COMPREHENSIVE ANNUAL FINANCIAL REPORT

TENNESSEE STATE SCHOOL BOND AUTHORITY

for

Fiscal Years Ending

JUNE 30 2013 *and* 2012

Tennessee State School Bond Authority
Comprehensive
Annual Financial Report
For the Years Ended
June 30, 2013 and June 30, 2012

Bill Haslam, Governor and Chairman

A Component Unit of the State of Tennessee

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

Sandra Thompson
Director, Office of State and Local Finance
and
Assistant Secretary, TSSBA

TENNESSEE STATE SCHOOL BOND AUTHORITY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012

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TENNESSEE STATE SCHOOL BOND AUTHORITY

XVI

AGRICULTURE

COMMERCE

1965

Introductory Section

TENNESSEE STATE SCHOOL BOND AUTHORITY
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1965

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Governor Bill Haslam, Chairman *Justin P. Wilson, Secretary*

December 13, 2013

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

I am pleased to submit the Comprehensive Annual Financial Report of the Tennessee State School Bond Authority (the "Authority"), a component unit of the State of Tennessee, for the fiscal years ended June 30, 2013 and June 30, 2012. 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 4 - 12 of this report.

BUSINESS ENVIRONMENT

Legal Authority

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

Higher Education Facilities Programs. Pursuant to the General Higher Educational Facilities Bond Resolution adopted in May 1967 ("1967 Resolution"), bonds were issued to provide funds to make loans to the institutions of higher education. In April 1998, the Authority adopted the Higher Educational Facilities Second Program General Bond Resolution ("1998 Resolution") with the same purpose and closed the 1967 Resolution. All higher education bonds are now issued pursuant to the 1998 Resolution. Projects financed by the Authority must generate revenue sufficient to pay the debt service on the bonds. The fee charged for financing a project includes both a debt service and an administrative component. The Authority has financed a variety of projects including dormitories, athletic facilities, parking facilities and major equipment purchases. These projects could be contrasted with capital projects for higher 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 commercial paper up to $150 million. In 2008, the Authority increased the authorization to a not-to-exceed amount of $350 million. However, under the current Credit Agreement with State Street Bank and Trust Company, which expires on March 30, 2014,

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

Qualified Zone Academy Bond Program. In 1999, the General Assembly authorized the Authority to issue Qualified Zone Academy Bonds ("QZAB") pursuant to program requirements approved by the Congress of the United States in Section 226 of the Taxpayer's Relief Act of 1997. These bonds are a part of a federal government program in which a federal income tax credit is given to investors in lieu of interest payments on the bonds. These bonds are issued under the provisions of the Authority's Qualified Zone Academy Bonds First Program Resolution, and they are not supported by either the 1967 Resolution or the 1998 Resolution for Higher Education Facilities. The QZAB program provides loans to local education agencies to fund the renovation of classroom buildings and to purchase equipment to enhance learning opportunities in connection with the establishment of special academic programs from kindergarten through secondary school. Funding for this program is limited to the amount allocated by the federal government.

Qualified School Construction Bond Program. In 2009, the General Assembly authorized the Authority to issue Qualified School Construction Bonds ("QSCB") pursuant to program requirements approved by the Congress of the United States in Section 1521 of the American Recovery and Reinvestment Act of 2009. The QSCB program is a part of a federal government program designed to allow schools to borrow funds at minimal interest cost to the borrower. The bonds were issued under the provision of the Authority's Qualified School Construction Bonds General Bond Resolution. The bonds are not supported by either the 1967 Resolution or the 1998 Resolution for Higher Education Facilities. The QSCB program provides loans to local governments to fund new construction, renovation and rehabilitation of schools, as well as the purchase of land and equipment for use in a qualified project. The Series 2009 QSCBs were issued as tax credit bonds under which an eligible holder of a QSCB is generally allowed quarterly federal income tax credits in addition to quarterly supplemental interest payments from the issuer during the time the bond is outstanding. These credits compensate the bondholder for lending money to the borrower and function as partial payments of interest on the bonds. The Series 2010 QSCBs were issued as direct subsidy payment bonds under which the Authority has elected to receive direct interest subsidy payments from the United States Treasury rather than to provide a tax credit to the bondholder. The interest subsidy payments received by the Authority are then transferred to the borrowers as a reimbursement of the interest portion of their loan repayments. Funding for the QSCB program is limited to the amount allocated by the federal government, and the program expired on December 31, 2010.

Responsibility of Management

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

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

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

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

- Overseeing the Authority's financial reporting and related disclosures, especially when financial statements are issued;
- Reviewing the adequacy of the management's process for assessment of risk, including fraud risk;

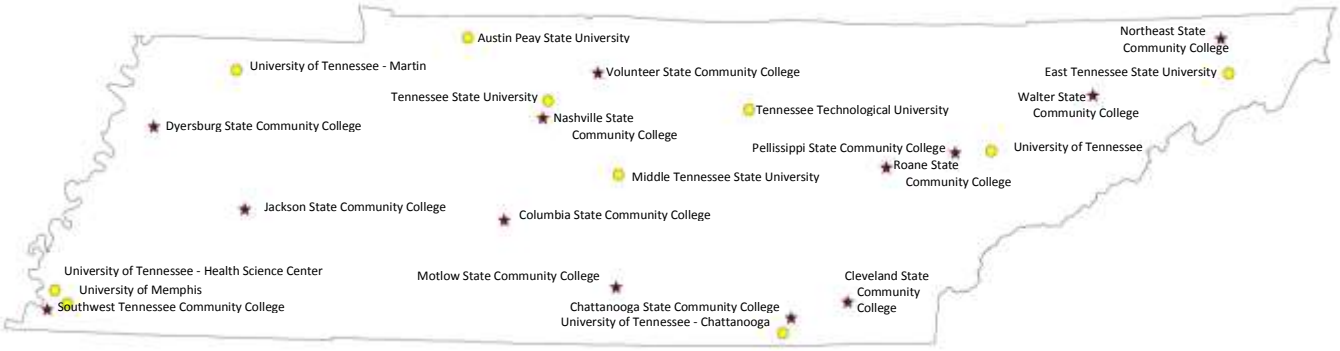
- Reviewing documentation of assessment results to determine that internal controls are sufficient to mitigate the assessed risks in the agency;
- Formally reiterating, on a regular basis, to the Authority or its management and staff, the responsibility of the Authority or its management and staff to prevent, detect and report fraud, waste and abuse;
- Serving as a facilitator of any audits or investigations of the Authority, including advising auditors and investigators of any information the Committee may receive pertinent to audit or investigative matters;
- Promptly notifying the Comptroller of the Treasury of any indications of fraud; and
- Establishing a process by which employees, taxpayers, investors or other citizens may confidentially report suspected illegal, improper, wasteful or fraudulent activity and ensure procedures exist for the receipt, retention, and treatment of such complaints.

The Borrowers

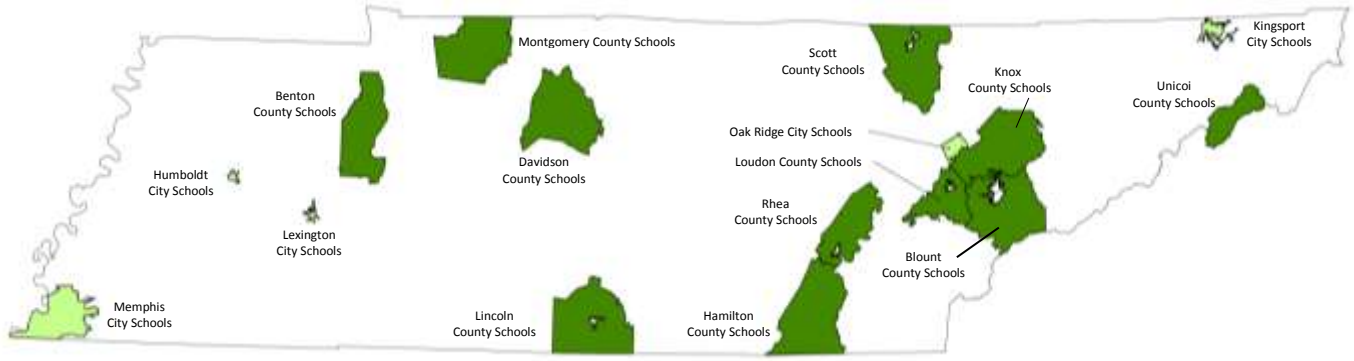
Higher Education Facilities Programs. Public higher education in Tennessee is coordinated by the Tennessee Higher Education Commission and consists of two systems: The University of Tennessee Board of Trustees ("Board of Trustees") governs the University of Tennessee System and the Tennessee Board of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

The definition of "Institution" was amended by Chapter 174, Public Laws of 2013 to be "(i) the University of Tennessee system, including all of its branches and divisions wherever located, and the services, programs and activities provided therein, and the board of trustees of the University of Tennessee, in the aggregate, and (ii) the state university and community college system, including all of its constituent institutions, wherever located (whether or not conferring degrees), and the services, programs and activities provided therein, and the Board of Regents of the state university and community college system, in the aggregate;".

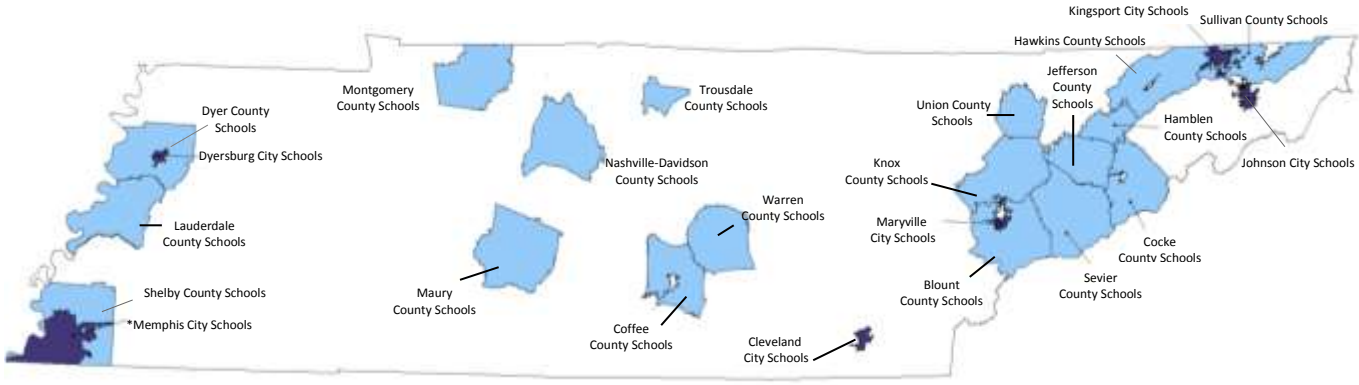
The University of Tennessee has four campuses (at Knoxville, Martin, Memphis, and Chattanooga), with 33 colleges, schools and divisions, all of which constitute a single "Institution". The Tennessee Board of Regents system includes 6 universities, 13 community colleges, and 27 state technology centers, all of which constitute a single "Institution". The technology centers are not permitted to borrow from the Authority.



Qualified Zone Academy Bond Program. The QZAB program is a capital financing program originally authorized by the federal government. The borrowers under the QZAB program are local government units that borrow on behalf of local education agencies that are governed by the Tennessee Department of Education. A total of 16 local education agencies have participated in the QZAB program. As of June 30, 2013, Knox County Schools, Lincoln County Schools, Scott County Schools, and Unicoi County Schools have paid their debt in full.



Qualified School Construction Bond Program. The QSCB program is a capital financing program authorized by the federal government. The borrowers under the QSCB program are local government units that borrow on behalf of local education agencies that are governed by the Tennessee Department of Education. There are currently 23 local governments participating in the QSCB program.



*Shelby County borrowed QSCB funds from the Authority on behalf of both the Shelby County Schools and the Memphis City 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. In the event a Board fails to make timely and full payment of amounts due and payable, the Commissioner of Finance and Administration, after notice from the Authority, shall deduct from the amounts appropriated by the General Assembly of the State of Tennessee for the operation and maintenance of the Institution for which such project was undertaken, the amount or amounts as may be required to make the Board current with respect to amounts due and payable.

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

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

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

Future Outlook

Enrollment Trends in Higher Education. Enrollment in higher education facilities surged due to the economic downturn that began in 2008. Since 2007, enrollment in universities and community colleges increased by 8% and 19%, respectively. The Tennessee Education Lottery Scholarship program enabled more Tennesseans to attend college. In the 2012-2013 academic year, the Tennessee Lottery provided an estimated $312 million in scholarships to more than 102,000 students. In the Knowledge Economy, the importance of receiving training beyond high school is significant. The growing demand for higher education will guarantee that the higher education system will sustain its long-term debt commitments well into the future.

FINANCIAL INFORMATION

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

Financial Statements. The financial statements included in this report present information on the financial condition of the Authority and whether resources were adequate to cover the costs of providing services during the reporting period. A discussion of the financial statements is included on pages 9 - 10 in the Management's Discussion and Analysis section of this Comprehensive Annual Financial Report.

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

QZABs are issued for the various projects for the local education agencies. The local government units where the local education agencies are located make annual payments to the sinking fund. When the payments are received from the local government units, the Authority places them into the appropriate sinking fund where the funds are invested until the final maturity of the QZAB.

QSCBs are issued for various projects for local education agencies. The local government units where the local education agencies are located make monthly payments to the Authority by depositing funds into a designated account in the Local Government Investment Pool. The Authority then transfers the funds to the appropriate sinking fund where they are invested until the final maturity of the QSCB.

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

fund are made by the State Treasurer's staff in consultation with the Authority staff and the Trustee. Investments are made in accordance with the terms of the bond and note resolutions.

Payments made into the sinking fund for the Series 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. A description of the investments is outlined in the Notes to the Financial Statements, Note 2, of this report.

Payments made into the sinking fund for the Series 2009 and 2010 QSCBs commenced in September 2010 and September 2011, respectively. The payments are invested by the State Treasurer in accordance with the terms of the bond resolution and held by the State Treasurer in the Authority's name. A description of the investments is outlined 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, certain financial and operating data required pursuant to the Undertaking is included in the Comprehensive Annual Financial Report of the State of Tennessee, not in this report. The reader of the State's Comprehensive Annual Financial Report should use the index located at the end of that report to identify the specific pages where the information is presented.

Independent Audit. T.C.A. § 4-3-304 requires that the Department of Audit performs 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, 2012. This was the eleventh consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

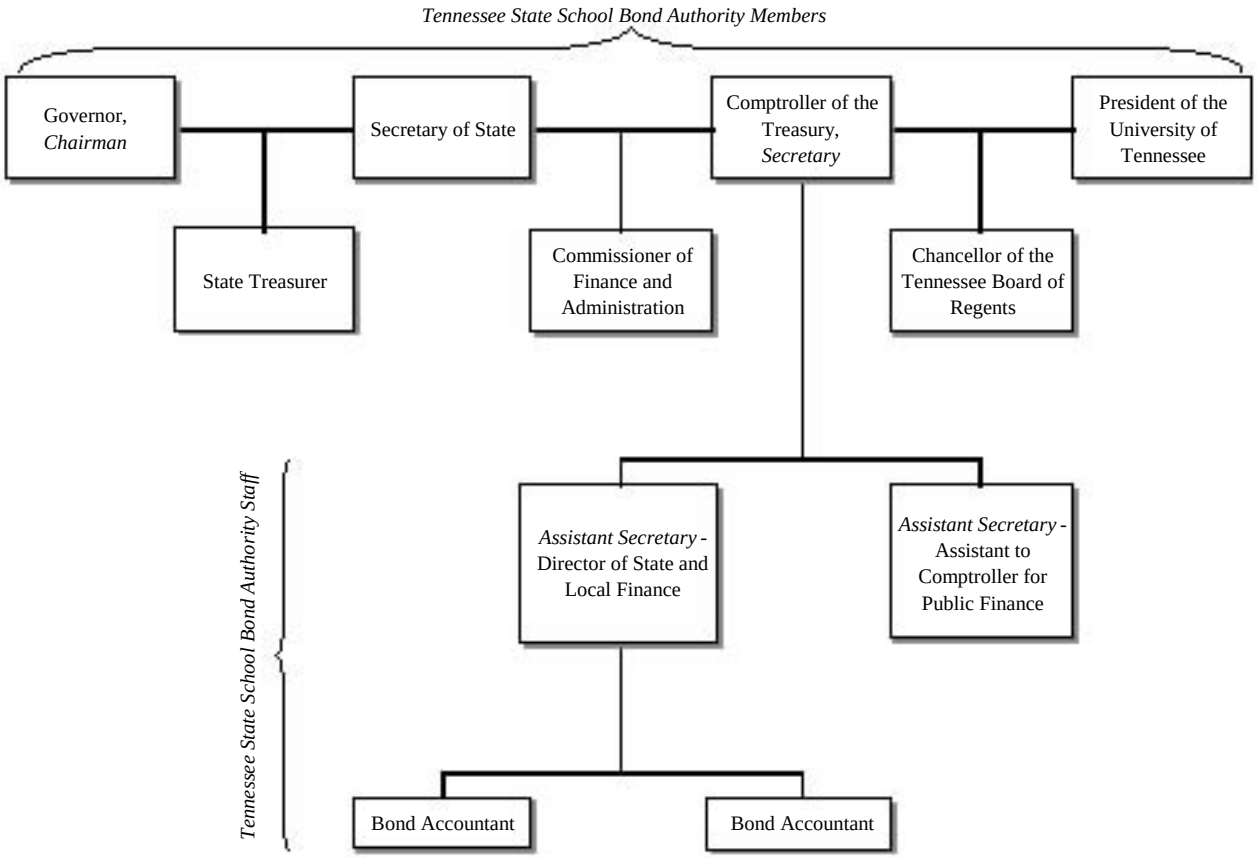
Respectfully submitted,

Sandra Thompson

Sandra Thompson, Assistant Secretary
Tennessee State School Bond Authority

Tennessee State School Bond Authority

Organization Chart



TENNESSEE STATE SCHOOL BOND AUTHORITY

MEMBERS

Bill Haslam, Governor, *Chairman*

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

Tre Hargett, Secretary of State

David H. Lillard, State Treasurer

Larry B. Martin, Commissioner of Finance and Administration

Dr. Joseph DiPietro, President of the University of Tennessee

John G. Morgan, Chancellor of the Tennessee Board of Regents

STAFF

Sandra Thompson, Director of State and Local Finance, *Assistant Secretary*

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

Government Finance Officers Association

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, 2012

Executive Director/CEO

TENNESSEE STATE SCHOOL BOND AUTHORITY
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COMMERCE
1965

Financial Section

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COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500 JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402

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Independent Auditor's Report

The Honorable Bill Haslam, Governor
Members of the General Assembly
Members of the Tennessee State School Bond Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Tennessee State School Bond Authority, a component unit of the State of Tennessee, as of and for the years ended June 30, 2013, and June 30, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 Tennessee State School Bond Authority. We do not believe that the Comptroller's service in this capacity affected our ability to conduct an independent audit of the Tennessee State School Bond Authority.

Opinion

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, 2013, and June 30, 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Authority adopted Statement Number 65 of the Governmental Accounting Standards Board, *Items Previously Reported as Assets and Liabilities*, during the fiscal year ended June 30, 2013. The Statement requires that deferred amounts on refunding should be recognized as a deferred outflow/inflow on the statements of net position. Previously, bonds payable were reported net of the deferred amount of refunding. The Statement also requires that cost of issuance be expensed instead of being amortized over the life of the bonds. The cumulative effect on net position has been reported on the statement of revenues, expenses, and changes in net position. Amounts on the statement of net position and statement of revenues, expenses, and changes in net position, have been restated for comparative purposes for the fiscal year ended June 30, 2012. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Tennessee State School Bond Authority's 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 is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Tennessee State School Bond Authority's basic financial statements. 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 do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2013, on our consideration of the Tennessee State School Bond Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Tennessee State School Bond Authority's internal control over financial reporting and compliance.

Deborah V. Loveless

Deborah V. Loveless, CPA
Director
December 13, 2013

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, 2013. These activities are compared to the results of the fiscal years ended June 30, 2012, and 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal along with the Independent Auditor's Report, the audited financial statements and accompanying notes of this report.

Program Activity Highlights

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

	Higher Education Facilities Programs		
	2013	2012	2011
Number of higher education facilities with outstanding loans	20	20	20
Total number of outstanding loans	257	232	252
Balance of outstanding loans	$1,245,179,920	$1,165,180,547	$1,107,639,831
Number of loans approved in fiscal year	12	10	9
Dollar amount of loans approved in fiscal year	$ 55,688,000	$ 242,662,000	$ 85,608,000
Dollar amount of loans approved in fiscal year - unspent	$ 42,692,636	$ 237,839,410	$ 84,423,304
Dollar amount of loans financed in fiscal year	$ 170,967,267	$ 114,983,407	$ 111,260,649
Bonds issued in fiscal year	$ 437,720,000	$ -	$ 231,935,000
Commercial paper issued in fiscal year	$ 123,000,000	$ 97,000,000	$ 107,218,000

	Qualified Zone Academy Bond Program		
	2013	2012	2011
Number of LEAs with outstanding loans	12	12	14
Total number of outstanding loans	16	16	23
Balance of outstanding loans	$ 18,963,617	$ 21,926,992	$ 24,729,304
Balance held in Sinking Fund	$ 24,958,453	$ 21,994,043	$ 32,480,696
Balance of principal outstanding	$ 43,920,000	$ 43,920,000	$ 57,210,000
Dollar amount of loans approved in fiscal year	$ -	$ -	$ -
Dollar amount of loans approved in fiscal year - not disbursed	$ -	$ -	$ -
Dollar amount of loan proceeds disbursed in fiscal year	$ -	$ -	$ -
Bonds issued in fiscal year	$ -	$ -	$ -

	Qualified School Construction Bond Program		
	2013	2012	2011
Number of LEAs with outstanding loans	23	23	23
Total number of outstanding loans	28	28	28
Balance of outstanding loans	$ 330,122,385	$ 290,801,492	$ 145,281,252
Balance held in Sinking Fund	$ 56,297,778	$ 32,838,679	$ 9,764,134
Balance of outstanding debt	$ 389,440,000	$ 389,440,000	$ 389,440,000
Number of loans approved in fiscal year	-	-	15
Dollar amount of loans approved in fiscal year	$ -	$ -	$ 212,440,000
Dollar amount of loans approved in fiscal year - not disbursed	$ -	$ -	$ 182,197,555
Dollar amount of loan proceeds disbursed in fiscal year	$ 70,165,187	$ 172,830,188	$ 124,797,041
Bonds issued in fiscal year	$ -	$ -	$ 212,440,000

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

Debt Administration

Pursuant to Section 49-3-1201 et seq., *Tennessee Code Annotated*, the General Assembly of the State created the Tennessee State School Bond Authority to issue revenue bonds and notes to fund capital projects for the higher education institutions including both four-year institutions and two-year community colleges. Such loans are payable from user fees or savings generated from the projects in the case of energy conservation projects. The statute was amended in 1999 to authorize the Authority to issue QZABs and again in 2009 to authorize the Authority to issue QSCBs on behalf of LEAs throughout the State. For more specific financial information on long-term debt activity, **see Note 5, Debt Payable, on pages 25 - 30 in the Notes to the Financial Statements.**

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

Higher Education Facilities Programs. When a higher education facility applies for project funding through the Authority, an analysis of the financial feasibility of each loan application is undertaken by comparing the projected debt service to the pledged revenue before it is approved by the Authority. Once approved by the Authority, the project will be included in the Financing Agreement between the Authority and the respective higher education system (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 "Board of Regents"), referred to collectively as the "Boards"). The Boards covenant and agree in the Financing Agreements 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 total debt service. Fees and Charges include all revenues, fees, rental and other charges received by or on behalf of an institution which are available to pay debt service. In addition, the Boards agree in the Financing Agreements that the Commissioner of Finance and Administration, after notice from the Authority that the Board has failed to pay its Annual Financing Charges or Administrative Fees, shall deduct from the institution's appropriations the amount required to make it current with respect to the unpaid Annual Financing Charges and Administrative Fees.

Generally, under the financing program for higher education facilities, a project is funded through the Authority's commercial paper program during its construction phase. When commercial paper totaling $50 million or greater is outstanding for projects that are completed or near completion, the Authority may fix the interest rate for the term of the projects by issuing long-term debt. The range of the commercial paper interest rates are shown below for the fiscal year ended June 30, 2013, as compared to the fiscal years 2012 and 2011.

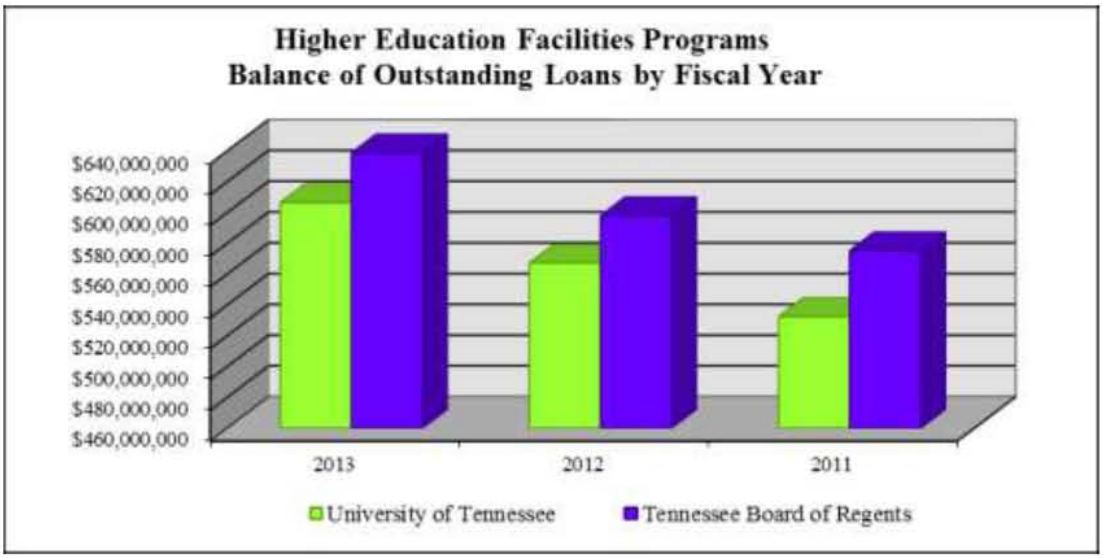
Higher Education Facilities Programs
Commercial Paper Interest Rates Range

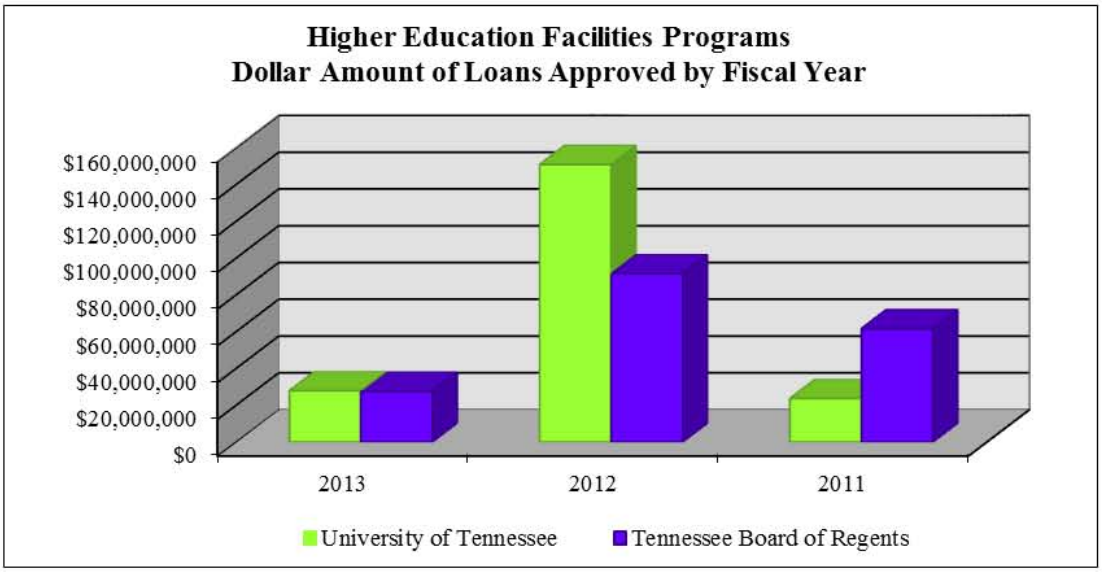
	Tax-Exempt		Federally Taxable	
Fiscal Year	**Low**	**High**	**Low**	**High**
2013	0.10%	0.22%	0.12%	0.22%
2012	0.10%	0.33%	0.10%	0.25%
2011	0.14%	0.34%	0.20%	0.40%

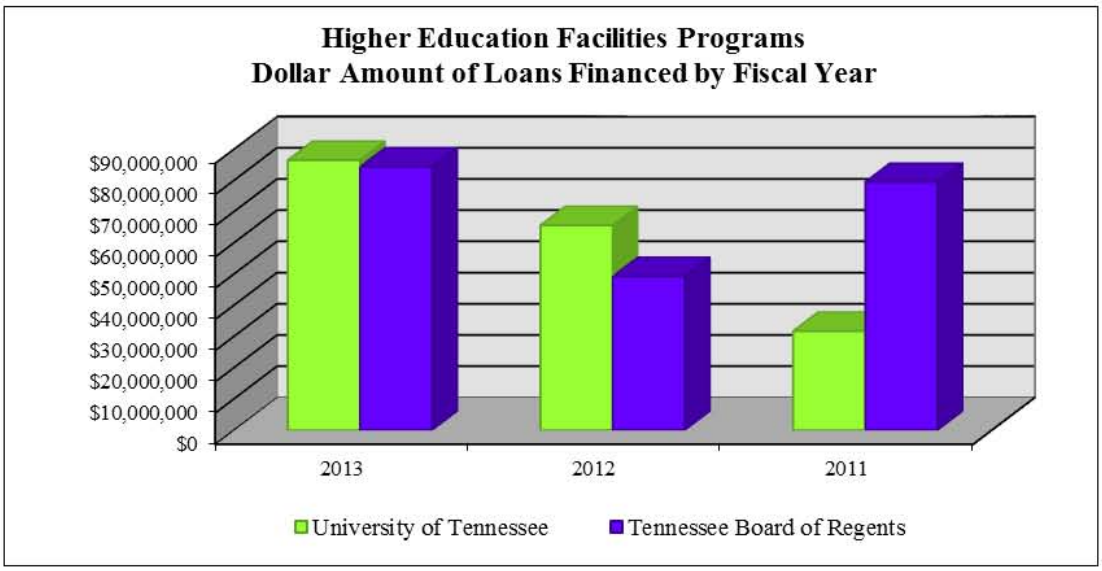
The Authority currently has a Credit Agreement with State Street Bank that provides for a total amount of $300,000,000 of commercial paper principal and 45 days of accrued interest in the amount of $4,593,750, which is calculated at the rate of 12.25% per annum on the basis of a 360-day year. The Credit Agreement with State Street Bank has an expiration date of March 30, 2014, and a commitment fee of .105% which is charged quarterly in arrears. If the liquidity facility is called upon, pursuant to the Advance Agreement, the Authority is obligated to reimburse the Bank for all amounts drawn and paid under the Liquidity Facility, together with interest thereon if not reimbursed on the same day. If not reimbursed on the same day of the advance, the principal amount will convert to a term loan with six equal semi-annual payments. As of the fiscal year ended June 30, 2013, the Authority had not called upon the liquidity facility.

For the fiscal year ended June 30, 2013, interest rates on the higher education facilities long-term fixed-rate tax-exempt bonds ranged from a low of 0.35% to a high of 5.50%, and the interest rates on the higher education facilities long-term fixed-rate federally taxable bonds ranged from a low of 0.50% to a high of 5.67%. By pooling the financing of the capital needs for all public higher education facilities, management believes that economic efficiency is achieved through a single large borrowing administered by one agency. The creditworthiness of both large and small institutions is blended into one credit resulting in a lower cost of borrowing and providing a more equitable cost to students and other users who repay the debt through various user fees and charges and student debt service fees.

Higher Education Facilities Programs Debt Ratings. As of the fiscal year ended June 30, 2013, the Authority's higher education facilities program is rated AA+, and AA by Fitch and Standard & Poor's Rating Group, respectively. Moody's Investors Service has assigned the Authority's bonds an enhanced rating of Aa1 and a programmatic rating of Aa1.



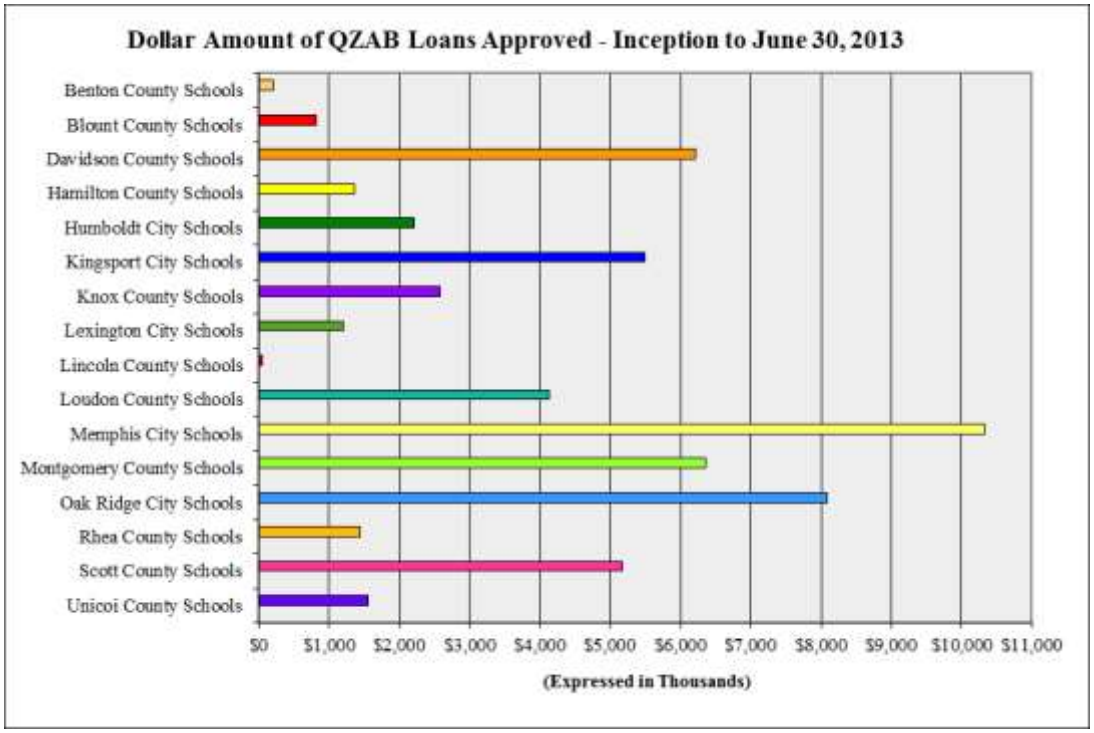




Qualified Zone Academy Bond Program. The QZAB program is a capital financing program authorized by the federal government under the Taxpayer Relief Act of 1997, Section 227(a). A QZAB is a taxable bond issued by the Authority, the proceeds of which are used to finance certain eligible public schools' 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 LEAs in the State. The Department recommends those projects that best meet the requirements of the program to the Authority for funding.

The LEA 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 LEA/local government fail to repay its loan timely.

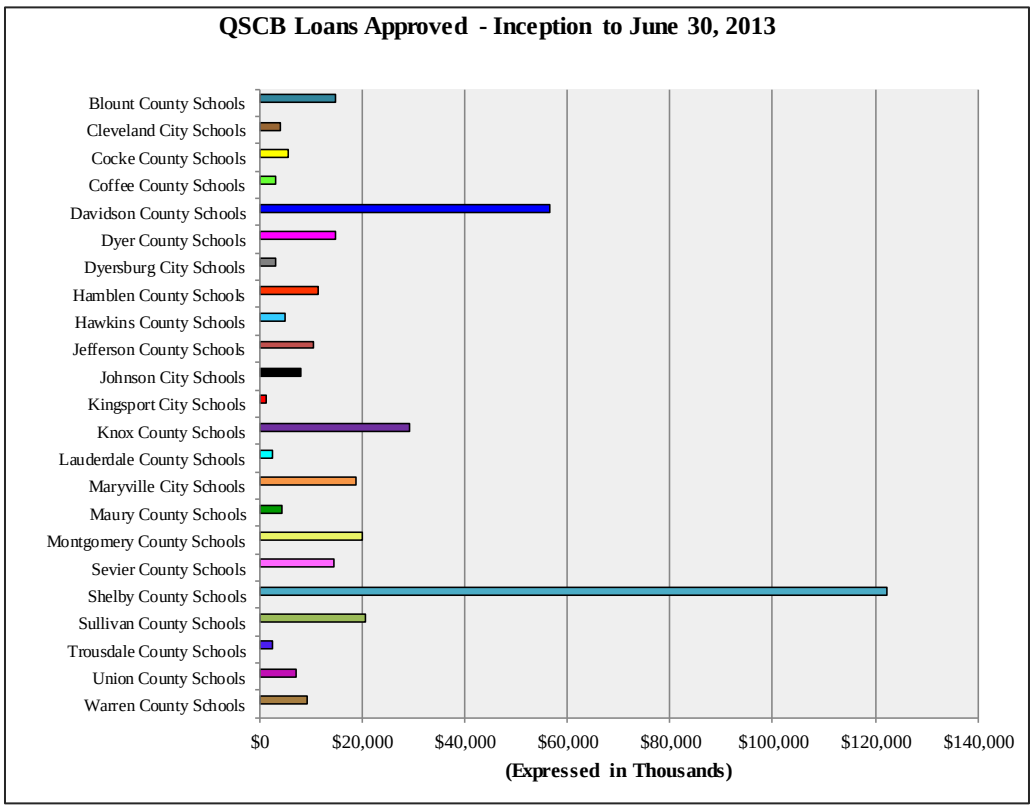
As of June 30, 2013, the QZAB program has unused allocations totaling $27,705,000. Of this amount, $9,431,000 of the 2011 allocation will expire on December 31, 2013. The State has up to two years after the yearly allocations are made by the federal government to issue bonds or the allocations will be forfeited.



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

Qualified School Construction Bond Program. The QSCB program is a capital financing program originally authorized by the federal government under the American Recovery and Reinvestment Act of 2009 and Section 49-3-12, *Tennessee Code Annotated*, as amended. The QSCBs are bonds issued by the Authority, the proceeds of which are used to finance certain eligible public schools' renovation and rehabilitation projects, equipment purchases, new building construction and land acquisition. The Series 2009 QSCB is structured as a tax credit bond under which an eligible holder of a QSCB is generally allowed quarterly federal income tax credits in addition to quarterly supplemental interest payments from the issuer during the period the bond is outstanding. These credits compensate the bondholder for lending money to the Authority and function as partial payments of interest on the bonds. The Series 2010 QSCB is structured as a direct subsidy payment bond under which the holder of the bond is compensated with a semi-annual cash interest payment that is subsidized by the Federal Government. The Authority elects to receive the direct interest subsidy payments from the United States Treasury, and the loan agreements provide that the subsidy payments received by the Authority will then be transferred to the borrowers.

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



Qualified School Construction Bonds Program Debt Ratings. As of the fiscal year ended June 30, 2013, the Authority's QSCB program is rated Aa2, AA, and AA by Moody's Investors Service, Inc., Standard & Poor's Ratings Service, and Fitch Ratings, respectively.

Overview of the Financial Statements

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

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

The Statements of Net Position on **page 15** present the Authority's financial position at June 30, 2013, and June 30, 2012. The Statements of Revenues, Expenses and Changes in Net Position on **page 16** portray the results of operations and the change in net position for the years presented. The Statements of Cash Flows on **pages 17 - 18** summarize the sources and uses of cash for the fiscal years presented. These statements are accompanied by notes to the financial statements that provide information that is essential to the reader's understanding of the financial statements. The Authority's basic financial statements are followed by supplementary information containing the financial statement information at the program level.

Financial Analysis of the Authority

Standard indicators of financial success are not applicable to the Authority. The financial goals of the Authority are to provide timely access to the capital markets for public higher educational institutions and local governments on behalf of LEAs at the lowest possible cost, to repay debt timely and to achieve the highest possible rating for its debt. During the fiscal year ended June 30, 2013, the Authority frequently entered the short-term market. At no time did the Authority deny approval of a loan application due to its inability to access the capital market. There were no incidents requiring the Authority

to withdraw funds from the debt service reserve fund or the commercial paper credit agreement to pay debt service timely. The Authority maintained both its long and short-term credit ratings with all rating agencies.

Statements of Net Position Summary

(in thousands)

	2013	2012	2011
Current assets	$ 195,192	$ 117,832	$ 129,786
Noncurrent assets	1,704,025	1,600,727	1,576,698
Total assets	1,899,217	1,718,559	1,706,484
Deferred outflows of resources	19,145	16,291	1,316
Current liabilities	78,461	79,296	100,783
Noncurrent liabilities	1,830,374	1,643,123	1,599,186
Total liabilites	1,908,835	1,722,419	1,699,969
Deferred inflows of resources	357	2,128	-
Net position (unrestricted)	$ 9,170	$ 10,303	$ 7,831

Note: The Authority owns no capital assets.

At June 30, 2013, current assets include $87,850,086 of unexpended bond proceeds and commercial paper that will fund approved higher education loans as compared to $15,242,698 at June 30, 2012, and $31,917,018 at June 30, 2011. During the fiscal year ended June 30, 2013, the Authority issued $437,720,000 in Higher Education Facilities Second Program bonds which were used to retire $163,345,386 of commercial paper proceeds with the remainder to be used to fund various project costs and costs of issuance. During the fiscal year ended June 30, 2012, the Authority did not issue any long-term debt. During the fiscal year ended June 30, 2011, the Authority issued $231,935,000 in Higher Education Facilities Second Program Bonds which were used to retire $220,366,027 of commercial paper proceeds with the remainder to be used to fund various project costs and costs of issuance. During the fiscal year June 30, 2011, the Authority issued $212,440,000 in QSCBs which were used to fund various project costs and costs of issuance.

Principal payments were made on the higher education outstanding long-term bonds in the amounts of $53,870,000 in 2013; $50,659,000 in 2012; and $47,493,000 in 2011. Deposits to the sinking fund for the QZABs were made in the amounts of $3,402,835 in 2013; $3,403,891 in 2012; and $3,463,796 in 2011. During the fiscal year ended June 30, 2012, the 1999 Series QZAB bonds were retired in the amount of $13,290,000, decreasing both the QZAB sinking fund balance and the balance of outstanding bonds. No QZAB bonds were retired during fiscal years 2013 or 2011. Deposits to the sinking fund for the QSCBs were made in the amounts of $23,459,099 in 2013, $23,074,545 in 2012, and $9,764,134 in 2011. No QSCB bonds were retired during the fiscal years 2013, 2012, or 2011.

Net position is available to fund ongoing operations and other expenses necessary to meet the goals of the Authority. Assets and liabilities increase and decrease together in correlation to the issuance and repayment of debt and the resulting loans. The change in net position from fiscal year ending June 30, 2013 to fiscal year ending June 30, 2012, was mostly due to the cumulative effect of the change of accounting principal.

Statements of Revenues, Expenses, and Changes in Net Position Summary (in thousands)

	2013	2012	2011
Operating Revenues			
Revenue from loans	$ 62,496	$ 59,242	$ 57,310
Investment earnings	1,725	1,100	512
Total operating revenue	64,221	60,342	57,822
Operating Expenses			
Interest expense	61,005	58,011	55,355
Subsidy to borrowers	12,314	11,314	8,061
Other expenses	2,334	1,143	2,143
Total operating expenses	75,653	70,468	65,559
Operating income (loss)	(11,432)	(10,126)	(7,737)
Nonoperating Revenues			
Federal subsidy on bonds	10,299	10,299	7,524
Total nonoperating revenue	10,299	10,299	7,524
Increase (decrease) in net position	$ (1,133)	$ 173	$ (213)

The Authority's operating revenues include revenue from loans in the form of administrative fees, interest on loans, and income earned on investments. Operating expenses include interest expense on outstanding bonds and commercial paper, and administrative expenses. The change in operating revenue and operating expenses can be attributed largely issuance of the 2012 Series bonds increased the revenues from loans. With the issuance of the 2012 Series Bonds, Revenue from Loans and Interest Expense both increased at approximately the same rate while Federal subsidy on bonds remained unchanged. The increase in the operating expenses, which was mainly from the issuance of the 2012 Series Bonds which caused "other expenses" to increase from the expensing of the related costs of issuance and the increased interest expense, was the major contributor to the decrease in operating income and change in net position.

For the fiscal years ended June 30, 2013, June 30, 2012, and June 30, 2011, the Authority elected to return the investment income that it earned on funds held by the Trustee and interest earned on unspent bond proceeds to its borrowers in the higher education facilities program as a subsidy in the form of a credit to amounts due on debt service from the borrowers.

Pursuant to the bond resolution for the QZABs, Sinking Fund payments are invested in the State Pooled Investment Fund ("SPIF"). SPIF rates for fiscal year ended June 30, 2013, ranged from 0.10% to 0.15%. Investment earnings related to the QZAB program are held by the Authority for the benefit of the LEAs participating in the program and credited to their individual debt service sinking fund payment on an annual basis. Pursuant to the supplemental bond resolutions for the 2004 and 2005 Series QZABs, sinking fund payments are invested in Forward Delivery Agreements which guarantee a fixed rate of interest of 3.00% and 3.64%, respectively, on investments. The investments are held by the State Treasurer in the Authority's name.

Investment earnings related to the QSCB program are held by the Authority for the benefit of the local governments participating in the program and are credited on a monthly basis to the amounts due on their individual debt service principal and interest payments.

Future Financing Activities

Higher Education Facilities Programs. As Tennessee continues into 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 and to produce degree and certificate holding work-ready citizens. A host of policy and environmental factors influence the demands for access and completion, and the means through which this demand will be met.

These factors include:

- Economic conditions in 2008 led to an enrollment bulge in Tennessee colleges and universities that rippled through 2010. University enrollment increased seven percent from 2008 to 2010, while community college enrollment increased 22 percent in the same time period, the largest increase in more than two decades. These enrollment increases began to wane in 2011. Total enrollments declined 2.4% from 2011 to 2012 but they remain well above the levels before the economic downturn. Since 2007, enrollments have increased 8 percent at universities and 19 percent at community colleges.
- The demographic composition of the state is changing dramatically and the higher education system must position itself to serve the needs of an increasingly diverse population.
- The advent of the Tennessee Education Lottery Scholarship program allowed more Tennesseans to attend college. In 2012-13, the Tennessee Lottery provided an estimated $312 million in scholarships to more than 102,000 students.

In January 2010, the Tennessee General Assembly enacted the Complete College Tennessee Act (CCTA), a comprehensive reform agenda that seeks to transform public higher education through changes in academic, fiscal and administrative policies at the state and institutional level. The primary goal of these reforms is for more Tennesseans to be better educated and trained. At the heart of the CCTA is a new Public Agenda for higher education which establishes the direct link between the state's economic development and its educational system. The overarching goal of the Public agenda is to have Tennessee meet the projected national average in educational attainment by 2025. The primary state policy levers for addressing the state's educational needs include (1) a new funding formula which incorporates outcomes in lieu of enrollment; (2) a new Performance Funding program which focuses on quality assurance; and (3) the establishment of institutional mission statements or profiles which distinguish each institution by degree level, program offerings and student characteristics. Other major components of the reform agenda include more efficient student transfer, a more integrated community college system, reforms to the delivery of student remediation programs, and an enhanced research focus for the University of Tennessee Knoxville and the University of Memphis, the state's two public Carnegie Research institutions.

With the creation of CCTA, the importance of receiving training beyond high school became more significant. In 2008, 24.5 percent of Tennessee's working-age adults held a college degree, compared to the national average of 29.5 percent. To reach the national average educational attainment levels of 2008, Tennessee would have needed an additional 170,000 citizens with a bachelor's degree or higher, more than double the annual degree production of the state's public and private institutions at that time. Furthermore, the percentage of adults in the state with an associate's degree or some college in 2008 was 31.3 percent, in comparison with the national average of 37.9 percent. To reach the 2008 national average, Tennessee would have needed an additional 220,000 citizens with an associate's degree or higher. As of 2011, the percentage of adults in the state with a bachelor's degree or higher was 25.3 percent compared to the national rate of 30.1 percent. Those with an associate's degree or higher increased to 32.1 percent while the national rate was 38.7 percent.

While Tennessee continues to trail the national rate, the gap has narrowed for adults with an associate's or bachelor's degree. The increased enrollment during the economic downturn years and demand for advanced education and training put stress on the capital facilities at all campuses. As the State continues to promote educational attainment to its citizens, we anticipate an increased need for funding of various facilities through the Authority.

Higher Education Facilities Programs Change in Legislation. The definition of "Institution" was amended by Chapter 174, Public Laws of 2013. ."Institution" means, as appropriate, (i) the University of Tennessee system, including all of its branches and divisions wherever located, and the services, programs and activities provided therein, and the Board of Trustees, in the aggregate, and (ii) the state university and community college system, including all of its constituent institutions wherever located (whether or not conferring degrees), and the services, programs and activities provided therein, and the Board of Regents, in the aggregate.

Qualified Zone Academy Bonds and Qualified School Construction Bonds Programs. The issuance of bonds within the QZAB and QSCB programs is limited to the amounts allocated by the federal government. At this time, the Authority does not anticipate further issuance of debt for the QZAB program due to economic and financial conditions and constraints. The QSCB program expired December 31, 2010.

Contacting the Authority's Management Team

This discussion and analysis is designed to provide our citizens, education agencies, investors and creditors with a general overview of the Authority's finances and to demonstrate its accountability for the monies it receives. If you have questions about this report or need additional financial information, contact the Director of State and Local Finance, State of Tennessee, Suite 1600, James K. Polk Center, 505 Deaderick St., Nashville, Tennessee 37243-1402, visit our website at http://www.comptroller.tn.gov/TSSBA/, or call (615) 747-5370.

TENNESSEE STATE SCHOOL BOND AUTHORITY
XVI
AGRICULTURE
COMMERCE
1965

Basic Financial Statements

TENNESSEE STATE SCHOOL BOND AUTHORITY
XVI
AGRICULTURE
COMMERCE
1965

TENNESSEE STATE SCHOOL BOND AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2013, AND JUNE 30, 2012
(Expressed in Thousands)

	June 30, 2013	June 30, 2012
ASSETS		
Current assets:		
Cash (Note 2)	$ 96,308	$ 22,715
Cash with fiscal agent (Note 2)	788	1,055
Investments with fiscal agent (Note 2)	-	-
Fair value of derivatives (Notes 1 and 2)	357	2,128
Loans receivable (Notes 3 and 7)	84,492	79,843
Interest receivable (Note 3)	8,871	7,626
Federal subsidy receivable	3,004	3,004
Receivables for administrative fees (Note 3)	1,372	1,461
Total current assets	195,192	117,832
Noncurrent assets:		
Restricted cash (Notes 2 and 4)	26,421	96,238
Restricted investments (Notes 2 and 4)	111,696	82,585
Loans receivable (Notes 3 and 7)	1,565,908	1,421,904
Total noncurrent assets	1,704,025	1,600,727
Total assets	1,899,217	1,718,559
DEFERRED OUTFLOWS OF RESOURCES		
Derivatives - Forward Delivery Agreement (Notes 1 and 2)	66	-
Deferred amount on refunding	19,079	16,291
Total deferred outflows of resources	19,145	16,291
LIABILITIES		
Current liabilities:		
Accounts payable	315	21
Accrued liabilities	8,154	15,118
Fair value of derivatives (Notes 1 and 2)	66	-
Accrued interest payable	11,672	10,533
Unearned revenue (Note 6)	3,114	3,589
Bonds payable (Note 5)	55,140	50,035
Total current liabilities	78,461	79,296
Noncurrent liabilities:		
Unearned revenue (Note 6)	22	24
Commercial paper payable (Note 5)	209,429	253,676
Bonds payable (Note 5)	1,620,923	1,389,423
Total noncurrent liabilities	1,830,374	1,643,123
Total liabilities	1,908,835	1,722,419
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow - derivatives (Notes 1 and 2)	357	2,128
	357	2,128
NET POSITION		
Unrestricted	$ 9,170	$ 10,303

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 POSITION
FOR THE YEARS ENDED JUNE 30, 2013, AND JUNE 30, 2012
(Expressed in Thousands)

	Year Ended June 30, 2013	Year Ended June 30, 2012
OPERATING REVENUES		
Revenue from loans	$ 62,496	$ 59,242
Investment earnings (loss)	1,725	1,100
Total operating revenues	64,221	60,342
OPERATING EXPENSES		
Interest expense-commercial paper	244	323
Interest expense-bonds	60,761	57,684
Loss on Retirement of Bonds	-	4
Subsidy to borrowers	12,314	11,314
Administrative expense	2,334	1,143
Total operating expenses	75,653	70,468
Operating Income (loss)	(11,432)	(10,126)
NONOPERATING REVENUES		
Federal subsidy on bonds	10,299	10,299
Total nonoperating revenues	10,299	10,299
Increase (decrease) in net position	(1,133)	173
NET POSITION		
Net position, July 1 before change in accounting principle	-	7,831
Cumulative effect of a change in accounting principle (Note 1)	-	2,299
Net position, July 1	10,303	10,130
Net position, June 30	$ 9,170	$ 10,303

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, 2013, AND JUNE 30, 2012

(Expressed in Thousands)

	Year Ended June 30, 2013	Year Ended June 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from borrowers for administrative fees	$ 1,809	$ 367
Payment to suppliers	(947)	(1,147)
Receipts from borrowers to the interest rate reserve fund	613	502
Payments to borrowers from the interest rate reserve fund	(874)	(3)
Net cash used in operating activities	$ 601	$ (281)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from sale of bonds	284,910	-
Proceeds from sale of refunding bonds	195,258	-
Proceeds from sale of commercial paper	123,000	97,000
Bond interest subsidy from federal government	10,299	10,299
Call premium paid	-	(4)
Bond issuance costs paid	(1,387)	-
Refunding bond proceeds placed in escrow	(194,700)	-
Principal paid - bonds and commercial paper	(221,117)	(69,922)
Interest paid - bonds and commercial paper	(61,722)	(59,191)
Subsidy to borrowers	(10,662)	(10,551)
Net cash provided by (used in) noncapital financing activities	$ 123,879	$ (32,369)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(68,666)	(38,531)
Proceeds from sales and maturities of investments	43,000	20,328
Interest received on investments	1,599	1,131
Loans issued	(241,132)	(287,814)
Loan escrow paid	-	(520)
Collections of loan principal	82,737	82,038
Interest received on loans	61,491	58,810
Collections of call premium	-	4
Refund to borrower	-	(601)
Net cash used in investing activities	$ (120,971)	$ (165,155)
Net increase (decrease) in cash	3,509	(197,805)
Cash, July 1	120,008	317,813
Cash, June 30	$ 123,517	$ 120,008
Reconciliation of cash to the Statement of Net Assets:		
Cash	$ 96,308	$ 22,715
Cash with fiscal agent	788	1,055
Restricted cash	26,421	96,238
Cash, June 30	$ 123,517	$ 120,008

TENNESSEE STATE SCHOOL BOND AUTHORITY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2013, AND JUNE 30, 2012

(Expressed in Thousands)

	Year Ended June 30, 2013	Year Ended June 30, 2012
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	$ (11,432)	$ (10,126)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Investment earnings	(1,725)	(1,215)
Interest expense	61,005	58,007
Subsidy to borrowers	12,314	11,314
Interest income (loss) from loans	(69,857)	(58,162)
Changes in assets and liabilities:		
(Increase) decrease in receivables for administrative fees	89	(595)
Increase (decrease) in unearned revenue	10,207	496
Total adjustments	12,033	9,845
Net cash provided by (used in) operating activities	$ 601	$ (281)
Noncash investing activities:		
Increase (decrease) in fair value of investments	$ 699	$ 264

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, 2013, and June 30, 2012

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

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

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

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 Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering services in connection with principal ongoing operations. The Authority's principal ongoing operation is to provide loans for constructing capital projects, renovating and rehabilitating facilities, acquiring land and acquiring equipment to higher educational facilities and to local government units pursuant to the criteria set by the federal government for the QZAB and QSCB programs. Therefore, the Authority also recognizes income on investments as operating revenue. The Authority's operating expenses include interest paid on borrowings, subsidies to borrowers, bond issuance costs, arbitrage, and administrative expenses. Any revenues and expenses not meeting this definition would be reported as nonoperating revenues and expenses.

Investments

Investments for the Higher Education and QZAB Programs are stated at fair value. Investments for the QSCB program will be held to maturity and are stated at amortized value.

Amortized Amounts

A. 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.

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

B. Unearned Revenue. 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 position as unearned revenue and is not amortized.

   The Authority requires the QSCB borrowers to prepay bondholder interest to the Debt Service Fund as outlined in the loan agreements. The interest of the Debt Service Fund is credited back to the borrower as bondholder interest payments are made. The prepaid interest is reported on the statement of net position as unearned revenue and is not amortized.

Change in Accounting Principle

The Authority implemented the Governmental Accounting Standards Board's Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during the year ended June 30, 2013. The effect on the fund was the renaming of the residual of all other elements in the statement of financial position as net position, rather than net assets.

Also, Effective for periods beginning after December 15, 2012, the Authority adopted Statement Number 65 of the Governmental Accounting Standards Board, *Items Previously Reported as Assets and Liabilities*. It requires that cost of issuance be expensed instead of being amortized over the life of the bonds. Therefore, all unamortized costs were expensed. Since all unamortized costs of issuance were expensed an adjusting entry to unearned revenue was also made to write off the costs of issuance from that balance as well. Totals on the statement of net position for June 30, 2012, have been restated for comparative purposes. The cumulative effect on net assets, which includes the netting of the expensing of the unamortized costs of issuance and the writing off of the costs of issuance from unearned revenue, has been reported on the statement of revenues, expenses, and changes in net position for the period ending June 30, 2012.

NOTE 2. DEPOSITS AND INVESTMENTS

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

State Investment Policy adopted by the State Funding Board pursuant to *Tennessee Code Annotated*, Section 9-4-602.

Deposits

The Authority has cash on deposit in the State Pooled Investment Fund and Local Government Investment Pool administered by the State Treasurer. The funds' investment policy and required risk disclosures are presented in the *State of Tennessee's Treasurer's Report.* That report is available on the State's website at http://www.tn.gov/treasury.

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, 2013, the Authority has the following Higher Education and QZAB investments:

Investment	Maturity	Fair Value
U.S. Treasury Bills	July 11, 2013	$5,657,943
	October 31, 2013	3,438,347
U.S. Treasury Notes	August 15, 2014	3,945,479
	September 15, 2013	8,511,645
	October 15, 2013	23,736,792
	November 30, 2013	7,258,280
	November 30, 2014	4,075,602
Total Investments		$56,624,088

As of June 30, 2013, the Authority has the following QSCB investments:

Investment	Maturity	Amortized Value
U.S. Treasury Bonds	August 15, 2026	$12,877,203
	August 15, 2027	9,315,622
U.S. Treasury Securities:		
Agency Zeroes & Strips	August 15, 2026	18,073,367
Agency Zeroes & Strips	August 15, 2027	14,805,830
Total Investments		$55,072,022

As of June 30, 2012, the Authority had the following Higher Education and QZAB investments:

Investment	Maturity	Fair Value
U.S. Treasury Bill	December 6, 2012	$6,106,273
U.S. Treasury Notes	July 31, 2012	4,790,135
	September 15, 2013	8,548,110
	October 15, 2013	23,774,728
U.S. Government Supported Corporate Debt	September 28, 2012	4,111,789
	December 28, 2012	4,165,764
Total Investments		$51,496,799

As of June 30, 2012, the Authority has the following QSCB investments:

Investment	Maturity	Amortized Value
U.S. Treasury Bonds	August 15, 2026	$9,471,995
	August 15, 2027	4,567,242
U.S. Treasury Securities:		
Agency Zeroes & Strips	August 15, 2026	10,618,118
Agency Zeroes & Strips	August 15, 2027	6,431,216
Total Investments		$31,088,571

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 State's Investment Policy does not formally address interest rate risk. As a matter of practice, higher education investments are invested no longer than five years to reduce the interest rate risk. QZAB investments follow the guidelines in the Forward Delivery Agreements which are limited to six-month maturities so that interest rate risk is contained. The Authority's investments are specifically identified above.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2013, and June 30, 2012, the Authority only invested in U.S. Government obligations, or obligations of which the principal and interest are guaranteed by the United States.

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, 2013, and June 30, 2012, 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, 2013, and June 30, 2012, the Authority

only invested in U.S. Treasury securities, or obligations of which the principal and interest are guaranteed by the United States.

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 QZABs. The Agreement guarantees to the Authority a fixed rate of interest of 3%. Cash from borrowers' loan repayments will be used to purchase securities from Bank of America, N.A. in accordance with the Agreement. The accumulated funds will be used to redeem the $12,600,000 Series 2004 QZABs 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, 2013, $5,657,943 is invested through the Agreement. As of June 30, 2012, $4,790,135 was 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 QZABs. 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 QZABs 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, 2013, $7,258,280 is invested through the Agreement. As of June 30, 2012, $6,106,273 was 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 6/30/13 at fair value	$5,657,943	$7,258,280
Amount Invested in Agreement at 6/30/12 at fair value	$4,790,135	$6,106,273
Date of Deposits	Nov. 24, 2005 through 2020	Dec. 8, 2006 through 2020

For the fiscal year ended June 30, 2013, the Agreement for the 2004 QZABs has a negative fair value of $66,149, and the Agreement for the 2005 QZABs has a positive fair value of $357,449. The positive fair value is reported as a deferred inflow on the statement of net position and the negative fair value is reported as a deferred outflow on the statement of net position. For the fiscal year ended June 30, 2012, the Agreement for the 2004 QZABs had a positive fair value of $422,423, and the Agreement for the 2005 QZABs had a positive fair value of $1,705,408. The Authority did not enter into these agreements as interest rate hedges. These positive fair values are reported as deferred inflows on the statement of net position. The Agreements were valued by an independent investment advisor using the

parameters contained in the Agreements and prevailing market conditions and benchmark yields on June 30, 2013, upon which the fair values depend. Borrowers pay no interest on these bonds. The interest rate credit is established by the federal government. The Agreements are agreed to as one of the terms of purchase to induce the investor to purchase the bond. The Authority has a scheduled amount of Qualified Securities required to be on deposit on specified delivery dates. These Agreements are forward contracts or commitments to deliver the same Qualified Securities on the scheduled dates at a pre-determined rate; therefore, these are hedging derivative instruments employed as a fair value hedge of the Qualified Securities for the required deposits. These forward contracts meet all criteria under GASB 53, Paragraph 39, which addresses the consistent critical terms method for forward contracts. All terms of the required deposits and the Agreements are consistent; therefore, hedge accounting is applied.

Termination Risk

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

If the current market interest rate is higher than the fixed interest rate agreed to in the Agreement, the 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, 2013, the fair value of the State's Agreements is a total positive value of $291,300. As of June 30, 2012, the fair value of the State's Agreements was a total positive value of $2,127,831.

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 Second Financing Agreement (the "Agreement"), is dated November 1, 1997, and was amended and restated on May 9, 2013. Under the Agreement, the Authority agrees to finance construction projects for the Board of Trustees or the Tennessee Board of Regents. Annual financing charges payable under the Agreement must be sufficient to pay the debt obligations of the Authority and the costs of administering the programs.

Qualified Zone Academy Bonds Program

The Authority has entered into loan agreements with the local governments on behalf of local education agencies for the 1999 QZABs, dated November 30, 1999; the 2001 QZABs, dated December 18, 2001; the 2003 QZABs, dated December 23, 2003; the 2004 QZABs, dated November 24, 2004; and the 2005 QZABs, dated December 28, 2005. Under the agreements, the Authority agrees to finance renovation projects and equipment for the local education agencies. On the date designated in the agreements, annual financing charges must be paid by the borrower sufficient to pay the annual

principal payment, which is deposited into a bond sinking fund held by the State Treasurer that will pay the bonds at maturity, and the costs of administering the program.

Qualified School Construction Bonds Program

The Authority has entered into loan agreements with the local governments on behalf of local education agencies for the 2009 QSCBs, dated December 1, 2009, and the 2010 QSCBs, dated October 1, 2010. Under the agreements, the Authority agrees to finance renovation and rehabilitation projects, equipment purchases, new building construction, and land acquisition for the local education agencies. On the dates designated in the agreements, monthly financing charges must be paid by the borrower sufficient to pay the monthly principal payment, which is deposited into a bond sinking fund held by the State Treasurer that will pay the bonds at maturity; interest payment; and the costs of administering the program.

NOTE 4. RESTRICTED ASSETS

Cash and Investments

The Higher Education Facilities Second Program General Bond Resolution, effective for all bonds issued in 1998 and thereafter, permits the Authority to satisfy the debt service reserve requirement by either placing an amount equal to the maximum semiannual debt service requirement in a debt service reserve account or by maintaining a Reserve Fund Credit Facility. The Authority obtained a surety bond, constituting a Reserve Fund Credit Facility under the Resolution, in lieu of maintaining a debt service reserve fund for the 1998 Series A, B, C, and D; 2000 Series A and B; 2002 Series A; 2004 Series A, B, and C; 2005 Series A and B; 2006 Series A and B; 2007 Series A, B and C; and 2008 Series A Bonds. Due to market conditions at the time of issuance of the 2008 Series B, 2009 Series A, 2010 Series A and B Bonds, the Authority deposited funds into a debt service reserve account equal to the maximum semiannual debt service for those bonds. The Authority elected to establish a separate debt service reserve fund solely for the 2012 Series A, B, and C bonds with no current funding requirement.

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

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

NOTE 5. DEBT PAYABLE

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

Higher Education Facilities Programs

A. Bonds. 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 QZABs to make loans to local governments on behalf of local education agencies for the purpose of financing eligible costs of certain projects. The State Department of Education recommends the projects to the Authority that should be funded under the QZAB program. The Taxpayer Relief Act of 1997 provided this financial tool whereby interest on QZABs is paid by the federal government in the form of an annual tax credit to the financial institutions that hold the QZABs. The bonds are secured solely by the payments made by the borrowers under the Loan Agreements, including amounts collected from unobligated state-shared taxes in the event of non-payment by the local governments and by certain funds held under the Qualified Zone Academy Bond Resolution.

Qualified School Construction Bonds Program

On November 5, 2009, the Authority adopted a Qualified School Construction Bond Resolution authorizing the issuance of QSCBs to make loans to local governments on behalf of local education agencies for the purpose of financing eligible costs of certain projects. The Tennessee Advisory Commission on Intergovernmental Relations recommended the projects to be funded by the Authority under the QSCB program. The American Recovery and Reinvestment Act of 2009 provided this financial tool whereby interest on QSCBs, Series 2009, is paid by the federal government in the form of a quarterly tax credit to the financial institutions that hold the QSCBs. Market conditions at the time of issuance demanded the borrowers pay an additional quarterly interest payment to supplement the tax credit to the investors. The 2010 QSCBs were issued as direct subsidy payment bonds, a financial tool whereby the interest on the QSCBs is intended to be fully subsidized by the federal government. The bonds are secured solely by the payments made by the borrowers under the Loan Agreements, including amounts collected from unobligated state-shared taxes in the event of non-payment by the local governments and by certain funds held under the Qualified School Construction Bond Resolution.

Changes in debt payable for the year ended June 30, 2013, and 2012 are as follows (expressed in thousands):

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Amounts Due Within One Year
Commercial paper	$ 253,676	$ 123,000	$ 167,247	$ 209,429	$ -
Bonds payable	$ 1,401,681	$ 437,724	$ 237,925	$ 1,601,480	$ 55,140
Less: unamortized bond discount	(268)	-	(238)	(30)	-
Add: unamortized bond premium	38,040	42,448	5,875	74,613	-
Add: call premium	4	-	(4)	-	-
Total bonds payable	$ 1,439,457	$ 480,172	$ 243,558	$ 1,676,063	$ 55,140

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2013, and June 30, 2012

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Amounts Due Within One Year
Commercial paper	$ 162,653	$ 97,000	$ 5,977	$ 253,676	$ -
Bonds payable	$ 1,465,630	$ -	$ 63,949	$ 1,401,681	$ 50,035
Less: unamortized bond discount	(312)	-	(44)	(268)	-
Add: unamortized bond premium	39,955	-	1,915	38,040	-
Add: call premium	-	4	-	4	-
Total bonds payable	$ 1,505,273	$ 4	$ 65,820	$ 1,439,457	$ 50,035

Bonds and commercial paper payable at June 30, 2013, and June 30, 2012, are as follows (expressed in thousands):

	June 30, 2013	June 30, 2012
Bonds Payable:		
1998 Refunding Series D at interest rates from 4.60% to 4.85% maturing to 2021 (original par - $33,540)	0	13,245
2004 Series A at interest rates from 4.00% to 4.50% maturing to 2026 (original par - $67,965)	0	46,586
2004 Series B at interest rates from 4.00% to 4.50% maturing to 2034 (original par - $60,575)	0	44,545
2004 Series C (Federally Taxable) at interest rates from 4.25% to 5.50% maturing to 2034 (original par - $37,230)	1,375	29,150
2005 Series A at interest rates from 3.625% to 5.00% maturing to 2030 (original par - $100,540)	74,410	83,205
2005 Series B (Federally Taxable) at interest rates from 4.31% to 4.88% maturing to 2028 (original par - $30,960)	4,610	26,365
2006 Series A at interest rates from 4.00% to 4.60% maturing to 2036 (original par - $53,820)	6,780	42,505
2007 Series A at interest rates from 4.00% to 5.00% maturing to 2036 (original par - $33,730)	26,465	27,680

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2013, and June 30, 2012

	June 30, 2013	June 30, 2012
2007 Series B (Federally Taxable) at interest rates from 5.243% to 5.666% maturing to 2036 (original par - $14,040)	10,335	10,975
2007 Series C at interest rates from 4.00% to 5.00% maturing to 2032 (original par - $89,940)	83,730	84,080
2008 Series A at interest rates from 3.50% to 5.00% maturing to 2037 (original par - $118,530)	102,205	105,635
2008 Series B at interest rates from 4.00% to 5.50% maturing to 2038 (original par - $166,990)	144,445	150,270
2009 Series A at interest rates from 3.00% to 5.00% maturing to 2039 (original par - $109,905)	78,860	86,695
2010 Series A at interest rates from 3.00% to 5.00% maturing to 2040 (original par - $213,920)	191,415	200,110
2010 Series B at interest rates from 2.00% to 5.20% maturing to 2040 (original par - $18,015)	16,810	17,275
2012 Series A at interest rates from 0.18% to 5.00% maturing to 2042 (original par - $208,295)	206,055	0
2012 Series B (Federally Taxable) at interest rates from 0.40% to 3.845% maturing to 2042 (original par - $103,790)	102,650	0
2012 Refunding Series C at interest rates from 0.18% to 5.000% maturing to 2034 (original par - $125,635)	117,975	0
2001 Qualified Zone Academy Bonds non-interest bearing maturing in 2015 (original par - $11,330)	11,330	11,330
2003 Qualified Zone Academy Bonds non-interest bearing maturing in 2018 (original par - $2,445)	2,445	2,445
2004 Qualified Zone Academy Bonds non-interest bearing maturing in 2020 (original par - $12,600)	12,600	12,600
2005 Qualified Zone Academy Bonds non-interest bearing maturing in 2020 (original par - $17,545)	17,545	17,545
2009 Qualified School Construction Bonds at an interest rate of 1.515% and a federal tax credit rate of 5.86% maturing in 2026 (original par - $177,000)	177,000	177,000

	June 30, 2013	June 30, 2012
2010 Qualified School Construction Bonds at an interest rate of 4.848% maturing in 2027 (original par - $212,440)	212,440	212,440
Total Par Amount of Bonds Payable	$ 1,601,480	$ 1,401,681
Plus: Unamortized Premium/Less Unamortized Discount	74,583	37,772
Call Premium	0	4
Net Bonds Payable	$ 1,676,063	$ 1,439,457
Commercial paper, at interest rates from 0.10% to 0.22%	$ 209,429	$ 253,676

Debt service requirements to maturity of the bonds payable at June 30, 2013, are as follows (expressed in thousands):

For the Year(s) Ending June 30	Principal	Interest	Total
2014	$ 55,140	$ 50,889	$ 106,029
2015	64,000	48,892	112,892
2016	53,500	46,662	100,162
2017	54,545	44,361	98,906
2018	58,510	42,097	100,607
2019-2023	314,270	172,732	487,002
2024-2028	650,825	111,837	762,662
2029-2033	175,760	59,381	235,141
2034-2038	114,385	27,161	141,546
2039-2042	60,545	5,156	65,701
	$ 1,601,480	$ 609,168	$ 2,210,648

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, 2013, and June 30, 2012, the Authority did not have a liability for arbitrage.

On August 1, 2012, the Authority issued three new series of bonds, 2012 Series A, B and C. The 2012 Series A tax-exempt bond proceeds in the amount of $208,295,000 were issued to redeem $129,859,517 of the Authority's tax-exempt commercial paper and $13,659,450 of the Authority's taxable commercial paper. The 2012 Series B taxable bond proceeds in the amount of $103,790,000 were issued to redeem $19,826,419 of the Authority's taxable commercial paper and to advance refund $26,455,000 of the 2004 Series C bonds and $19,595,000 of the 2005 Series B bonds. The balance of

the proceeds of the 2012 Series A and B was used to pay for new construction projects and various costs of issuance. The 2012 Series C tax-exempt bond proceeds in the amount of $125,635,000 were issued to current refund $13,245,000 of the 1998 Series D bonds, $46,590,000 of the 2004 Series A bonds, $44,545,000 of the 2004 Series B bonds and to advance refund $33,625,000 of the 2006 Series A bonds. The 2012 Series B refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $5,240,767. This amount is reported as a deferred outflow from resources and is being charged to operations through the year 2028. The 2012 Series B refunding resulted in a reduction of total debt service payments of $5,505,925 over the next 16 years and an economic gain (difference between the present values of the old and new debt service payments) of $4,447,734.57. The 2012 Series C refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $6,233,558. This amount is reported as a deferred outflow from resources and is being charged to operations through the year 2034. The 2012 Series C refunding resulted in a reduction of total debt service payments of $22,076,213 over the next 22 years and an economic gain (difference between the present values of the old and new debt service payments) of $18,956,994.54. 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, 2013, the Authority did not have any bonds outstanding that were considered defeased.

Commercial Paper Program

The Authority issues short-term debt to finance certain capital projects for the State'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, 2013, $180,668,000 of tax-exempt commercial paper and $28,761,000 of taxable commercial paper is outstanding. At June 30, 2012, $214,328,000 of tax-exempt commercial paper and $39,348,000 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 0.10% to 0.22% during the fiscal year. Interest is payable upon maturity.

The Authority currently has State Street Bank and Trust Company as their liquidity provider under a Credit Agreement with an expiry date of March 30, 2014, subject to extension and earlier termination. The total available commitment, including 45 days of accrued interest in the amount of $4,593,750, is $304,593,750. The obligation of State Street Bank and Trust Company is to purchase unremarketed commercial paper. In the event the liquidity facility is called upon, the Authority must repay the advance on the earlier of (i) the date of such Advance or (ii) the Termination Date. Unless the Authority repays the advance by the Term Loan Closing Date, the principal amount will convert to a term loan with six equal semi-annual payments. In accordance with Financial Accounting Standards Board *Accounting Standard Codification* (ASC) 275 *Risk and Uncertainties*, 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, 2013, and 2012, are as follows (expressed in thousands):

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Interest rate reserve fund	$ 1,166	$ 613	$ 873	$ 906
Other unearned revenue	2,447	2,206	2,423	2,230
Total unearned revenue	$ 3,613	$ 2,819	$ 3,296	$ 3,136

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Interest rate reserve fund	$ 667	$ 502	$ 3	$ 1,166
Other unearned revenue	2,768	2,436	2,757	2,447
Total unearned revenue	$ 3,435	$ 2,938	$ 2,760	$ 3,613

NOTE 7. LOANS RECEIVABLE RESTATEMENT

In fiscal year 2013, the decision was made to restate loans receivable for the fiscal year ended June 30, 2012, to include amounts previously reported as deferred charges and unearned revenue. When the Authority issues bonds to finance capital projects for the higher education institution and local governments, the principal amount of the loan differs from the actual amount of funds available for capital expenditures because the par amount of the bonds is adjusted by bond discounts and premiums in order to arrive at the amount of bond proceeds available for capital expenditures. These discounts and premiums are amortized on a straight-line basis over the life of the related bond because the higher education institutions and the local governments either receive the benefit or bear the cost of this difference. These differences were previously reported as deferred charges of $33,562,000 and unearned revenue of $12,632,000. These differences are now included in loans receivable on the statement of net position.

NOTE 8. SUBSEQUENT EVENTS

As of December 12, 2013, the Authority has $82,101,000 outstanding in tax-exempt commercial paper and $35,961,000 in taxable commercial paper. Between June 30, 2013, and December 12, 2013, the Authority has issued $45,000,000 in commercial paper to pay construction expenditures.

On November 6, 2013, the Authority issued the 2013 Series A bonds. The 2013 Series A tax-exempt bond proceeds in the amount of $149,130,000 were sold with an original issue premium of $14,036,286.39. The bond proceeds redeemed $132,991,992 of the Authority's tax-exempt commercial paper and $2,763,930 of the Authority's taxable commercial paper. A portion of a project funded under the 2013 Series A Bonds was being funded with taxable commercial paper. With a

change in scope and a review from bond counsel, it was decided that this project could be financed with tax-exempt bonds and was included in the 2013 Series A Bond issuance. The balance of the proceeds will be used to pay for construction costs of certain projects and various costs of issuance.

The September 15, 2013, federal interest subsidy payment for the 2010 QSCBs was reduced by 8.7%, or $448,010.47, as a part of the Budget Control Act of 2011. The sequestration reduction rate was applicable until the end of the federal fiscal year, September 30, 2013. On October 1, 2013, the Internal Revenue Service announced that federal subsidy payments will be cut by 7.2% during the 2014 federal fiscal year.

Supplementary Schedules

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TENNESSEE STATE SCHOOL BOND AUTHORITY
SUPPLEMENTARY SCHEDULES OF NET POSITION - PROGRAM LEVEL
JUNE 30, 2013, AND JUNE 30, 2012
(Expressed in Thousands)

	June 30, 2013				June 30, 2012			
	Higher Education Facilities Programs	Qualified Zone Academy Bonds Program	Qualified School Construction Bonds Program	Total	Higher Education Facilities Programs	Qualified Zone Academy Bonds Program	Qualified School Construction Bonds Program	Total
ASSETS								
Current assets:								
Cash	$ 95,212	$ 124	$ 972	$ 96,308	$ 21,837	$ 138	$ 740	$ 22,715
Cash with fiscal agent	777	-	11	788	1,040	-	15	1,055
Investments with fiscal agent	-	-	-	-	-	-	-	-
Fair value of derivatives	-	357	-	357	-	2,128	-	2,128
Loans receivable	57,262	2,930	24,300	84,492	52,612	2,930	24,301	79,843
Interest receivable	8,488	-	383	8,871	7,379	-	247	7,626
Federal subsidy receivable	-	-	3,004	3,004	-	-	3,004	3,004
Receivables for administrative fees	1,365	7	-	1,372	1,454	7	-	1,461
Total current assets	163,104	3,418	28,670	195,192	84,322	5,203	28,307	117,832
Noncurrent assets:								
Restricted cash	-	12,189	14,232	26,421	-	11,206	85,032	96,238
Restricted investments	43,708	12,916	55,072	111,696	40,600	10,896	31,089	82,585
Loans receivable	1,244,052	16,034	305,822	1,565,908	1,136,405	18,998	266,501	1,421,904
Total noncurrent assets	1,287,760	41,139	375,126	1,704,025	1,177,005	41,100	382,622	1,600,727
Total assets	1,450,864	44,557	403,796	1,899,217	1,261,327	46,303	410,929	1,718,559
DEFERRED OUTFLOWS OF RESOURCES								
Derivatives - Forward Delivery Agreement	-	66	-	66	-	-	-	-
Deferred amount on refunding	19,079	-	-	19,079	16,291	-	-	16,291
Total deferred outflows of resources	19,079	66	-	19,145	16,291	-	-	16,291
LIABILITIES								
Current liabilities:								
Accounts payable	315	-	-	315	21	-	-	21
Accrued liabilities	-	-	8,154	8,154	-	-	15,118	15,118
Fair value of derivatives	-	66	-	66	-	-	-	-
Accrued interest payable	8,520	-	3,152	11,672	7,381	-	3,152	10,533
Unearned revenue	906	1	2,207	3,114	1,166	2	2,421	3,589
Bonds payable	55,140	-	-	55,140	50,035	-	-	50,035
Total current liabilities	64,881	67	13,513	78,461	58,603	2	20,691	79,296
Noncurrent liabilities:								
Unearned revenue	15	7	-	22	15	9	-	24
Commercial paper payable	209,429	-	-	209,429	253,676	-	-	253,676
Bonds payable	1,187,572	43,911	389,440	1,620,923	956,073	43,910	389,440	1,389,423
Total noncurrent liabilities	1,397,016	43,918	389,440	1,830,374	1,209,764	43,919	389,440	1,643,123
Total liabilities	1,461,897	43,985	402,953	1,908,835	1,268,367	43,921	410,131	1,722,419
DEFERRED INFLOWS OF RESOURCES								
Deferred inflow - derivatives	-	357	-	357	-	2,128	-	2,128
	-	357	-	357	-	2,128	-	2,128
NET POSITION								
Unrestricted	$ 8,046	$ 281	$ 843	$ 9,170	$ 9,251	$ 254	$ 798	$ 10,303

EXPENSES AND CHANGES IN NET POSITION - PROGRAM LEVEL
FOR THE YEARS ENDED JUNE 30, 2013, AND JUNE 30, 2012
(Expressed in Thousands)

	Year ended June 30, 2013				Year ended June 30, 2012			
	Higher Education Facilities Programs	Qualified Zone Academy Bonds Program	Qualified School Construction Bonds Program	Total	Higher Education Facilities Programs	Qualified Zone Academy Bonds Program	Qualified School Construction Bonds Program	Total
OPERATING REVENUES								
Revenue from loans	$ 49,153	$ 15	$ 13,328	$ 62,496	$ 45,894	$ 20	$ 13,328	$ 59,242
Investment earnings (loss)	247	39	1,439	1,725	398	(67)	769	1,100
Total operating revenues	49,400	54	14,767	64,221	46,292	(47)	14,097	60,342
OPERATING EXPENSES								
Interest expense-commercial paper	244	-	-	244	323	-	-	323
Interest expense-bonds	47,779	1	12,981	60,761	44,697	6	12,981	57,684
Loss on retirement of bonds	-	-	-	-	4	-	-	4
Subsidy to borrowers	392	-	11,922	12,314	253	-	11,061	11,314
Administrative expense	2,190	27	117	2,334	944	7	192	1,143
Total operating expenses	50,605	28	25,020	75,653	46,221	13	24,234	70,468
Operating income (loss)	(1,205)	26	(10,253)	(11,432)	71	(60)	(10,137)	(10,126)
NONOPERATING REVENUES								
Federal subsidy on bonds	-	-	10,299	10,299	-	-	10,299	10,299
Total nonoperating revenues	-	-	10,299	10,299	-	-	10,299	10,299
Increase (decrease) in net position	(1,205)	26	46	(1,133)	71	(60)	162	173
NET POSITION								
Net position, July 1 before change in accounting principle					7,435	284	112	7,831
Cumulative effect of a change in accounting principle					1,745	30	524	2,299
Net potistion July 1	9,251	255	797	10,303	9,180	314	636	10,130
Net position June 30	$ 8,046	$ 281	$ 843	$ 9,170	$ 9,251	$ 254	$ 798	$ 10,303

TENNESSEE STATE SCHOOL BOND AUTHORITY
SUPPLEMENTARY SCHEDULES OF CASH FLOWS - PROGRAM LEVEL
FOR THE YEARS ENDED JUNE 30, 2013, AND JUNE 30, 2012
(Expressed in Thousands)

	Year ended June 30, 2013				Year ended June 30, 2012			
	Higher Education Facilities Programs	Qualified Zone Academy Bonds Program	Qualified School Construction Bonds Program	Total	Higher Education Facilities Programs	Qualified Zone Academy Bonds Program	Qualified School Construction Bonds Program	Total
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from borrowers for administrative fees	$ 1,454	$ 14	$ 341	$ 1,809	$ -	$ 16	$ 351	$ 367
Payment to suppliers	(802)	(27)	(118)	(947)	(948)	(7)	(192)	(1,147)
Receipts from borrowers to the interest rate reserve fund	613	-	-	613	502	-	-	502
Payments to borrowers from the interest rate reserve fund	(874)	-	-	(874)	(3)	-	-	(3)
Net cash provided by (used in) operating activities	391	(13)	223	601	(449)	9	159	(281)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Proceeds from sale of bonds	284,910	-	-	284,910	-	-	-	-
Proceeds from the sale of refunding bonds	195,258	-	-	195,258	-	-	-	-
Proceeds from sale of commercial paper	123,000	-	-	123,000	97,000	-	-	97,000
Bond interest subsidy from federal government	-	-	10,299	10,299	-	-	10,299	10,299
Call premium paid	-	-	-	-	(4)	-	-	(4)
Bond issuance costs paid	(1,387)	-	-	(1,387)	-	-	-	-
Refunding bond proceeds placed in escrow	(194,700)	-	-	(194,700)	-	-	-	-
Principal paid - bonds and commercial paper	(221,117)	-	-	(221,117)	(56,632)	(13,290)	-	(69,922)
Interest paid - bonds and commercial paper	(48,742)	-	(12,980)	(61,722)	(46,210)	-	(12,981)	(59,191)
Subsidy to borrowers	(363)	-	(10,299)	(10,662)	(252)	-	(10,299)	(10,551)
Net cash provided by (used in) noncapital financing activities	136,859	-	(12,980)	123,879	(6,098)	(13,290)	(12,981)	(32,369)
CASH FLOWS FROM INVESTING ACTIVITIES								
Purchases of investments	(19,713)	(25,465)	(23,488)	(68,666)	-	(16,714)	(21,817)	(38,531)
Proceeds from sales and maturities of investments	19,516	23,484	-	43,000	976	19,352	-	20,328
Interest received on investments	313	478	808	1,599	349	368	414	1,131
Loans issued	(170,967)	-	(70,165)	(241,132)	(114,984)	-	(172,830)	(287,814)
Loan escrow paid	-	-	-	-	(520)	-	-	(520)
Collections of loan principal	57,989	2,485	22,263	82,737	56,629	3,021	22,388	82,038
Interest received on loans	48,725	-	12,766	61,491	46,156	-	12,654	58,810
Collections of call premium	-	-	-	-	4	-	-	4
Refund to borrower	-	-	-	-	-	(601)	-	(601)
Net cash provided by (used in) investing activities	(64,137)	982	(57,816)	(120,971)	(11,390)	5,426	(159,191)	(165,155)
Net increase (decrease) in cash	73,113	969	(70,573)	3,509	(17,937)	(7,855)	(172,013)	(197,805)
Cash, July 1	22,877	11,344	85,787	120,008	40,814	19,199	257,800	317,813
Cash, June 30	$ 95,990	$ 12,313	$ 15,214	$ 123,517	$ 22,877	$ 11,344	$ 85,787	$ 120,008

Reconciliation of cash to the Statement of Net Assets:								
Cash	$ 95,213	$ 123	$ 972	$ 96,308	$ 21,837	$ 138	$ 740	$ 22,715
Cash with fiscal agent	777	-	11	788	1,040	-	15	1,055
Restricted cash	-	12,189	14,232	26,421	-	11,206	85,032	96,238
Cash, June 30	$ 95,990	$ 12,312	$ 15,215	$ 123,517	$ 22,877	$ 11,344	$ 85,787	$ 120,008
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	$ (1,205)	$ 26	$ (10,253)	$ (11,432)	$ 71	$ (60)	$ (10,137)	$ (10,126)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Investment earnings	(246)	(39)	(1,440)	(1,725)	(398)	(48)	(769)	(1,215)
Interest expense	48,023	1	12,981	61,005	45,020	6	12,981	58,007
Subsidy to borrowers	392	-	11,922	12,314	253	-	11,061	11,314
Interest income (loss) from loans	(56,876)	-	(12,981)	(69,857)	(45,298)	117	(12,981)	(58,162)
Changes in assets and liabilities:								
(Increase) decrease in receivables for administrative fees	89	-	-	89	(595)	-	-	(595)
(Increase) decrease in payables for administrative fees	-	-	-	-	-	-	-	-
Increase (decrease) in due to primary government	-	-	-	-	-	-	-	-
Increase (decrease) in unearned revenue	10,214	(1)	(6)	10,207	498	(6)	4	496
Total adjustments	1,596	(39)	10,476	12,033	(520)	69	10,296	9,845
Net cash provided by (used in) operating activities	$ 391	$ (13)	$ 223	$ 601	$ (449)	$ 9	$ 159	$ (281)
Noncash investing activities:								
Increase (decrease) in fair/amortized value of investments	$ 107	$ -	$ 592	$ 699	$ (41)	$ -	$ 305	$ 264

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Statistical Section

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STATISTICAL SECTION

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

Financial Trends Information

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

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Revenue Capacity Information

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

Outstanding Loans from Borrowers – Qualified Zone Academy Bonds Program 45
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Debt Capacity Information

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

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College and University Funds – Schedule of Fees/Charges, Legislative Appropriations and Debt Service 47
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Demographic and Economic Information

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

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History of Average Daily Membership Grades Kindergarten through Twelve 2003-2012 64

TENNESSEE STATE SCHOOL BOND AUTHORITY
SCHEDULES OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
FOR FISCAL YEARS 2004 TO 2013
(Expressed in Thousands)

	For the Year Ended									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
OPERATING REVENUES										
Revenue from loans	$ 62,496	$ 59,242	$ 57,310	$ 43,377	$ 38,979	$ 34,991	$ 30,157	$ 26,841	$ 27,027	$ 22,956
Investment earnings (loss)	1,725	1,100	512	386	742	1,356	1,975	1,761	1,138	423
Total operating revenues	64,221	60,342	57,822	43,763	39,721	36,347	32,132	28,602	28,165	23,379
OPERATING EXPENSES										
Interest expense-commercial paper	244	323	450	757	3,457	6,244	4,405	3,482	939	515
Interest expense-bonds	60,761	57,684	54,905	41,357	33,999	27,385	24,091	22,994	24,916	21,758
Loss on retirement of bonds	-	4								
Subsidy to borrowers	12,314	11,314	8,061	291	511	1,183	1,578	1,440	847	340
Administrative expense	2,334	1,143	1,356	773	970	681	663	539	548	527
Amortization of bond issuance costs	-	-	787	632	543	561	435	350	295	229
Total operating expenses	75,653	70,468	65,559	43,810	39,480	36,054	31,172	28,805	27,545	23,369
Operating income (loss)	(11,432)	(10,126)	(7,737)	(47)	241	293	960	(203)	620	10
NONOPERATING REVENUES										
Federal subsidy on bonds	10,299	10,299	7,524	-	-	-	-	-	-	-
Total nonoperating revenues	10,299	10,299	7,524	-	-	-	-	-	-	-
Increase (decrease) in net position	(1,133)	173	(213)	(47)	241	293	960	(203)	620	10
NET POSITION										
Net position, July 1 before change in accounting principle		7,831	8,044	8,091	7,850	7,557	6,597	6,800	6,180	6,170
Cumulative effect of a change in accounting principle	-	2,299	-	-	-	-	-	-	-	-
Net position, July 1	10,303	10,130	8,044	8,091	7,850	7,557	6,597	6,800	6,180	6,170
Net position, June 30	$ 9,170	$ 10,303	$ 7,831	$ 8,044	$ 8,091	$ 7,850	$ 7,557	$ 6,597	$ 6,800	$ 6,180

TENNESSEE STATE SCHOOL BOND AUTHORITY
OUTSTANDING LOANS FROM BORROWERS
QUALIFIED ZONE ACADEMY BONDS PROGRAM
FOR THE LAST TEN YEARS

(Loans Expressed in Thousands)

	2013		2012		2011		2010		2009		2008		2007		2006		2005		2004	
	Loans	Loans Per Capita[1]	Loans	Loans Per Capita[1]	Loans	Loans Per Capita[1]	Loans	Loans Per Capita[1]	Loans	Loans Per Capita[2]	Loans	Loans Per Capita[2]	Loans	Loans Per Capita[2]	Loans	Loans Per Capita[2]	Loans	Loans Per Capita[2]	Loans	Loans Per Capita[2]
Benton County	$ 118	$ 7.38	$ 131	$ 8.19	$ 144	$ 9.00	$ 156	$ 9.75	$ 168	$ 9.88	$ 179	$ 10.53	$ 189	$ 11.12	$ 171	$ 10.06	$ -	$ -	$ -	$ -
Blount County	354	2.88	409	3.33	453	3.68	501	4.07	546	5.15	588	5.55	627	5.92	670	6.32	604	5.70	-	-
Hamilton County	419	1.25	517	1.54	614	1.83	713	2.12	812	2.64	917	2.98	1,028	3.34	1,127	3.66	1,232	4.00	652	2.12
Humboldt City	471	58.88	629	78.63	786	98.25	942	117.75	1,088	120.89	1,227	136.33	1,382	153.56	1,554	172.67	1,726	191.78	1,883	209.22
Kingsport City	2,808	58.50	3,146	65.54	3,469	72.27	3,802	79.21	4,121	91.58	4,424	98.31	4,604	102.31	3,815	84.78	210	4.67	274	6.09
Knox County	-	-	-	-	211	0.49	423	0.98	617	1.62	798	2.09	1,004	2.63	1,243	3.25	1,487	3.89	1,715	4.49
Lexington City	656	82.00	737	92.13	803	100.38	874	109.25	942	134.57	1,008	144.00	1,067	152.43	1,129	161.29	1,052	150.29	-	-
Lincoln County	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10	0.32
Loudon County	2,389	48.76	2,656	54.20	2,913	59.45	3,161	64.51	3,400	87.18	3,628	93.03	3,827	98.13	2,368	60.72	-	-	-	-
Memphis City	1,503	2.32	2,051	3.17	2,304	3.56	2,850	4.40	3,364	5.18	3,898	6.00	4,535	6.98	5,525	8.50	5,758	8.86	4,189	6.44
Montgomery County	2,721	15.82	3,149	18.31	3,566	20.73	3,975	23.11	4,271	31.64	4,451	32.97	3,869	28.66	1,823	13.50	1,932	14.31	2,109	15.62
Nashville-Davidson County	2,808	4.48	3,210	5.12	3,597	5.74	3,971	6.33	4,316	7.57	4,461	7.83	-	-	50	0.09	-	-	-	-
Oak Ridge City	4,417	152.31	4,959	171.00	5,409	186.52	5,882	202.83	6,341	234.85	6,744	249.78	5,244	194.22	1,417	52.48	-	-	-	-
Rhea County	299	9.34	333	10.41	441	13.78	548	17.13	648	23.14	742	26.50	839	29.96	634	22.64	535	19.11	-	-
Scott County	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,529	215.67
Unicoi County	-	-	-	-	222	12.33	418	23.22	605	33.61	789	43.83	987	54.83	1,196	66.44	1,394	77.44	1,397	77.61

[1] Per Capita for Fiscal Years ending June 30, 2010 through June 30, 2013 are calculated based on the 2010 Census

[2] Per Capita for Fiscal Years ending June 30, 2003 through June 30, 2009 are calculated based on the 2000 Census

TENNESSEE STATE SCHOOL BOND AUTHORITY
OUTSTANDING LOANS FROM BORROWERS
QUALIFIED SCHOOL CONSTRUCTION BONDS PROGRAM
FOR THE LAST TEN YEARS

(Loans Expressed in Thousands)

	2013		2012		2011		2010		2009		2008		2007		2006		2005		2004	
	Loans	Loans Per Capita[1]	Loans	Loans Per Capita[1]	Loans	Loans Per Capita[1]	Loans	Loans Per Capita[1]	Loans	Loans Per Capita	Loans	Loans Per Capita	Loans	Loans Per Capita	Loans	Loans Per Capita	Loans	Loans Per Capita	Loans	Loans Per Capita
Blount County	$ 13,057	$ 106.15	$ 13,594	$ 110.51	$ 12,476	$ 101.43	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cocke County	4,909	137.66	3,197	89.65	381	10.68	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Coffee County	2,617	49.56	2,624	49.70	220	4.16	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cleveland	3,404	82.46	3,663	88.73	3,922	95.01	1,580	38.28	-	-	-	-	-	-	-	-	-	-	-	-
Dyer County	12,328	321.58	12,811	334.18	4,893	127.64	227	5.93	-	-	-	-	-	-	-	-	-	-	-	-
Dyersburg	2,422	141.28	2,607	152.03	2,791	162.78	749	43.69	-	-	-	-	-	-	-	-	-	-	-	-
Hamblen County	9,231	147.59	9,852	157.53	5,217	83.42	982	15.69	-	-	-	-	-	-	-	-	-	-	-	-
Hawkins County	4,170	73.37	3,312	58.28	1,684	29.62	643	11.32	-	-	-	-	-	-	-	-	-	-	-	-
Jefferson County	9,330	181.49	9,605	186.84	1,008	19.60	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Johnson City	6,678	105.74	7,186	113.78	7,694	121.83	775	12.27	-	-	-	-	-	-	-	-	-	-	-	-
Kingsport	1,015	21.05	681	14.14	153	3.18	87	1.81	-	-	-	-	-	-	-	-	-	-	-	-
Knox County	24,527	56.74	6,948	16.08	1,854	4.29	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lauderdale County	1,885	67.77	2,036	73.20	1,143	41.10	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maryville	15,319	557.77	16,485	600.21	13,922	506.89	4,118	149.92	-	-	-	-	-	-	-	-	-	-	-	-
Maury County	3,787	46.77	2,756	34.05	2,054	25.37	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Montgomery County	16,464	95.54	17,612	102.20	14,645	84.98	1,469	8.53	-	-	-	-	-	-	-	-	-	-	-	-
Nashville-Davidson County	48,495	77.38	52,120	83.17	26,629	42.49	6,928	11.05	-	-	-	-	-	-	-	-	-	-	-	-
Sevier County	12,772	142.09	11,368	126.47	1,120	12.46	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Shelby County	104,334	112.47	79,189	85.37	30,672	33.06	4,153	4.48	-	-	-	-	-	-	-	-	-	-	-	-
Sullivan County	17,135	109.26	16,296	103.91	4,660	29.71	291	1.86	-	-	-	-	-	-	-	-	-	-	-	-
Trousdale County	2,150	273.16	1,738	220.87	333	42.33	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Union County	5,859	306.62	6,305	329.95	6,661	348.60	1,188	62.18	-	-	-	-	-	-	-	-	-	-	-	-
Warren County	8,236	206.73	8,816	221.30	1,149	28.84	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

[1] Per Capita for Fiscal Years ending June 30, 2010 through June 30, 2013 are calculated based on the 2010 Census

TENNESSEE STATE SCHOOL BOND AUTHORITY
OUTSTANDING LOANS FROM BORROWERS
HIGHER EDUCATION FACILITIES PROGRAMS
FOR THE LAST TEN YEARS

(Expressed in Thousands)

	University of Tennessee		Tennessee Board of Regents	
Fiscal Year	Total Loans	Loans Per Capita*	Total Loans	Loans Per Capita*
2013	$ 606,472	$ 16.33	$ 638,707	$ 5.56
2012	567,280	15.27	597,900	5.20
2011	532,436	13.97	575,205	4.93
2010	545,156	13.95	526,573	4.54
2009	518,244	12.94	481,122	4.08
2008	461,963	11.14	397,693	3.36
2007	351,581	8.27	344,544	2.84
2006	278,202	6.43	301,473	2.26
2005	247,243	5.67	272,890	1.94
2004	230,089	5.35	247,779	1.78
2003	219,393	5.09	234,780	1.74

*Loans Per Capita is based on the total Fall Term Full-Time Equivalent Enrollment ("FTE") of the respective Institution. The 2013 Loans Per Capita is based on 2012 FTE since 2013 FTE was not available by the date of this CAFR.

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

(Expressed in Thousands)

	Higher Education Facilities Programs		Qualified Zone Academy Bonds Program	Qualified School Construction Bonds Program	
Fiscal Year	Bonds	Commercial Paper	QZAB Bonds	QSCB Bonds	Total
2013	$ 1,242,712	$ 209,429	$ 43,911	$ 389,440	$ 1,885,492
2012	989,817	253,676	43,909	389,440	1,676,842
2011	1,041,312	162,653	57,193	389,440	1,650,598
2010	840,824	281,782	57,181	177,000	1,356,787
2009	888,295	174,300	57,168	-	1,119,763
2008	639,185	243,229	57,155	-	939,569
2007	547,605	164,195	57,142	-	768,942
2006	525,685	129,046	57,130	-	711,861
2005	480,515	74,242	39,572	-	594,329
2004	500,426	32,156	26,959	-	559,541
2003	425,282	46,747	24,527	-	496,556

Note: QSCB bonds were obtained in fiscal year 2010.

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

(Expressed in Thousands)

UNIVERSITY OF TENNESSEE SYSTEM

Fiscal Year	Total Fees and Charges	Legislative Appropriations [1]	Prior and Subordinate Debt Service Requirements (Non Authority)	Debt Service Requirements [2] (Authority Bonds)
2013	$ 658,079	$ 448,437	$ -	$ 54,543
2012	584,147	411,729	-	49,835
2011	685,003	548,787	-	51,079
2010	648,298	493,304	12	43,998
2009	599,973	476,333	35	43,577
2008	565,963	510,261	35	33,177
2007	532,582	471,730	45	26,652
2006	484,786	440,014	56	23,896
2005	448,955	430,412	66	25,317
2004	417,191	406,033	75	24,508

TENNESSEE BOARD OF REGENTS SYSTEM

Fiscal Year	Total Fees and Charges	Legislative Appropriations [1]	Prior and Subordinate Debt Service Requirements (Non Authority)	Debt Service Requirements [2] (Authority Bonds)
2013	$ 1,936,503	$ 612,325	$ -	$ 51,486
2012	1,216,903	501,867	1,399	44,270
2011	1,143,916	660,608	1,399	45,019
2010	1,039,268	633,006	1,399	43,699
2009	923,813	610,380	1,699	43,667
2008	863,336	645,952	1,889	29,545
2007	801,229	641,094	2,070	25,567
2006	747,829	599,028	2,242	19,993
2005	686,647	587,362	312	22,080
2004	637,390	554,864	428	21,253

Source-Tennessee State School Bond Authoriy and Colleges & Universities (unaudited)

[1] 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.

[2] Debt Service Requirements consist of only principal and interest.

TENNESSEE STATE SCHOOL BOND AUTHORITY
COLLEGE AND UNIVERSITY FUNDS
COVERAGE OF ANNUAL FINANCING CHARGES
LONG-TERM DEBT SECURED BY FINANCING AGREEMENTS[1]
FOR THE LAST TEN YEARS

(Expressed in Thousands)

UNIVERSITY OF TENNESSEE SYSTEM

Fiscal Year	Total Fees and Charges	Legislative Appropriations[2]	Annual Financing Charges[3]	Coverage By: Fees & Charges	Coverage By: Fees, Charges, & Appropriations
2013	$ 658,079	$ 448,437	$ 53,855	12.22 X	20.55 X
2012	584,147	411,729	51,984	11.24 X	19.16 X
2011	685,003	584,787	44,804	13.18 X	24.43 X
2010	648,298	493,304	33,870	14.47 X	25.48 X
2009	599,973	476,333	33,870	17.71 X	31.78 X
2008	565,963	510,261	27,157	16.71 X	31.78 X
2007	532,582	471,730	24,425	19.61 X	36.98 X
2006	484,786	440,014	25,854	19.85 X	37.86 X
2005	448,955	430,412	24,822	17.37 X	34.01 X
2004	417,191	406,033	24,804	16.81 X	33.17 X

TENNESSEE BOARD OF REGENTS SYSTEM

Fiscal Year	Total Fees and Charges	Legislative Appropriations[2]	Annual Financing Charges[3]	Coverage By: Fees & Charges	Coverage By: Fees, Charges, & Appropriations
2013	$ 1,936,503	$ 612,735	$ 50,530	38.32 X	50.45 X
2012	1,216,903	501,867	46,048	26.43 X	37.33 X
2011	1,143,916	660,608	44,653	25.62 X	40.41 X
2010	1,039,268	633,006	30,172	34.44 X	55.42 X
2009	923,813	610,380	30,176	30.61 X	50.84 X
2008	863,336	645,952	26,059	33.13 X	57.92 X
2007	801,229	641,094	20,564	38.96 X	70.14 X
2006	747,829	599,028	22,629	33.05 X	59.52 X
2005	686,647	587,362	21,509	31.92 X	59.23 X
2004	637,390	554,864	21,509	29.63 X	55.43 X

Source - Tennessee State School Bond Authority and Universities and Colleges (Unaudited)

[1] Includes Bonds. Excludes Commercial Paper.

[2] Does not include coverage for debt outstanding as Commercial Paper.

[3] Annual Financing Charges consist of principal, interest and administrative fees.

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

(Expressed in Thousands)

BENTON COUNTY SCHOOLS [1]

	STATE SHARED TAX OBLIGATIONS				
Fiscal Year	QZAB Obligations	Other Pledged Obligations [3]	Total Obligations	State Shared Taxes	Coverage
2013	$ 14	$ 62	$ 76	$ 3,322	43.72 X
2012	14	62	76	3,356	44.16 X
2011	14	62	76	3,282	43.19 X
2010	14	62	76	3,192	42.00 X
2009	14	64	78	3,013	38.63 X
2008	14	170	184	2,982	16.21 X
2007	14	170	184	2,825	15.35 X
2006	-	35	35	2,660	75.99 X
2005	-	-	-	2,601	0.00 X
2004	-	-	-	-	0.00 X

BLOUNT COUNTY SCHOOLS [1]

	STATE SHARED TAX OBLIGATIONS				
Fiscal Year	QZAB Obligations	Other Pledged Obligations [3]	Total Obligations	State Shared Taxes	Coverage
2013	$ 51	$ 1,647	$ 1,698	$ 4,766	2.81 X
2012	51	1,465	1,516	4,711	3.11 X
2011	51	633	684	4,475	6.54 X
2010	51	-	51	4,488	88.01 X
2009	51	-	51	4,597	90.14 X
2008	51	-	51	4,376	85.80 X
2007	51	-	51	3,977	77.99 X
2006	51	-	51	3,694	72.44 X
2005	-	-	-	3,536	0.00 X
2004	-	-	-	-	0.00 X

HAMILTON COUNTY SCHOOLS [1]

	STATE SHARED TAX OBLIGATIONS				
Fiscal Year	QZAB Obligations	Other Pledged Obligations [3]	Total Obligations	State Shared Taxes	Coverage
2013	$ 91	$ 596	$ 687	$ 8,884	12.94 X
2012	91	596	687	9,245	13.46 X
2011	91	596	687	8,691	12.65 X
2010	91	596	687	8,961	13.04 X
2009	91	596	687	8,602	12.53 X
2008	91	596	687	8,510	12.39 X
2007	91	596	687	7,751	11.29 X
2006	91	596	687	6,864	9.99 X
2005	91	-	91	6,929	76.14 X
2004	-	-	-	-	0.00 X

HUMBOLDT CITY SCHOOLS

Fiscal Year	STATE SHARED TAX OBLIGATIONS QZAB Obligations	Other Pledged Obligations [3]	Total Obligations	State Shared Taxes	Coverage
2013	$ 158	$ 279	$ 437	$ 948	2.17 X
2012	158	227	385	941	2.44 X
2011	158	215	373	1,047	2.81 X
2010	158	203	361	1,022	2.83 X
2009	158	203	361	1,049	2.91 X
2008	158	203	361	1,134	3.14 X
2007	158	203	361	1,082	3.00 X
2006	158	203	361	999	2.77 X
2005	158	203	361	937	2.59 X
2004	158	203	361	936	2.59 X

KINGSPORT CITY SCHOOLS

Fiscal Year	STATE SHARED TAX OBLIGATIONS QZAB Obligations	Other Pledged Obligations [3]	Total Obligations	State Shared Taxes	Coverage
2013	$ 324	$ 1,876	$ 2,200	$ 6,552	2.98 X
2012	358	1,876	2,234	6,329	2.83 X
2011	358	763	1,121	5,643	5.03 X
2010	358	621	979	5,770	5.89 X
2009	358	609	967	6,180	6.39 X
2008	358	609	967	6,185	6.39 X
2007	358	609	967	5,801	6.00 X
2006	255	609	864	5,277	6.11 X
2005	34	961	995	4,906	4.93 X
2004	34	961	995	5,118	5.14 X

KNOX COUNTY SCHOOLS

Fiscal Year	STATE SHARED TAX OBLIGATIONS QZAB Obligations	Other Pledged Obligations [3]	Total Obligations	State Shared Taxes	Coverage
2013	$ -	$ 3,242	$ 3,242	$ 11,659	3.60 X
2012	215	2,882	3,097	11,512	3.72 X
2011	215	1,246	1,461	11,071	7.58 X
2010	215	-	215	11,435	53.18 X
2009	215	-	215	11,366	52.86 X
2008	215	-	215	11,413	53.09 X
2007	215	-	215	9,756	45.38 X
2006	215	-	215	8,499	39.53 X
2005	215	-	215	7,681	35.72 X
2004	215	-	215	8,235	38.30 X

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

(Expressed in Thousands)

LEXINGTON CITY SCHOOLS [1]

	STATE SHARED TAX OBLIGATIONS				
Fiscal Year	QZAB Obligations	Other Pledged Obligations [3]	Total Obligations	State Shared Taxes	Coverage
2013	$ 76	$ -	$ 76	$ 848	11.15 X
2012	76	-	76	829	10.91 X
2011	76	-	76	800	10.53 X
2010	76	-	76	789	10.38 X
2009	76	-	76	830	10.91 X
2008	76	-	76	729	9.59 X
2007	76	-	76	833	10.96 X
2006	76	-	76	720	9.47 X
2005	-	-	-	732	0.00 X
2004	-	-	-	-	0.00 X

LINCOLN COUNTY SCHOOLS [1,2]

	STATE SHARED TAX OBLIGATIONS				
Fiscal Year	QZAB Obligations	Other Pledged Obligations [3]	Total Obligations	State Shared Taxes	Coverage
2013	$ -	$ -	$ -	$ 2,810	0.00 X
2012	-	-	-	2,839	0.00 X
2011	-	-	-	2,835	0.00 X
2010	-	-	-	2,776	0.00 X
2009	-	-	-	2,658	0.00 X
2008	-	-	-	2,704	0.00 X
2007	-	-	-	2,579	0.00 X
2006	-	-	-	2,458	0.00 X
2005	10	-	10	2,388	238.78 X
2004	10	-	10	2,366	236.63 X

LOUDON COUNTY SCHOOLS [1]

	STATE SHARED TAX OBLIGATIONS				
Fiscal Year	QZAB Obligations	Other Pledged Obligations [3]	Total Obligations	State Shared Taxes	Coverage
2013	$ 275	$ -	$ 275	$ 3,592	13.06 X
2012	275	-	275	3,637	13.23 X
2011	275	-	275	3,431	12.48 X
2010	275	-	275	3,715	13.51 X
2009	275	-	275	3,588	13.05 X
2008	275	-	275	3,447	12.53 X
2007	275	-	275	2,960	10.76 X
2006	-	-	-	2,869	0.00 X
2005	-	-	-	2,520	0.00 X
2004	-	-	-	2,398	0.00 X

MEMPHIS CITY SCHOOLS

Fiscal Year	STATE SHARED TAX OBLIGATIONS QZAB Obligations	Other Pledged Obligations [3]	Total Obligations	State Shared Taxes	Coverage
2013	$ 547	$ -	$ 547	$ 80,902	147.90 X
2012	547	-	547	79,473	145.29 X
2011	547	-	547	82,675	151.14 X
2010	547	-	547	99,243	181.43 X
2009	547	-	547	100,257	183.28 X
2008	547	-	547	101,127	184.88 X
2007	917	-	917	94,488	103.07 X
2006	917	-	917	85,380	93.13 X
2005	917	-	917	78,499	85.63 X
2004	844	678	1,522	76,656	50.38 X

MONTGOMERY COUNTY SCHOOLS

Fiscal Year	STATE SHARED TAX OBLIGATIONS QZAB Obligations	Other Pledged Obligations [3]	Total Obligations	State Shared Taxes	Coverage
2013	$ 436	$ 1,551	$ 1,987	$ 4,815	2.42 X
2012	436	1,551	1,987	4,806	2.42 X
2011	436	1,343	1,779	4,489	2.52 X
2010	436	200	636	4,348	6.84 X
2009	436	-	436	4,164	9.55 X
2008	436	-	436	4,231	9.70 X
2007	436	-	436	3,988	9.15 X
2006	176	-	176	3,772	21.43 X
2005	176	-	176	3,688	20.96 X
2004	176	-	176	3,624	20.59 X

NASHVILLE - DAVIDSON COUNTY SCHOOLS [1]

Fiscal Year	STATE SHARED TAX OBLIGATIONS QZAB Obligations	Other Pledged Obligations [3,4]	Total Obligations	State Shared Taxes	Coverage
2013	$ 415	$ 5,580	$ 5,995	$ 77,201	12.88 X
2012	415	31,369	31,784	77,093	2.43 X
2011	415	29,160	29,575	69,820	2.36 X
2010	415	26,438	26,853	71,367	2.66 X
2009	415	24,144	24,559	75,512	3.07 X
2008	415	25,788	26,203	78,039	2.98 X
2007	415	27,098	27,513	70,404	2.56 X
2006	-	36,019	36,019	63,809	1.77 X
2005	-	32,492	32,492	57,319	1.76 X
2004	-	-	-	-	0.00 X

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

(Expressed in Thousands)

OAK RIDGE CITY SCHOOLS [1]

	STATE SHARED TAX OBLIGATIONS				
Fiscal Year	QZAB Obligations	Other Pledged Obligations [3]	Total Obligations	State Shared Taxes	Coverage
2013	$ 510	$ 1,203	$ 1,713	$ 3,880	2.26 X
2012	510	1,420	1,930	3,812	1.98 X
2011	510	1,203	1,713	3,569	2.08 X
2010	510	1,203	1,713	3,652	2.13 X
2009	510	1,219	1,729	3,771	2.18 X
2008	510	1,219	1,729	3,965	2.29 X
2007	509	1,219	1,728	3,509	2.03 X
2006	441	1,219	1,660	3,161	1.90 X
2005	-	1,560	1,560	2,922	1.87 X
2004	-	1,760	1,760	2,975	1.69 X

RHEA COUNTY SCHOOLS

	STATE SHARED TAX OBLIGATIONS				
Fiscal Year	QZAB Obligations	Other Pledged Obligations [3]	Total Obligations	State Shared Taxes	Coverage
2013	$ 34	$ -	$ 34	$ 3,447	101.37 X
2012	112	-	112	3,476	31.04 X
2011	112	-	112	3,361	30.01 X
2010	112	-	112	3,285	29.33 X
2009	112	-	112	3,081	27.50 X
2008	112	-	112	2,609	23.29 X
2007	112	-	112	2,473	22.08 X
2006	78	-	78	2,345	30.07 X
2005	78	-	78	2,301	29.50 X
2004	78	-	78	2,249	28.83 X

SCOTT COUNTY SCHOOLS [1,2]

	STATE SHARED TAX OBLIGATIONS				
Fiscal Year	QZAB Obligations	Other Pledged Obligations [3]	Total Obligations	State Shared Taxes	Coverage
2013	$ -	$ -	$ -	$ 2,456	0.00 X
2012	-	-	-	2,477	0.00 X
2011	-	-	-	2,468	0.00 X
2010	-	-	-	2,389	0.00 X
2009	-	-	-	2,301	0.00 X
2008	-	-	-	2,382	0.00 X
2007	-	-	-	2,276	0.00 X
2006	-	-	-	2,200	0.00 X
2005	440	-	440	2,164	4.92 X
2004	140	-	140	2,131	15.22 X

UNICOI COUNTY SCHOOLS [1]

Fiscal Year	STATE SHARED TAX OBLIGATIONS QZAB Obligations	Other Pledged Obligations [3]	Total Obligations	State Shared Taxes	Coverage
2013	$ -	$ -	$ -	$ 1,680	#DIV/0!
2012	225	-	225	1,737	7.72 X
2011	197	-	197	1,670	8.47 X
2010	197	-	197	1,704	8.65 X
2009	197	-	197	1,599	8.12 X
2008	197	-	197	1,703	8.64 X
2007	197	-	197	1,603	8.14 X
2006	197	-	197	1,541	7.82 X
2005	74	-	74	1,480	20.00 X
2004	74	-	74	1,514	20.46 X

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

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

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

[2] Borrower has paid-off QZAB loan.

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

[4] Nashville-Davidson County paid in full all of their TLDA debt.

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

(Expressed in Thousands)

BLOUNT COUNTY SCHOOLS [1]

	STATE SHARED TAX OBLIGATIONS				
Fiscal Year	QSCB Obligations	Other Pledged Obligations [2]	Total Obligations	State Shared Taxes	Coverage
2013	$ 1,647	$ 51	$ 1,698	$ 4,766	2.81 X
2012	1,465	51	1,516	4,711	3.11 X
2011	633	51	684	4,475	6.54 X
2010	-	51	51	4,488	88.01 X
2009	-	51	51	4,597	90.14 X
2008	-	51	51	4,376	85.80 X
2007	-	51	51	3,977	77.99 X
2006	-	51	51	3,694	72.44 X
2005	-	-	-	3,536	0.00 X
2004	-	-	-	-	0.00 X

CLEVELAND CITY SCHOOLS [1]

	STATE SHARED TAX OBLIGATIONS				
Fiscal Year	QSCB Obligations	Other Pledged Obligations [2]	Total Obligations	State Shared Taxes	Coverage
2013	$ 323	$ 50	323	$ 5,557	17.23 X
2012	323	50	323	5,253	16.28 X
2011	279	21	279	4,736	16.95 X
2010	42	-	42	5,327	127.84 X
2009	-	-	-	-	0.00 X
2008	-	-	-	-	0.00 X
2007	-	-	-	-	0.00 X
2006	-	-	-	-	0.00 X
2005	-	-	-	-	0.00 X
2004	-	-	-	-	0.00 X

COCKE COUNTY SCHOOLS [1]

	STATE SHARED TAX OBLIGATIONS				
Fiscal Year	QSCB Obligations	Other Pledged Obligations [2]	Total Obligations	State Shared Taxes	Coverage
2013	$ 618	$ -	$ 618	$ 2,601	4.21 X
2012	550	-	550	2,610	4.75 X
2011	238	-	238	2,594	10.92 X
2010	-	-	-	-	0.00 X
2009	-	-	-	-	0.00 X
2008	-	-	-	-	0.00 X
2007	-	-	-	-	0.00 X
2006	-	-	-	-	0.00 X
2005	-	-	-	-	0.00 X
2004	-	-	-	-	0.00 X

COFFEE COUNTY SCHOOLS [1]

Fiscal Year	STATE SHARED TAX OBLIGATIONS QSCB Obligations	Other Pledged Obligations [2]	Total Obligations	State Shared Taxes	Coverage
2013	$ 336	$ -	$ 336	$ 2,950	8.79 X
2012	298	-	298	2,987	10.01 X
2011	129	-	129	2,921	22.63 X
2010	-	-	-	-	0.00 X
2009	-	-	-	-	0.00 X
2008	-	-	-	-	0.00 X
2007	-	-	-	-	0.00 X
2006	-	-	-	-	0.00 X
2005	-	-	-	-	0.00 X
2004	-	-	-	-	0.00 X

DYER COUNTY SCHOOLS [1]

Fiscal Year	STATE SHARED TAX OBLIGATIONS QSCB Obligations	Other Pledged Obligations [2]	Total Obligations	State Shared Taxes	Coverage
2013	$ 1,324	$ -	$ 1,324	$ 2,700	2.04 X
2012	1,254	-	1,254	2,718	2.17 X
2011	843	-	843	2,712	3.22 X
2010	90	-	90	2,662	29.67 X
2009	-	-	-	-	0.00 X
2008	-	-	-	-	0.00 X
2007	-	-	-	-	0.00 X
2006	-	-	-	-	0.00 X
2005	-	-	-	-	0.00 X
2004	-	-	-	-	0.00 X

DYERSBURG CITY SCHOOLS [1]

Fiscal Year	STATE SHARED TAX OBLIGATIONS QSCB Obligations	Other Pledged Obligations [2]	Total Obligations	State Shared Taxes	Coverage
2013	$ 230	$ -	$ 230	$ 2,034	8.86 X
2012	230	-	230	2,042	8.89 X
2011	199	-	199	2,014	10.13 X
2010	30	-	30	2,035	68.63 X
2009	-	-	-	-	0.00 X
2008	-	-	-	-	0.00 X
2007	-	-	-	-	0.00 X
2006	-	-	-	-	0.00 X
2005	-	-	-	-	0.00 X
2004	-	-	-	-	0.00 X

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DEBT SERVICE COVERAGE
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FOR THE LAST TEN YEARS

(Expressed in Thousands)

HAMBLEN COUNTY SCHOOLS [1]

	STATE SHARED TAX OBLIGATIONS				
Fiscal Year	QSCB Obligations	Other Pledged Obligations [2]	Total Obligations	State Shared Taxes	Coverage
2013	$ 875	$ -	$ 875	$ 2,687	3.07 X
2012	875	-	875	2,696	3.08 X
2011	757	-	757	2,685	3.54 X
2010	113	-	113	2,635	23.32 X
2009	-	-	-	-	0.00 X
2008	-	-	-	-	0.00 X
2007	-	-	-	-	0.00 X
2006	-	-	-	-	0.00 X
2005	-	-	-	-	0.00 X
2004	-	-	-	-	0.00 X

HAWKINS COUNTY SCHOOLS [1]

	STATE SHARED TAX OBLIGATIONS				
Fiscal Year	QSCB Obligations	Other Pledged Obligations [2]	Total Obligations	State Shared Taxes	Coverage
2013	$ 463	$ -	$ 463	$ 3,733	8.06 X
2012	435	-	435	3,761	8.65 X
2011	277	-	277	3,349	12.10 X
2010	26	-	26	3,270	123.68 X
2009	-	-	-	-	0.00 X
2008	-	-	-	-	0.00 X
2007	-	-	-	-	0.00 X
2006	-	-	-	-	0.00 X
2005	-	-	-	-	0.00 X
2004	-	-	-	-	0.00 X

JEFFERSON COUNTY SCHOOLS [1]

	STATE SHARED TAX OBLIGATIONS				
Fiscal Year	QSCB Obligations	Other Pledged Obligations [2]	Total Obligations	State Shared Taxes	Coverage
2013	$ 1,175	$ -	$ 1,175	$ 2,956	2.52 X
2012	1,045	-	1,045	2,903	2.78 X
2011	452	-	452	2,769	6.13 X
2010	-	-	-	-	0.00 X
2009	-	-	-	-	0.00 X
2008	-	-	-	-	0.00 X
2007	-	-	-	-	0.00 X
2006	-	-	-	-	0.00 X
2005	-	-	-	-	0.00 X
2004	-	-	-	-	0.00 X

JOHNSON CITY SCHOOLS [1]

Fiscal Year	STATE SHARED TAX OBLIGATIONS QSCB Obligations	Other Pledged Obligations [2]	Total Obligations	State Shared Taxes	Coverage
2013	$ 633	$ -	$ 633	$ 7,914	12.51 X
2012	633	-	633	7,777	12.29 X
2011	548	-	548	6,551	11.96 X
2010	82	-	82	7,145	87.42 X
2009	-	-	-	-	0.00 X
2008	-	-	-	-	0.00 X
2007	-	-	-	-	0.00 X
2006	-	-	-	-	0.00 X
2005	-	-	-	-	0.00 X
2004	-	-	-	-	0.00 X

KINGSPORT CITY SCHOOLS

Fiscal Year	STATE SHARED TAX OBLIGATIONS QSCB Obligations	Other Pledged Obligations [2,3]	Total Obligations	State Shared Taxes	Coverage
2013	$ 96	$ 2,104	$ 2,200	$ 6,552	2.98 X
2012	96	2,138	2,234	6,329	2.83 X
2011	83	1,038	1,121	5,643	5.03 X
2010	12	967	979	5,770	5.89 X
2009	-	967	967	6,180	6.39 X
2008	-	967	967	6,185	6.40 X
2007	-	967	967	5,801	6.00 X
2006	-	864	864	5,277	6.11 X
2005	-	995	995	4,906	4.93 X
2004	-	995	995	5,118	5.14 X

KNOX COUNTY SCHOOLS

Fiscal Year	STATE SHARED TAX OBLIGATIONS QSCB Obligations	Other Pledged Obligations [2]	Total Obligations	State Shared Taxes	Coverage
2013	$ 3,242	$ -	$ 3,242	$ 11,659	3.60 X
2012	2,882	215	3,097	11,512	3.72 X
2011	1,246	215	1,461	11,071	7.58 X
2010	-	215	215	11,435	53.18 X
2009	-	215	215	11,366	52.86 X
2008	-	215	215	11,413	53.09 X
2007	-	215	215	9,756	45.38 X
2006	-	215	215	8,499	39.53 X
2005	-	215	215	7,681	35.72 X
2004	-	215	215	8,235	38.30 X

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DEBT SERVICE COVERAGE
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(Expressed in Thousands)

LAUDERDALE COUNTY SCHOOLS [1]

	STATE SHARED TAX OBLIGATIONS				
Fiscal Year	QSCB Obligations	Other Pledged Obligations [2]	Total Obligations	State Shared Taxes	Coverage
2013	$ 280	$ -	$ 280	$ 2,424	8.67 X
2012	249	-	249	2,449	9.85 X
2011	108	-	108	2,456	22.83 X
2010	-	-	-	-	0.00 X
2009	-	-	-	-	0.00 X
2008	-	-	-	-	0.00 X
2007	-	-	-	-	0.00 X
2006	-	-	-	-	0.00 X
2005	-	-	-	-	0.00 X
2004	-	-	-	-	0.00 X

MARYVILLE CITY SCHOOLS [1]

	STATE SHARED TAX OBLIGATIONS				
Fiscal Year	QSCB Obligations	Other Pledged Obligations [2]	Total Obligations	State Shared Taxes	Coverage
2013	$ 1,452	$ 141	$ 1,593	$ 3,395	2.13 X
2012	1,452	141	1,593	3,332	2.09 X
2011	1,257	-	1,257	2,870	2.28 X
2010	187	-	187	2,920	15.58 X
2009	-	-	-	-	0.00 X
2008	-	-	-	-	0.00 X
2007	-	-	-	-	0.00 X
2006	-	-	-	-	0.00 X
2005	-	-	-	-	0.00 X
2004	-	-	-	-	0.00 X

MAURY COUNTY SCHOOLS [1]

	STATE SHARED TAX OBLIGATIONS				
Fiscal Year	QSCB Obligations	Other Pledged Obligations [2]	Total Obligations	State Shared Taxes	Coverage
2013	$ 489	$ 364	$ 853	$ 3,745	4.39 X
2012	435	364	799	3,720	4.66 X
2011	188	364	552	3,600	6.52 X
2010	-	-	-	-	0.00 X
2009	-	-	-	-	0.00 X
2008	-	-	-	-	0.00 X
2007	-	-	-	-	0.00 X
2006	-	-	-	-	0.00 X
2005	-	-	-	-	0.00 X
2004	-	-	-	-	0.00 X

METROPOLITIAN GOVERNMENT OF NASHVILLE [1]

Fiscal Year	STATE SHARED TAX OBLIGATIONS QSCB Obligations	Other Pledged Obligations [2,3]	Total Obligations	State Shared Taxes	Coverage
2013	$ 5,580	$ 415	$ 5,995	$ 77,201	12.88 X
2012	5,143	26,641	31,784	77,093	2.43 X
2011	2,934	26,641	29,575	69,820	2.36 X
2010	212	26,641	26,853	71,367	2.66 X
2009	-	24,559	24,559	75,512	3.07 X
2008	-	26,203	26,203	78,039	2.98 X
2007	-	27,513	27,513	70,404	2.56 X
2006	-	36,019	36,019	63,809	1.77 X
2005	-	32,492	32,492	57,319	1.76 X
2004	-	-	-	-	0.00 X

MONTGOMERY COUNTY SCHOOLS

Fiscal Year	STATE SHARED TAX OBLIGATIONS QSCB Obligations	Other Pledged Obligations [2]	Total Obligations	State Shared Taxes	Coverage
2013	$ 1,551	$ 436	1,987	$ 4,815	2.42 X
2012	1,551	436	1,987	4,806	2.42 X
2011	1,343	436	1,779	4,348	2.44 X
2010	200	436	636	4,348	6.83 X
2009	-	436	436	4,164	9.55 X
2008	-	436	436	4,231	9.70 X
2007	-	436	436	3,988	9.15 X
2006	-	176	176	3,772	21.43 X
2005	-	176	176	3,688	20.96 X
2004	-	176	176	3,624	20.59 X

SEVIER COUNTY SCHOOLS [1]

Fiscal Year	STATE SHARED TAX OBLIGATIONS QSCB Obligations	Other Pledged Obligations [2]	Total Obligations	State Shared Taxes	Coverage
2013	$ 1,608	$ -	1,608	$ 3,921	2.44 X
2012	1,430	-	1,430	3,997	2.80 X
2011	618	-	618	3,740	6.05 X
2010	-	-	-	-	0.00 X
2009	-	-	-	-	0.00 X
2008	-	-	-	-	0.00 X
2007	-	-	-	-	0.00 X
2006	-	-	-	-	0.00 X
2005	-	-	-	-	0.00 X
2004	-	-	-	-	0.00 X

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DEBT SERVICE COVERAGE
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(Expressed in Thousands)

SHELBY COUNTY SCHOOLS [1]

	STATE SHARED TAX OBLIGATIONS				
Fiscal Year	QSCB Obligations	Other Pledged Obligations [2]	Total Obligations	State Shared Taxes	Coverage
2013	$ 11,732	$ -	11,732	$ 20,925	1.78 X
2012	10,906	-	10,906	20,890	1.92 X
2011	6,568	-	6,568	21,591	3.29 X
2010	552	-	552	21,097	38.21 X
2009	-	-	-	-	0.00 X
2008	-	-	-	-	0.00 X
2007	-	-	-	-	0.00 X
2006	-	-	-	-	0.00 X
2005	-	-	-	-	0.00 X
2004	-	-	-	-	0.00 X

SULLIVAN COUNTY SCHOOLS [1]

	STATE SHARED TAX OBLIGATIONS				
Fiscal Year	QSCB Obligations	Other Pledged Obligations [2]	Total Obligations	State Shared Taxes	Coverage
2013	$ 1,763	$ -	$ 1,763	$ 4,929	2.80 X
2012	1,701	-	1,701	4,980	2.93 X
2011	1,256	-	1,256	5,050	4.02 X
2010	155	-	155	5,111	32.96 X
2009	-	-	-	-	0.00 X
2008	-	-	-	-	0.00 X
2007	-	-	-	-	0.00 X
2006	-	-	-	-	0.00 X
2005	-	-	-	-	0.00 X
2004	-	-	-	-	0.00 X

TROUSDALE COUNTY SCHOOLS [1]

	STATE SHARED TAX OBLIGATIONS				
Fiscal Year	QSCB Obligations	Other Pledged Obligations [2]	Total Obligations	State Shared Taxes	Coverage
2013	$ 280	$ -	280	$ 1,662	5.94 X
2012	249	-	249	1,671	6.72 X
2011	108	-	108	1,684	15.65 X
2010	-	-	-	-	0.00 X
2009	-	-	-	-	0.00 X
2008	-	-	-	-	0.00 X
2007	-	-	-	-	0.00 X
2006	-	-	-	-	0.00 X
2005	-	-	-	-	0.00 X
2004	-	-	-	-	0.00 X

UNION COUNTY SCHOOLS [1]

Fiscal Year	STATE SHARED TAX OBLIGATIONS QSCB Obligations	Other Pledged Obligations [2]	Total Obligations	State Shared Taxes	Coverage
2013	$ 555	$ -	$ 555	$ 2,492	4.49 X
2012	555	-	555	2,519	4.54 X
2011	481	-	481	2,473	5.14 X
2010	72	-	72	2,407	33.57 X
2009	-	-	-	-	0.00 X
2008	-	-	-	-	0.00 X
2007	-	-	-	-	0.00 X
2006	-	-	-	-	0.00 X
2005	-	-	-	-	0.00 X
2004	-	-	-	-	0.00 X

WARREN COUNTY SCHOOLS [1]

Fiscal Year	STATE SHARED TAX OBLIGATIONS QSCB Obligations	Other Pledged Obligations [2]	Total Obligations	State Shared Taxes	Coverage
2013	$ 1,031	$ -	1,031	$ 2,663	2.58 X
2012	917	-	917	2,667	2.91 X
2011	396	-	396	2,663	6.72 X
2010	-	-	-	-	0.00 X
2009	-	-	-	-	0.00 X
2008	-	-	-	-	0.00 X
2007	-	-	-	-	0.00 X
2006	-	-	-	-	0.00 X
2005	-	-	-	-	0.00 X
2004	-	-	-	-	0.00 X

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

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

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

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

[3] Kingsport paid in full all of their TLDA debt.

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

Institution[1]	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	% Change 2011-2012	% Change 2007-2012
Four Year Institutions												
APSU	6,278	6,939	7,336	7,443	7,139	7,499	7,566	8,493	8,513	8,508	-0.1%	19.2%
ETSU*	9,936	10,070	10,185	10,594	11,018	11,448	12,116	12,794	13,030	12,784	-1.9%	16.0%
MTSU	18,735	19,037	19,139	19,355	19,525	20,062	21,049	22,010	21,807	20,824	-4.5%	6.7%
TSU	7,716	7,662	7,462	7,464	7,465	6,694	7,025	7,142	7,159	6,901	-3.6%	-7.6%
TTU	7,509	7,559	7,562	7,900	8,312	8,568	9,057	9,361	9,525	9,636	1.2%	15.9%
UM	15,720	16,128	15,910	15,946	15,747	15,910	16,792	17,536	17,725	17,462	-1.5%	10.9%
TBR Total	**65,894**	**67,394**	**67,593**	**68,702**	**69,206**	**70,181**	**73,605**	**77,336**	**77,759**	**76,114**	**-2.1%**	**10.0%**
UT Chattanooga	7,138	7,326	7,317	7,564	8,168	8,446	9,116	9,788	9,845	9,951	1.1%	21.8%
UT Knoxville**	22,730	23,141	23,642	24,016	24,539	25,097	24,624	24,219	23,519	23,610	0.4%	-3.8%
UT Martin	5,265	5,570	5,833	5,968	6,108	6,305	6,714	6,959	6,852	6,770	-1.2%	10.8%
UT Health Science	2,008	2,062	2,295	2,505	2,655	2,671	2,837	2,623	2,789	2,799	0.4%	5.4%
UT Total	**37,141**	**38,099**	**39,088**	**40,053**	**41,470**	**42,519**	**43,291**	**43,589**	**43,005**	**43,129**	**0.3%**	**4.0%**
Total 4 Year	**103,035**	**105,494**	**106,681**	**108,755**	**110,676**	**112,700**	**116,896**	**120,926**	**120,764**	**119,243**	**-1.3%**	**7.7%**
Two Year Institutions												
Chattanooga	5,186	5,124	4,890	5,054	5,044	5,334	5,987	6,712	6,671	6,585	-1.3%	30.6%
Cleveland	2,224	2,088	2,103	2,034	2,022	2,195	2,504	2,592	2,617	2,482	-5.2%	22.7%
Columbia	3,082	3,145	3,120	2,963	3,003	3,081	3,569	3,579	3,417	3,348	-2.0%	11.5%
Dyersburg	1,819	1,770	1,744	1,693	1,668	1,741	2,213	2,419	2,334	2,217	-5.0%	32.9%
Jackson	2,743	2,702	2,573	2,791	2,953	2,803	3,313	3,410	3,260	2,847	-12.7%	-3.6%
Motlow	2,436	2,465	2,392	2,566	2,739	2,892	3,353	3,337	3,069	2,925	-4.7%	6.8%
Nashville	3,769	3,889	4,074	4,083	4,063	4,315	5,154	5,619	5,686	5,681	-0.1%	39.8%
Northeast	3,112	3,334	3,142	3,374	3,387	3,606	4,231	4,624	4,423	4,289	-3.0%	26.6%
Pellissippi	5,013	4,963	4,963	5,149	5,446	5,686	6,695	7,274	7,402	7,057	-4.7%	29.6%
Roane	3,775	3,850	3,603	3,738	3,764	3,766	4,227	4,389	4,205	4,153	-1.2%	10.3%
Southwest	7,361	7,561	7,332	7,306	6,794	7,219	8,465	8,431	8,216	7,555	-8.0%	11.2%
Volunteer	4,426	4,483	4,553	4,677	4,427	4,582	5,501	5,777	5,449	5,091	-6.6%	15.0%
Walters	4,067	3,864	3,826	3,872	3,884	4,082	4,780	4,808	4,595	4,425	-3.7%	13.9%
Total 2 Year	**49,013**	**49,238**	**48,315**	**49,300**	**49,194**	**51,302**	**59,993**	**62,973**	**61,343**	**58,656**	**-4.4%**	**19.2%**
Grand Total	**152,048**	**154,732**	**154,995**	**158,055**	**159,870**	**164,002**	**176,889**	**183,898**	**182,107**	**177,899**	**-2.3%**	**11.3%**

Source - Tennessee Higher Education Commission

* ETSU totals included ETSU Med and ETSU Pharm.

** UTK totals included UT Vet and UTSI.

Five-Year Growth Rate
2.2%

Note: ETSU College of Medicine FTE equivalent to headcount.

[1] TBR = Tennesse 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

HISTORY OF AVERAGE DAILY MEMBERSHIP GRADES KINDERGARTEN THROUGH TWELVE 2003-2012 **

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
ANDERSON COUNTY	6,597	6,660	6,617	6,830	6,968	6,890	6,882	6,805	6,836	6,935
CLINTON	887	886	857	858	853	860	841	901	905	929
OAK RIDGE	4,457	4,533	4,460	4,457	4,385	4,361	4,351	4,286	4,340	4,350
BEDFORD COUNTY	7,964	7,818	7,761	7,750	7,656	7,461	7,277	7,042	6,795	6,559
BENTON COUNTY	2,231	2,290	2,372	2,437	2,477	2,477	2,468	2,460	2,441	2,470
BLEDSOE COUNTY	1,801	1,825	1,802	1,834	1,886	1,910	1,896	1,867	1,788	1,766
BLOUNT COUNTY	11,044	11,249	11,412	11,467	11,599	11,466	11,279	11,143	10,999	10,869
ALCOA	1,749	1,699	1,681	1,637	1,610	1,594	1,466	1,374	1,304	1,333
MARYVILLE	4,914	4,962	4,965	5,021	4,997	4,868	4,711	4,595	4,604	4,446
BRADLEY COUNTY	10,056	10,043	10,076	10,087	9,995	9,859	9,700	9,320	9,166	9,060
CLEVELAND	5,082	4,961	4,801	4,849	4,630	4,567	4,478	4,546	4,331	4,322
CAMPBELL COUNTY	5,673	5,822	5,875	5,830	5,823	6,019	5,980	6,067	6,110	6,072
CANNON COUNTY	2,024	2,109	2,125	2,184	2,244	2,191	2,141	2,127	2,133	2,103
CARROLL COUNTY	6	2	6	6	4	5	9	6	9	8
*HOLLOW ROCK-BR	682	663	667	696	714	718	726	759	753	762
*HUNTINGDON	1,229	1,208	1,225	1,229	1,252	1,253	1,275	1,277	1,308	1,318
*MCKENZIE	1,378	1,377	1,371	1,398	1,377	1,390	1,344	1,325	1,297	1,302
*S. CARROLL	352	364	365	389	394	399	419	410	410	389
*W. CARROLL	965	988	1,000	1,026	1,041	1,024	1,051	1,065	1,082	1,107
CARTER COUNTY	5,436	5,560	5,702	5,804	5,908	5,842	5,980	5,980	5,872	5,908
ELIZABETHTON	2,326	2,235	2,137	2,055	1,991	2,000	2,010	2,040	2,071	2,158
CHEATHAM COUNTY	6,649	6,702	6,843	6,799	6,815	6,978	6,923	6,945	6,917	6,865
CHESTER COUNTY	2,742	2,713	2,720	2,718	2,698	2,635	2,540	2,509	2,515	2,444
CLAIBORNE COUNTY	4,545	4,644	4,644	4,657	4,730	4,764	4,847	4,729	4,643	4,600
CLAY COUNTY	1,027	1,041	1,056	1,056	1,070	1,170	1,150	1,159	1,152	1,200
COCKE COUNTY	4,676	4,665	4,771	4,815	4,809	4,720	4,719	4,727	4,704	4,687
NEWPORT	703	729	754	759	752	715	716	700	704	694
COFFEE COUNTY	4,351	4,336	4,333	4,369	4,414	4,476	4,421	4,264	4,127	4,151
MANCHESTER	1,373	1,340	1,321	1,288	1,282	1,265	1,225	1,269	1,225	1,208
TULLAHOMA	3,258	3,209	3,328	3,364	3,408	3,507	3,600	3,642	3,606	3,603
CROCKETT COUNTY	1,827	1,774	1,801	1,743	1,798	1,766	1,788	1,737	1,738	1,739
ALAMO	592	579	578	586	547	517	499	492	485	504
BELLS	380	397	369	391	373	378	382	404	393	394
CUMBERLAND COUNTY	7,103	7,308	7,380	7,276	7,235	7,207	7,162	7,024	6,977	6,784
DAVIDSON COUNTY	76,130	74,832	73,447	72,293	72,014	72,004	71,465	70,089	69,445	68,317
DECATUR COUNTY	1,591	1,612	1,598	1,614	1,601	1,587	1,560	1,534	1,498	1,502
DEKALB COUNTY	2,905	2,870	2,794	2,831	2,827	2,736	2,649	2,658	2,601	2,601
DICKSON COUNTY	8,299	8,287	8,362	8,394	8,421	8,353	8,212	8,039	8,105	8,013
DYER COUNTY	3,693	3,619	3,497	3,439	3,434	3,364	3,310	3,283	3,211	3,171
DYERSBURG	2,859	2,971	3,136	3,276	3,364	3,464	3,521	3,548	3,548	3,493
FAYETTE COUNTY	3,475	3,518	3,533	3,601	3,586	3,612	3,549	3,443	3,432	3,448
FENTRESS COUNTY	2,282	2,335	2,347	2,385	2,353	2,332	2,300	2,299	2,245	2,292
FRANKLIN COUNTY	5,585	5,789	5,804	5,836	5,953	5,952	5,929	5,871	5,794	5,833
GIBSON COUNTY	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
HUMBOLDT	1,166	1,204	1,293	1,318	1,368	1,398	1,404	1,488	1,492	1,531
*MILAN	2,083	2,120	2,108	2,095	2,051	2,058	2,043	2,060	2,015	1,992
*TRENTON	1,335	1,357	1,400	1,388	1,396	1,432	1,432	1,422	1,437	1,463
*BRADFORD	531	543	526	554	585	609	605	617	630	626
*GIBSON CO. SPEC.	3,722	3,622	3,458	3,306	3,117	2,910	2,797	2,668	2,663	2,651
GILES COUNTY	3,956	4,066	4,158	4,317	4,342	4,342	4,464	4,501	4,441	4,483
GRAINGER COUNTY	3,514	3,540	3,528	3,538	3,444	3,460	3,428	3,330	3,335	3,295

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HISTORY OF AVERAGE DAILY MEMBERSHIP GRADES KINDERGARTEN THROUGH TWELVE 2003-2012 **

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
GREENE COUNTY	7,063	7,123	7,113	7,252	7,232	7,183	7,126	7,071	6,979	6,882
GREENEVILLE	2,682	2,676	2,696	2,705	2,740	2,771	2,744	2,701	2,677	2,638
GRUNDY COUNTY	2,209	2,218	2,192	2,271	2,200	2,285	2,252	2,285	2,245	2,262
HAMBLEN COUNTY	9,918	9,890	9,819	9,564	9,651	9,654	9,481	9,382	9,167	8,979
HAMILTON COUNTY	41,836	41,615	40,677	39,892	39,852	40,007	40,066	39,929	40,191	40,634
HANCOCK COUNTY	985	1,012	1,027	1,006	1,019	1,010	1,006	1,014	1,032	1,065
HARDEMAN COUNTY	3,883	3,958	4,063	4,108	4,214	4,252	4,330	4,373	4,462	4,489
HARDIN COUNTY	3,581	3,464	3,657	3,739	3,740	3,724	3,740	3,758	3,755	3,800
HAWKINS COUNTY	7,301	7,400	7,545	7,630	7,695	7,618	7,490	7,364	7,252	7,223
ROGERSVILLE	673	681	665	663	658	645	673	628	639	642
HAYWOOD COUNTY	3,225	3,310	3,265	3,301	3,326	3,401	3,480	3,494	3,512	3,526
HENDERSON COUNTY	3,695	3,734	3,682	3,555	3,476	3,518	3,566	3,501	3,345	3,439
LEXINGTON	991	995	1,025	1,062	1,100	1,077	1,028	1,004	1,003	970
HENRY COUNTY	3,045	3,104	3,171	3,119	3,145	3,120	3,168	3,176	3,144	3,136
*PARIS	1,656	1,646	1,580	1,589	1,578	1,539	1,540	1,523	1,484	1,446
HICKMAN COUNTY	3,615	3,740	3,807	3,839	3,872	3,884	3,837	3,837	3,823	3,855
HOUSTON COUNTY	1,333	1,410	1,466	1,442	1,464	1,486	1,435	1,418	1,435	1,419
HUMPHREYS COUNTY	2,955	3,033	3,052	3,064	3,060	3,024	3,001	3,015	2,993	3,013
JACKSON COUNTY	1,500	1,532	1,627	1,646	1,651	1,678	1,645	1,649	1,660	1,666
JEFFERSON COUNTY	7,246	7,353	7,372	7,389	7,429	7,377	7,277	7,156	7,038	6,904
JOHNSON COUNTY	2,130	2,167	2,211	2,215	2,244	2,270	2,279	2,295	2,283	2,277
KNOX COUNTY	56,298	55,588	55,521	55,265	54,293	54,215	53,050	53,130	52,637	51,677
LAKE COUNTY	873	884	893	900	920	897	912	866	894	872
LAUDERDALE COUNTY	4,441	4,458	4,503	4,510	4,547	4,528	4,479	4,484	4,555	4,565
LAWRENCE COUNTY	6,603	6,726	6,732	6,675	6,717	6,732	6,692	6,690	6,699	6,677
LEWIS COUNTY	1,839	1,874	1,900	1,892	1,901	1,898	1,865	1,896	1,958	1,972
LINCOLN COUNTY	3,921	3,921	4,009	4,043	4,087	4,053	4,021	4,018	3,989	3,975
FAYETTEVILLE	1,166	1,162	993	986	995	956	983	977	1,000	1,022
LOUDON COUNTY	4,928	4,846	5,040	5,028	5,086	5,046	4,966	4,925	4,833	4,858
LENOIR CITY	2,209	2,244	2,191	2,191	2,118	2,146	2,164	2,159	2,063	2,008
MCMINN COUNTY	5,877	5,859	5,885	5,952	5,928	5,872	5,901	5,787	5,831	5,864
ATHENS	1,494	1,594	1,674	1,673	1,744	1,716	1,690	1,696	1,680	1,676
ETOWAH	329	311	329	351	374	365	374	394	391	381
MCNAIRY COUNTY	4,268	4,295	4,353	4,310	4,318	4,318	4,253	4,192	4,166	4,138
MACON COUNTY	3,664	3,710	3,724	3,736	3,735	3,723	3,695	3,651	3,554	3,559
MADISON COUNTY	12,649	12,756	12,808	13,134	13,409	13,783	13,731	13,654	13,589	13,521
MARION COUNTY	4,227	4,224	4,271	4,253	4,163	4,130	4,092	4,046	4,101	4,072
*RICHARD CITY	339	322	312	286	322	327	355	332	349	343
MARSHALL COUNTY	5,211	5,228	5,260	5,258	5,286	5,146	4,939	4,856	4,829	4,809
MAURY COUNTY	11,418	11,327	11,403	11,501	11,505	11,421	11,245	11,285	11,104	11,212
MEIGS COUNTY	1,734	1,752	1,827	1,813	1,841	1,820	1,822	1,832	1,848	1,840
MONROE COUNTY	5,446	5,523	5,524	5,518	5,487	5,424	5,350	5,291	5,183	5,085
SWEETWATER	1,501	1,481	1,480	1,492	1,516	1,468	1,471	1,409	1,435	1,429
MONTGOMERY COUNTY	29,728	29,202	28,661	28,401	27,813	27,449	26,603	25,767	24,951	24,589
MOORE COUNTY	993	992	973	975	970	981	967	977	954	929
MORGAN COUNTY	3,178	3,198	3,206	3,277	3,265	3,281	3,266	3,246	3,242	3,214
OBION COUNTY	3,645	3,787	3,837	3,907	3,987	4,017	4,045	4,057	3,988	4,010
UNION CITY	1,451	1,444	1,454	1,399	1,376	1,420	1,409	1,366	1,374	1,397
OVERTON COUNTY	3,317	3,430	3,448	3,352	3,372	3,371	3,302	3,298	3,284	3,212
PERRY COUNTY	1,110	1,120	1,110	1,116	1,099	1,102	1,096	1,109	1,133	1,140
PICKETT COUNTY	725	705	682	665	658	674	676	692	697	708
POLK COUNTY	2,564	2,650	2,640	2,658	2,673	2,656	2,583	2,533	2,509	2,505

HISTORY OF AVERAGE DAILY MEMBERSHIP GRADES KINDERGARTEN THROUGH TWELVE 2003-2012 **

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
PUTNAM COUNTY	10,511	10,501	10,434	10,388	10,337	10,251	10,014	9,918	9,858	9,571
RHEA COUNTY	4,214	4,192	4,236	4,152	4,118	4,133	4,046	3,940	3,841	3,850
DAYTON	791	743	755	734	705	722	702	693	707	729
ROANE COUNTY	7,036	7,115	7,293	7,320	7,480	7,451	7,400	7,351	7,383	7,216
ROBERTSON COUNTY	11,050	10,957	10,909	10,774	10,710	10,551	10,261	9,974	9,696	9,446
RUTHERFORD COUNTY	38,645	38,122	37,238	36,497	35,706	34,384	32,704	31,002	29,422	28,012
MURFREESBORO	7,069	6,837	6,903	6,859	6,849	6,661	6,358	6,029	5,983	5,841
SCOTT COUNTY	2,848	2,866	2,750	2,806	2,768	2,679	2,647	2,641	2,618	2,622
*ONEIDA	1,225	1,201	1,192	1,263	1,276	1,318	1,308	1,302	1,260	1,276
SEQUATCHIE COUNTY	2,261	2,274	2,277	2,251	2,217	2,179	2,123	2,012	1,925	1,924
SEVIER COUNTY	14,216	14,315	14,291	14,277	14,317	14,202	13,967	13,505	13,082	12,712
SHELBY COUNTY	45,563	46,790	47,892	46,889	47,196	46,555	46,052	44,868	46,886	45,436
MEMPHIS	104,058	104,903	105,816	107,019	109,698	113,818	116,528	117,740	115,928	116,868
SMITH COUNTY	3,138	3,201	3,253	3,240	3,245	3,260	3,180	3,157	3,122	3,138
STEWART COUNTY	2,140	2,130	2,161	2,239	2,235	2,202	2,124	2,142	2,103	2,093
SULLIVAN COUNTY	10,737	11,054	11,418	11,659	11,860	12,020	12,206	12,396	12,493	12,483
BRISTOL	3,842	3,876	3,853	3,918	3,914	3,876	3,803	3,722	3,664	3,604
KINGSPORT	6,698	6,556	6,439	6,392	6,396	6,455	6,400	6,377	6,382	6,411
SUMNER COUNTY	27,612	27,377	27,032	26,554	26,241	25,872	25,313	24,437	23,990	23,470
TIPTON COUNTY	11,544	11,738	11,767	11,781	11,736	11,670	11,498	11,235	11,138	10,980
TROUSDALE COUNTY	1,246	1,219	1,297	1,373	1,331	1,331	1,306	1,272	1,281	1,264
UNICOI COUNTY	2,575	2,520	2,583	2,533	2,491	2,534	2,502	2,533	2,534	2,505
UNION COUNTY	4,549	2,953	2,970	2,968	2,989	3,026	3,044	3,128	3,052	3,075
VAN BUREN COUNTY	732	717	758	782	782	778	786	764	779	780
WARREN COUNTY	6,450	6,475	6,501	6,341	6,326	6,244	6,219	6,131	6,029	6,137
WASHINGTON COUNTY	9,058	9,050	9,169	9,174	9,150	9,123	8,985	8,916	8,748	8,607
JOHNSON CITY	7,425	7,390	7,313	7,328	7,239	7,094	7,048	6,803	6,879	6,867
WAYNE COUNTY	2,333	2,356	2,398	2,394	2,445	2,491	2,513	2,495	2,565	2,586
WEAKLEY COUNTY	4,499	4,550	4,662	4,751	4,721	4,766	4,877	4,790	4,801	4,906
WHITE COUNTY	3,969	3,966	3,981	4,007	3,990	4,003	3,928	3,851	3,893	3,850
WILLIAMSON COUNTY	31,949	31,275	30,517	29,762	28,585	27,301	25,440	23,616	21,914	21,032
*FRANKLIN	3,671	3,748	3,688	3,720	3,825	3,781	3,800	3,783	3,708	3,777
WILSON COUNTY	15,637	15,408	15,057	14,778	14,269	14,048	13,513	12,932	12,484	12,095
*LEBANON	3,381	3,327	3,183	3,117	3,145	3,053	3,005	3,034	3,013	2,957
GRAND TOTAL	950,547	949,354	948,508	945,458	944,738	943,149	933,688	921,520	911,735	903,389

*SPECIAL SCHOOL DISTRICT

**AVERAGE DAILY MEMBERSHIP INCLUDES ADULT HIGH SCHOOL STUDENTS IN GRADES 9-12.

ACKNOWLEDGMENTS

OFFICE OF STATE AND LOCAL FINANCE

SANDRA THOMPSON*
JACQUELINE FELLAND*
SHARON SCHMUCKER*
KAYLA CARR*
LORI BARNARD
DONNA KAUKAS
CINDY LIDDELL
ALICIA SCOTT
STEVE OSBORNE
RON QUEEN
JOYCE WELBORN

*PREPARER OF COMPREHENSIVE ANNUAL FINANCIAL REPORT