS²**STATE SHARED TAX OBLIGATIONS**

Fiscal Year	STATE SHARED TAX OBLIGATIONS			Prior Year State Shared Taxes	Coverage
	QZAB Obligations	Other Pledged Obligations (Non-Authority)	Total Obligations		
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
2000	-	-	-	1,963	0.00 X

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

(Expressed in Thousands)

UNICOI COUNTY SCHOOLS

Fiscal Year	STATE SHARED TAX OBLIGATIONS			Prior Year State Shared Taxes	Coverage
	QZAB Obligations	Other Pledged Obligations (Non-Authority)	Total Obligations		
2008	\$ 197	\$ -	\$ 197	\$ 1,684	8.55 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
2000	-	-	-	1,435	0.00 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.

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