

Tennessee State School Bond Authority

A Component Unit of the State of Tennessee



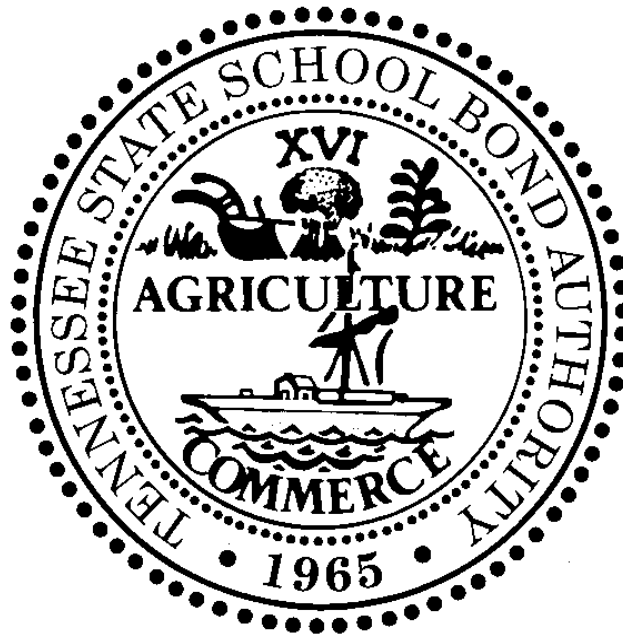
Comprehensive Annual Financial Report

For the Years Ended

June 30, 2016 and June 30, 2015

TENNESSEE STATE SCHOOL BOND AUTHORITY
COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED
JUNE 30, 2016 AND JUNE 30, 2015

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 YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015**

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INTRODUCTORY SECTION





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Governor Bill Haslam, Chairman

Justin P. Wilson, Secretary

December 23, 2016

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, 2016 and June 30, 2015. 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 - 11 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, as amended. 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 with the proceeds of the State's general obligation bonds.

In 1997, the Authority approved a Commercial Paper Resolution that authorized the Authority to issue commercial paper. The Credit Agreement with State Street Bank and Trust Company for the commercial paper program expired on March 20, 2014. On March 20, 2014, the Authority terminated the commercial paper program and entered into a Revolving Credit

Agreement (“RCA”) with Wells Fargo Bank, National Association, and U.S. Bank, National Association (collectively the “Banks”). Through the RCA, the Banks have agreed to make loans to the Authority in an aggregate amount not to exceed \$300 million. The loan proceeds are 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 may be issued to finance the project. The debt issued to finance a project may be amortized over its useful life, but not to exceed 30 years. Proceeds from the issuance of the debt will be used to repay the RCA. Certain equipment and property acquisitions are financed solely within the RCA program. Equipment financed solely within the RCA 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 an investor receives a federal income tax credit in lieu of an interest payment 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. The program only received allocations for 2009 and 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 (U.S. GAAP); 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;

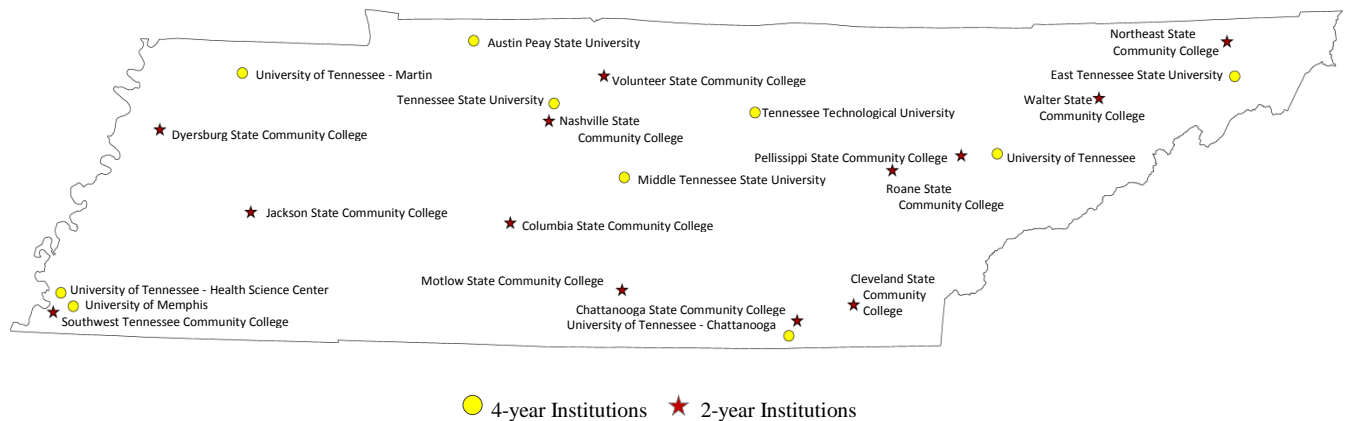
- Reviewing documentation of assessment results to determine that internal controls are sufficient to mitigate the assessed risks in the agency;
- Formally reiterating, on a regular basis, to the Authority or its management and staff, the responsibility of the Authority or its management and staff to 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

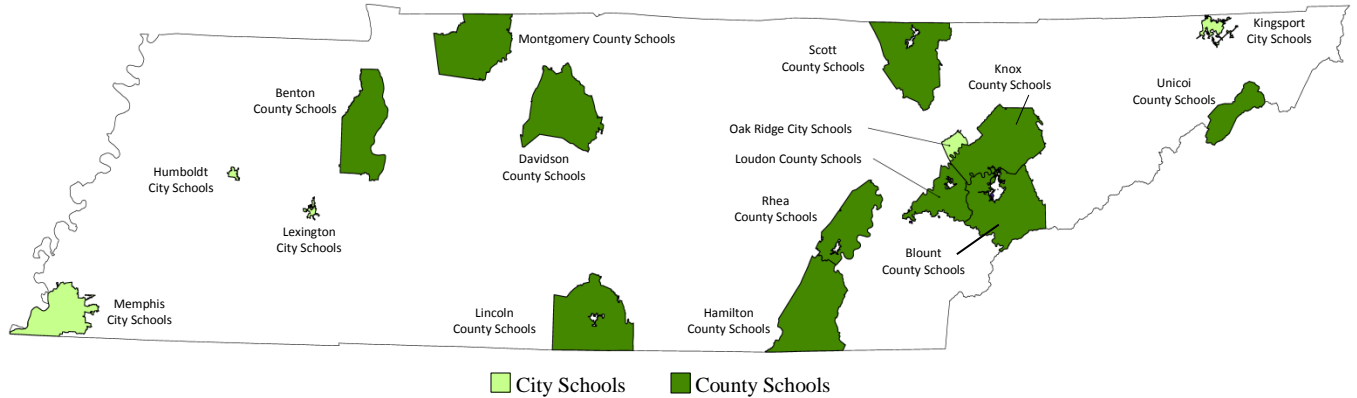
Higher Education Facilities Programs. Public higher education in Tennessee is coordinated by the Tennessee Higher Education Commission and consists of two systems: The University of Tennessee Board of Trustees (“Board of Trustees”) governs the University of Tennessee System and the Tennessee Board of Regents (“Board of Regents”) of the State University and Community College System of Tennessee governs the state universities, community colleges, and colleges of applied technology. 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;”.

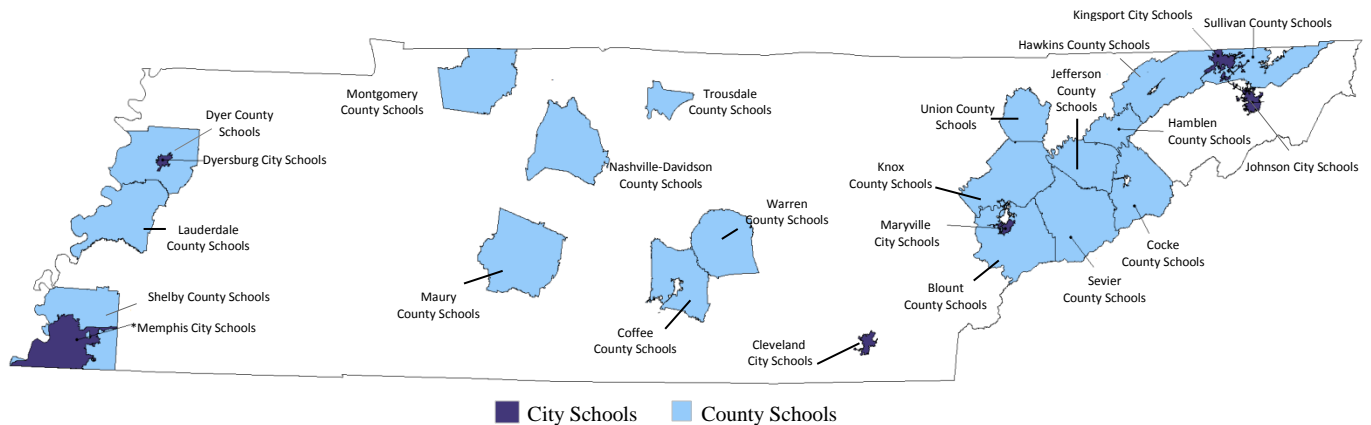
The University of Tennessee has four campuses (at Knoxville, Martin, Memphis, and Chattanooga), with 33 colleges, schools and divisions, all of which constitute a single Institution. The Tennessee Board of Regents system includes 6 universities, 13 community colleges, and 27 colleges of applied technology, all of which constitute a single Institution. The colleges of applied technology 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, 2016, Humboldt City Schools, Knox County Schools, Lincoln County Schools, Scott County Schools, and Unicoi County Schools had 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, completed an application provided by the Tennessee Department of Education. The Department of Education recommended to the Authority the projects deemed worthy of funding. Each local education agency and the respective city or

county entered into a loan agreement with the Authority under which the Authority agreed to finance the projects and the respective city or county agreed 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, completed an application provided by the Authority. The Tennessee Advisory Commission on Intergovernmental Relations (“TACIR”) recommended to the Authority the projects deemed worthy of funding. Each local education agency and respective city or county entered into a loan agreement with the Authority under which the Authority agreed to finance the projects and the respective city or county agreed to repay the loan.

For both the QZAB and QSCB programs, local education agencies received their funding through 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 pledge of the borrower’s 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 5% and 10%, respectively. The Tennessee Education Lottery Scholarship program (“TELS”) enabled more Tennesseans to attend college. In the 2015-16 academic year, the Tennessee Lottery provided an estimated \$324 million in scholarships to more than 121,000 students. Beginning with the 2015 Tennessee high school graduates, the Tennessee Promise program provides for two years of tuition-free attendance at any of the state’s community colleges or colleges of applied technology. The Tennessee Promise is a last-dollar scholarship, meaning it will cover tuition and mandatory fees not covered by the federal Pell Grant, the HOPE scholarship (a TELS award), or the Tennessee Student Assistance Award (a state-funded grant program). 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.

Relevant Financial Policies. The Authority adopted a Debt Management Policy (the “Policy”) on November 14, 2011. The Policy is reviewed annually. The Policy provides written guidance about the amount and type of debt issued as well as the method used for issuing the debt. The Policy governs the issuance of revolving credit facility loans as short-term debt as well the issuance of long-term debt. During fiscal year ending June 30, 2016, the Authority borrowed \$35,000,000 from the revolving credit facility. During fiscal year ending June 30, 2015, the Authority borrowed \$50,000,000 from the revolving credit facility, issued the 2014 Series A and B bonds in the amount of \$344,650,000, and issued the 2015 Series A and B bonds in the amount of \$464,165,000.

OTHER INFORMATION

Securities and Exchange Commission Disclosures. The Tennessee State School Bond Authority has entered into Continuing Disclosure Undertakings (“Undertakings”) with respect to certain debt issues. The Undertakings were 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 Undertakings are included in the Comprehensive Annual Financial Report of the State of Tennessee, not in this report.

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, 2015. This was the fourteenth 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.

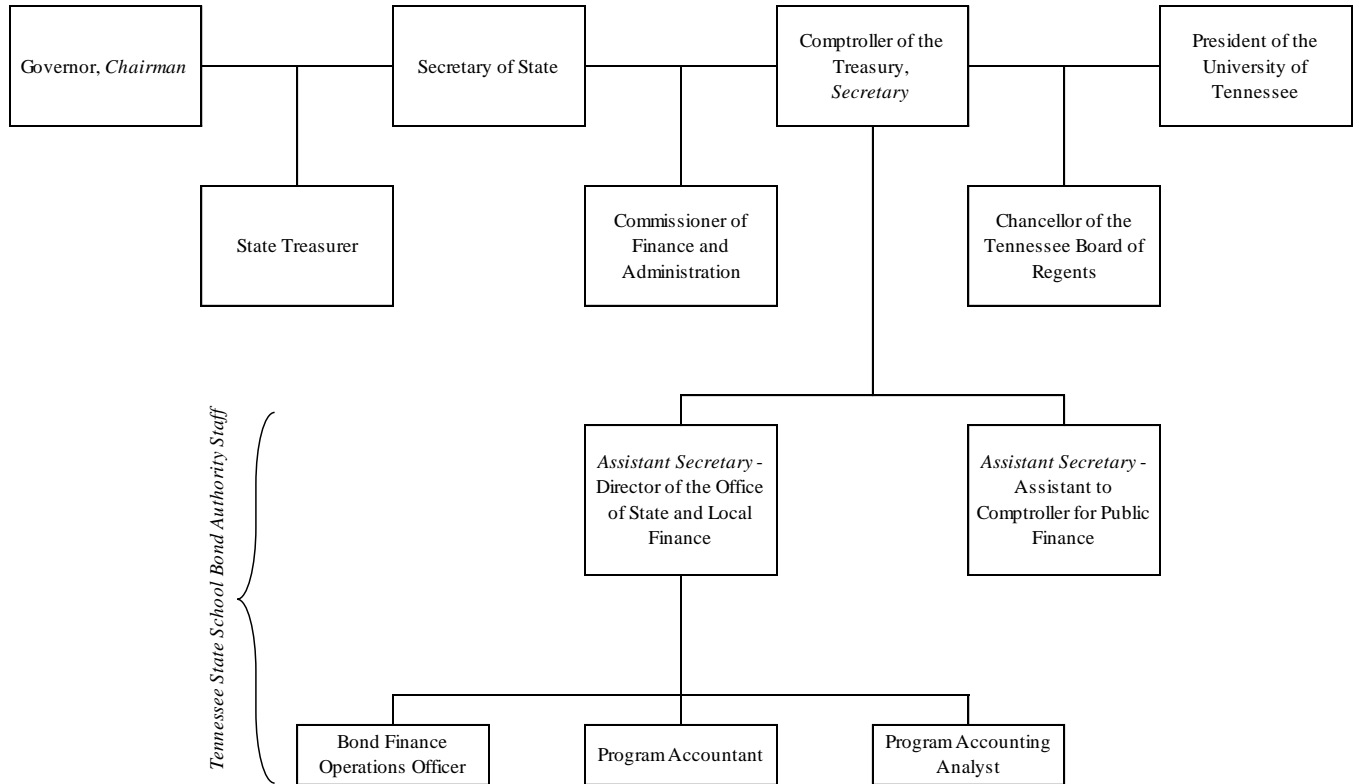
Respectfully submitted,

A handwritten signature in blue ink that reads "Sandra Thompson". The signature is written in a cursive, flowing style.

Sandra Thompson, Assistant Secretary
Tennessee State School Bond Authority

Tennessee State School Bond Authority Organization Chart

Tennessee State School Bond Authority Members





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 (ended 1/31/2016)

David Gregory, Acting Chancellor of the Tennessee Board of Regents (effective 2/1/2016)

STAFF

Sandra Thompson, Director of the Office 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, 2015

Executive Director/CEO



FINANCIAL SECTION





STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
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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, 2016, and June 30, 2015, 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 the Tennessee State School Bond Authority. We do not believe that the Comptroller's service in this capacity affected our ability to conduct an independent audit of the 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, 2016, and June 30, 2015, 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.

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 information 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 15, 2016, 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, and contracts (including the bond resolutions) and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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, CPA
Director
December 15, 2016

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, 2016. These activities are compared to the results of the fiscal years ended June 30, 2015, and June 30, 2014. 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		
	2016	2015	2014
Number of higher education facilities with outstanding loans	19	19	19
Balance of outstanding loans	\$ 1,595,683,475	\$ 1,480,594,673	\$ 1,391,546,528
Total number of projects with outstanding loans	221	225	217
Number of projects approved in fiscal year	8	11	13
Dollar amount of loans approved in fiscal year	\$ 196,829,000	\$ 230,579,240	\$ 377,266,000
Dollar amount of loans approved in fiscal year - unspent	\$ 193,267,544	\$ 224,941,981	\$ 368,232,834
Dollar amount of loans financed in fiscal year	\$ 243,257,387	\$ 83,154,335	\$ 133,890,012
Balance of outstanding debt	\$ 1,739,673,979	\$ 1,784,191,852	\$ 1,504,789,384
Bonds issued in fiscal year	\$ -	\$ 808,815,000	\$ 149,130,000
Commercial paper issued in fiscal year	\$ -	\$ -	\$ 54,600,000
Revolving credit facility issued in fiscal year	\$ 35,000,000	\$ 50,000,000	\$ 159,500,000

	Qualified Zone Academy Bond Program		
	2016	2015	2014
Number of LEAs with outstanding loans	11	12	12
Total number of outstanding loans	13	16	16
Balance of outstanding loans	\$ 9,975,299	\$ 12,984,352	\$ 16,009,555
Balance held in Sinking Fund	\$ 22,614,701	\$ 30,834,174	\$ 27,808,970
Balance of outstanding debt	\$ 32,590,000	\$ 43,920,000	\$ 43,920,000

	Qualified School Construction Bond Program		
	2016	2015	2014
Number of LEAs with outstanding loans	23	23	23
Total number of outstanding loans	28	28	28
Balance of outstanding loans	\$ 259,596,908	\$ 284,021,020	\$ 308,233,864
Balance held in Sinking Fund	\$ 140,878,305	\$ 106,050,986	\$ 80,133,016
Balance of outstanding debt	\$ 389,440,000	\$ 389,440,000	\$ 389,440,000
Dollar amount of loan proceeds disbursed in fiscal year	\$ -	\$ -	\$ 7,542,927

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 26 - 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.

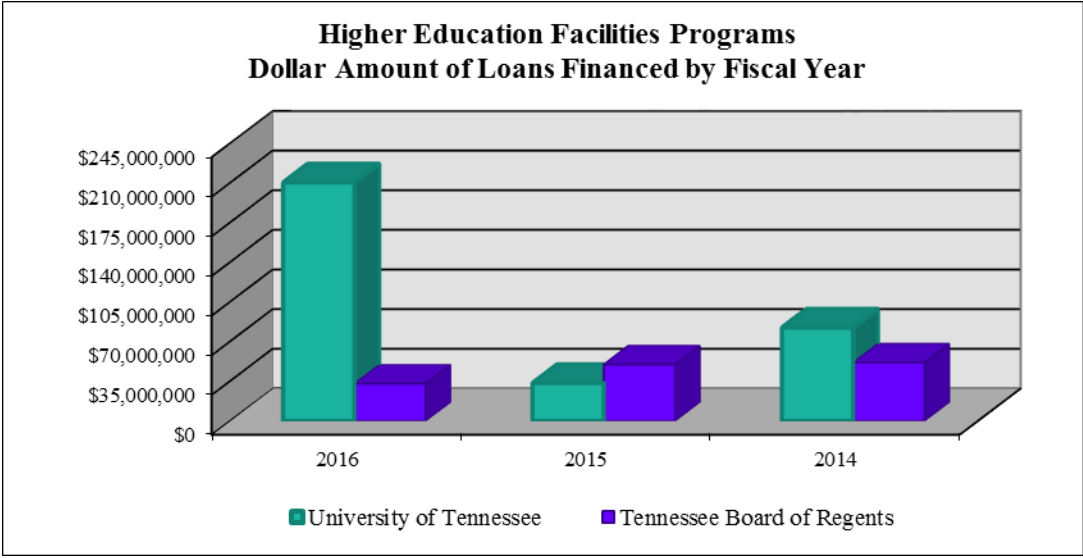
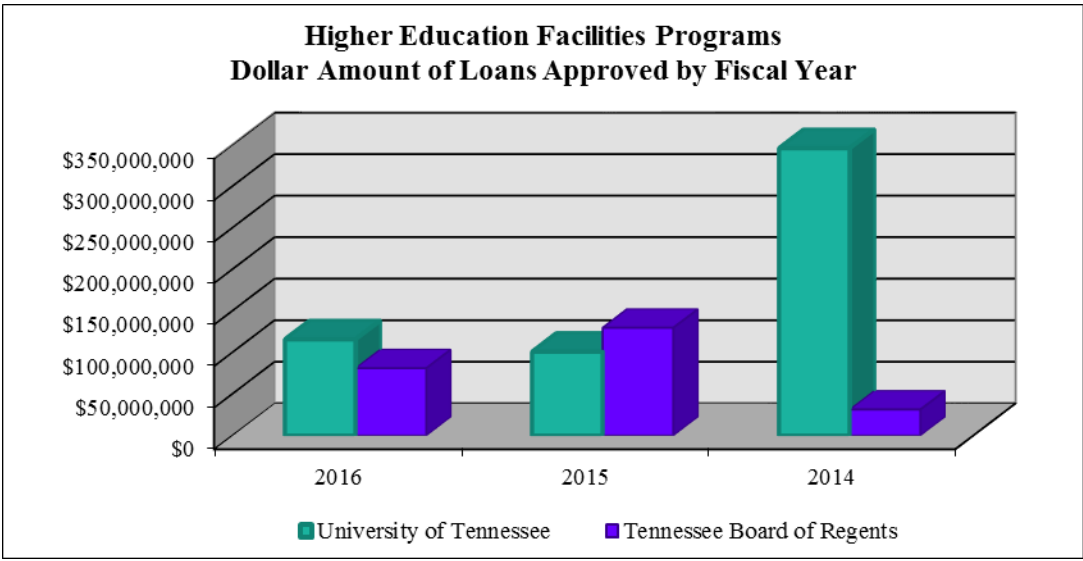
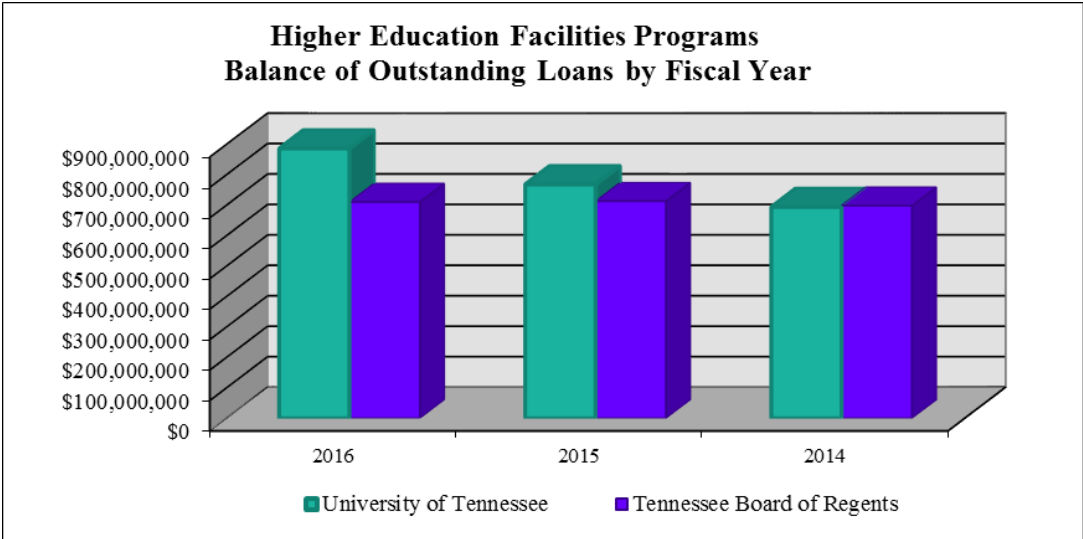
Higher Education Facilities Programs. When a higher education facility applies for project funding through the Authority, an analysis of the financial feasibility of each loan application is undertaken by comparing the projected debt service to the pledged revenue before it is approved by the Authority. 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 and the Tennessee Board of Regents of the State University and Community College System of the State of Tennessee, 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 a 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.

On March 20, 2014, all outstanding commercial paper was redeemed and the commercial paper program was terminated when the Authority entered into a Revolving Credit Agreement (RCA) with Wells Fargo Bank, National Association, and U.S. Bank, National Association. As of March 20, 2014, and thereafter, projects are funded through the RCA program during its construction phase. For projects in the construction phase 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 RCA interest rates are shown below for the fiscal year ended June 30, 2016 as compared to fiscal years 2015 and 2014.

Fiscal Year	Tax-Exempt		Federally Taxable	
	Low	High	Low	High
	2016	0.501%	0.690%	0.687%
2015	0.476%	0.499%	0.652%	0.684%
2014	0.476%	0.478%	0.651%	0.655%

For the fiscal year ended June 30, 2016, interest rates on the higher education facilities long-term fixed-rate tax-exempt bonds ranged from a low of 2.50% to a high of 5.20%, and the interest rates on the higher education facilities long-term fixed-rate federally taxable bonds ranged from a low of 0.65% to a high of 5.243%. 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.

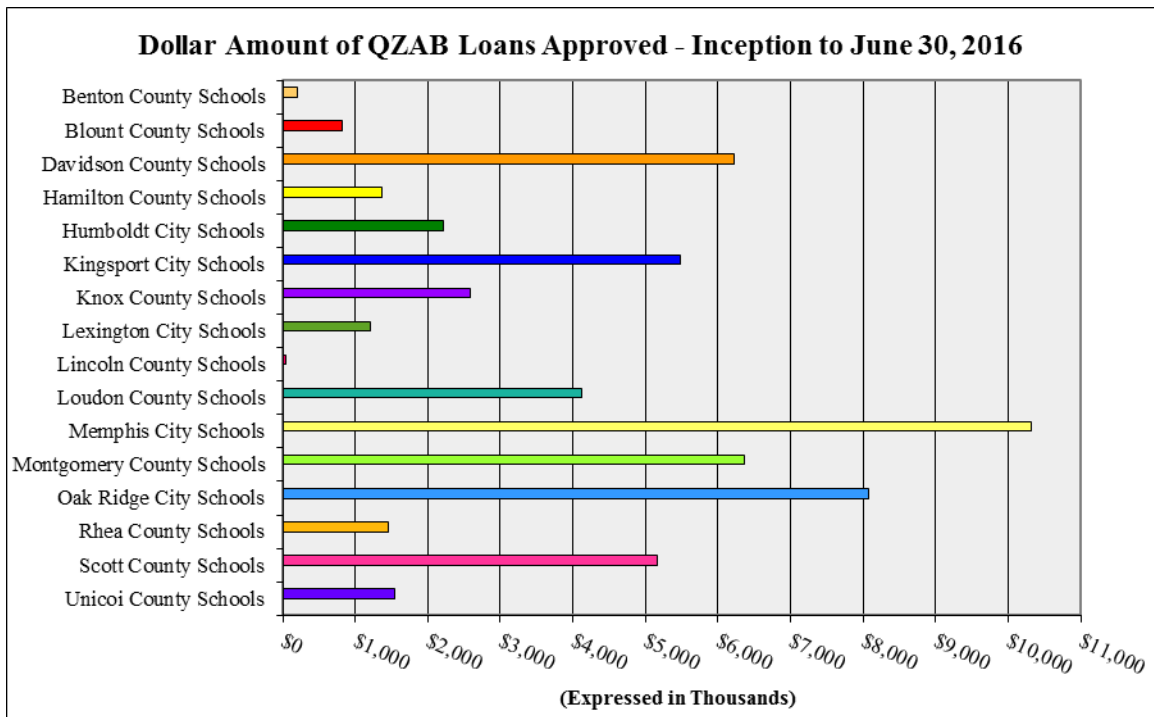
Higher Education Facilities Programs Debt Ratings. As of the fiscal year ended June 30, 2016, the Authority’s higher education facilities program is rated AA+, and AA+ by Fitch and S&P Global Ratings, respectively. Moody’s Investors Service has assigned the Authority’s bonds an enhanced rating of Aa1 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 of Education 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 pledges its full faith and credit and unlimited taxing power to the Authority for the repayment of its loans. The Authority is authorized to intercept the local government's unobligated state-shared taxes, should the LEA/local government fail to repay its loan timely.

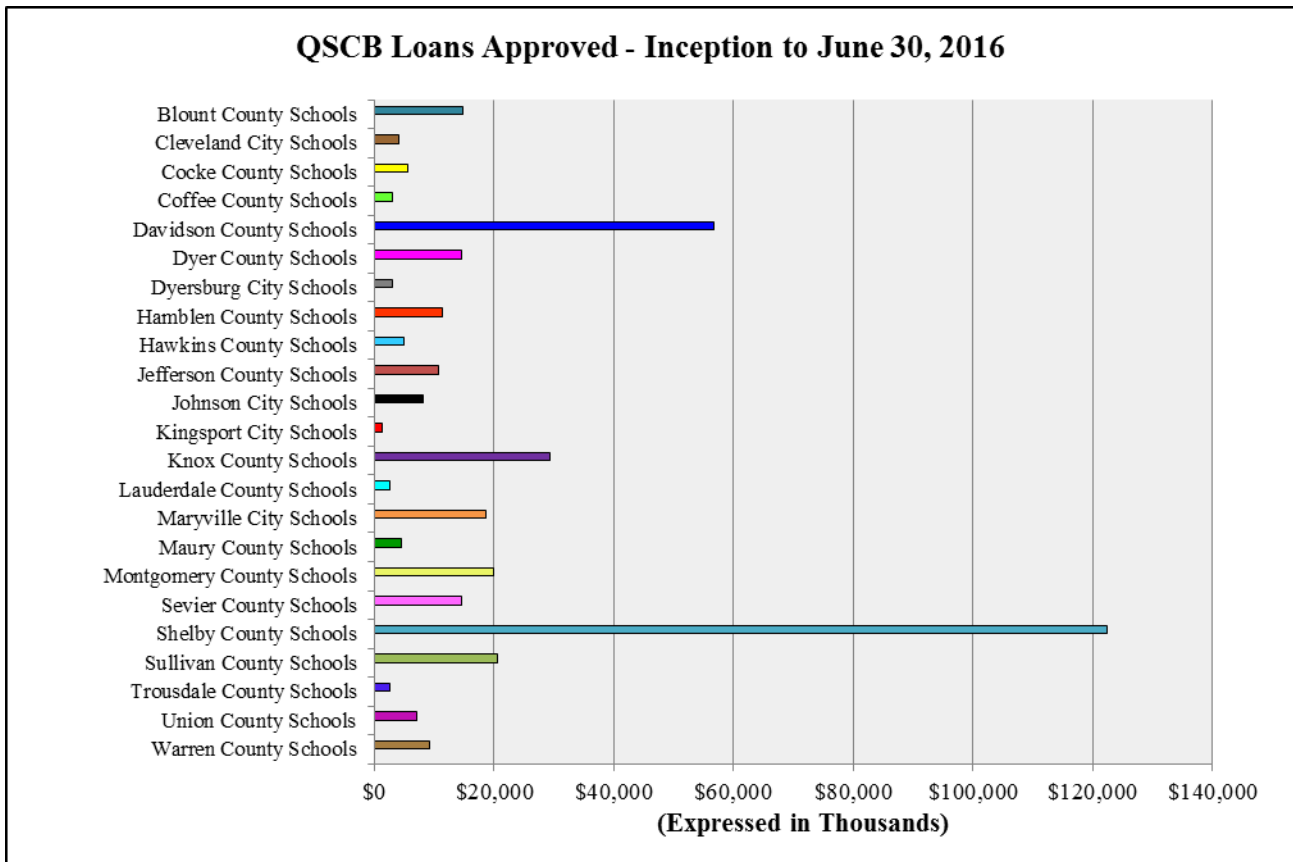
As of June 30, 2016, the QZAB program has unused allocations totaling \$27,514,000. Of this amount, \$8,930,000 of the 2014 allocation will expire on December 31, 2016. The State has up to two years after the yearly allocations are made by the federal government to issue bonds or the allocations will be forfeited. The Authority last issued bonds for the QZAB program on December 28, 2005, and does not have any intention to issue additional QZAB bonds.



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 pledge its full faith and credit and unlimited taxing power to the Authority for the repayment of its loans. The Authority is authorized to intercept the local government's unobligated 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, 2016, the Authority’s QSCB program is rated Aa2, AA+, and AA by Moody’s Investors Service, Inc., S&P Global Ratings, 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 accordance 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 financial statements and 2) the notes to the financial statements. The 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, 2016, and June 30, 2015. 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, 2016, the Authority did not issue bonds. At no time did the Authority deny approval of a loan application due to its

inability to access the capital market. For long-term debt, the Authority made all debt service payments timely without having to withdraw funds from the debt service reserve fund or intercept the state appropriations for the higher education institutions. For short-term debt, No Event of Default, as defined in the RCA, has occurred. The Authority maintained both its long and short-term credit ratings with all rating agencies.

Statements of Net Position Summary			
(in thousands of dollars)			
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current assets	\$ 195,321	\$ 403,912	\$ 171,718
Noncurrent assets	<u>1,962,600</u>	<u>1,861,495</u>	<u>1,779,323</u>
Total assets	<u>2,157,921</u>	<u>2,265,407</u>	<u>1,951,041</u>
Deferred outflows of resources	<u>42,771</u>	<u>45,569</u>	<u>17,762</u>
Current liabilities	85,808	144,427	78,823
Noncurrent liabilities	<u>2,095,123</u>	<u>2,157,180</u>	<u>1,881,728</u>
Total liabilities	<u>2,180,931</u>	<u>2,301,607</u>	<u>1,960,551</u>
Deferred inflows of resources	<u>1,791</u>	<u>832</u>	<u>616</u>
Net position (unrestricted)	<u>\$ 17,970</u>	<u>\$ 8,537</u>	<u>\$ 7,636</u>
<i>Note: The Authority owns no capital assets.</i>			

At June 30, 2016, current assets include \$53,092,376 of unexpended proceeds from prior debt issued that will fund approved higher education loans as compared to \$224,121,627 at June 30, 2015, and \$63,175,259 at June 30, 2014. The Authority did not issue any bonds during fiscal year ended June 30, 2016. During the fiscal year ended June 30, 2015, the Authority issued \$808,815,000 in Higher Education Facilities Second Program bonds which were used to redeem \$141,896,739 of the Authority's revolving credit facility and refund \$468,010,000 of the Authority's outstanding long-term debt with the balance of the bond proceeds to be used to fund various project costs and costs of issuance. During the fiscal year ended June 30, 2014, the Authority issued \$149,130,000 in Higher Education Facilities Second Program bonds which were used to retire \$135,755,922 of commercial paper proceeds with the balance to be used to fund various project costs and costs of issuance.

Principal was repaid on the higher education outstanding long-term bonds in the amounts of \$60,385,000 in 2016; \$56,435,000 in 2015; \$55,140,000 in 2014. Deposits to the Sinking Fund for the QZABs were made in the amounts of \$3,009,053 in 2016; \$3,025,204 in 2015; \$2,850,517 in 2014. QZAB Series 2001 Bonds in the amount of \$11,330,000 were retired during the fiscal year 2016. No QZAB bonds were retired during the fiscal years 2015 or 2014. Deposits to the Sinking Fund for the QSCBs were made in the amounts of \$34,827,319 in 2016; \$25,917,970 in 2015; \$23,824,191 in 2014. No QSCB bonds were retired during the fiscal years 2016, 2015, or 2014.

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, 2016, to fiscal year ending June 30, 2015, was mostly due to the unrealized gain on the QSCB investments. The change in net position from fiscal year ending June 30, 2015, to fiscal year ending June 30, 2014, was mostly due to the issuance of the bonds and the amount of unexpended bond proceeds.

Statements of Revenues, Expenses, and Changes in Net Position Summary (in thousands of dollars)			
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating Revenues			
Revenue from loans	\$ 75,210	\$ 66,092	\$ 66,625
Investment earnings	<u>15,146</u>	<u>5,697</u>	<u>2,571</u>
Total operating revenues	<u>90,356</u>	<u>71,789</u>	<u>69,196</u>
Operating Expenses			
Interest expense	75,579	64,623	66,033
Subsidy to borrowers	13,939	13,341	12,098
Other expenses	<u>994</u>	<u>2,473</u>	<u>1,863</u>
Total operating expenses	<u>90,512</u>	<u>80,437</u>	<u>79,994</u>
Operating loss	<u>(156)</u>	<u>(8,648)</u>	<u>(10,798)</u>
Nonoperating Revenues			
Federal subsidy on bonds	<u>9,589</u>	<u>9,549</u>	<u>9,264</u>
Total nonoperating revenues	<u>9,589</u>	<u>9,549</u>	<u>9,264</u>
Increase (decrease) in net position	<u>\$ 9,433</u>	<u>\$ 901</u>	<u>\$ (1,534)</u>
Net Position			
Net position, July 1	<u>8,537</u>	<u>7,636</u>	<u>9,170</u>
Net position, June 30	<u>\$ 17,970</u>	<u>\$ 8,537</u>	<u>\$ 7,636</u>

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 short-term and long-term debt and administrative expenses. The change in operating revenues and expenses for fiscal year ending June 30, 2016, can be attributed to the QSCB program and the higher education program. The QSCB program had an increase in value in the Sinking Fund thus allowing for an increase in unrealized investment earnings. The increase in the unrealized investment earnings was the major contributor to the decrease in operating loss and increase in the change in net position. The higher education program had an increase in revenue from loans due to the issuance of the 2014 and 2015 bonds and increased interest rates on the short-term financing.

The change in operating revenues and expenses for fiscal year ending June 30, 2015, can be attributed largely to the QSCB program. The QSCB program had an increase in their Sinking Fund thus allowing for an increase in investment earnings and then allowing for a larger subsidy to the borrowers. The increase in the investment earnings and the decrease in interest expenses was the major contributor to the decrease in operating loss and increase in the change in net position.

For the fiscal years ended June 30, 2016, June 30, 2015, and June 30, 2014, 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 the borrowers in the higher education facilities program as a subsidy to be applied toward 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, 2016, ranged from 0.11% to 0.33%. Investment earnings related to the QZAB program are held by the Authority for the benefit of the LEAs participating in the program and are applied as a subsidy toward each LEA's 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 applied as a subsidy on a monthly basis toward the amounts due on each LEA's 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 have declined 5.5 percent from 2011 to 2015 but remain above the levels before the economic downturn. Compared to 2007, enrollments are up 4 percent at universities and 16 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 2015-16, the Tennessee Lottery provided an estimated \$324 million in scholarships to more than 121,000 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% of Tennessee's working-age adults held a college degree, compared to the national average of 29.5%. 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%, in comparison with the national average of 37.9%. To reach the 2008 national average, Tennessee would have needed an additional 220,000 citizens with an associate's degree or higher. As of 2014, the percentage of adults in the state with a bachelor's degree or higher was 26.8 percent compared to the national rate of 31.5 percent. Those with an associate's degree or higher increased to 34.3 percent while the national rate was 40.4 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.

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 only received allocations for 2009 and 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 moneys it receives. If you have questions about this report or need additional financial information, contact the Director of the Office of State and Local Finance, State of Tennessee, Suite 1600, James K. Polk State Office Building, 505 Deaderick St., Nashville, Tennessee 37243-1402, visit our website at www.comptroller.tn.gov/TSSBA/, or call (615) 747-5369.

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BASIC FINANCIAL STATEMENTS



TENNESSEE STATE SCHOOL BOND AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2016, AND JUNE 30, 2015

(Expressed in Thousands)

	June 30, 2016	June 30, 2015
ASSETS		
Current assets:		
Cash (Note 2)	\$ 76,403	\$ 296,686
Cash with fiscal agent (Note 2)	4,423	1,423
Fair value of derivatives (Notes 1 and 2)	1,791	832
Loans receivable (Note 3)	98,356	90,300
Interest receivable (Note 3)	11,414	11,768
Federal subsidy receivable	2,800	2,785
Receivables for administrative fees (Note 3)	134	118
Total current assets	195,321	403,912
Noncurrent assets:		
Restricted cash (Notes 2 and 4)	10,441	20,560
Restricted investments (Notes 2 and 4)	185,259	153,635
Loans receivable (Note 3)	1,766,900	1,687,300
Total noncurrent assets	1,962,600	1,861,495
Total assets	2,157,921	2,265,407
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	42,771	45,569
Total deferred outflows of resources	42,771	45,569
LIABILITIES		
Current liabilities:		
Accounts payable	171	64,728
Accrued liabilities	2,806	2,925
Accrued interest payable	14,001	14,246
Unearned revenue (Note 6)	2,235	2,143
Bonds payable (Note 5)	66,595	60,385
Total current liabilities	85,808	144,427
Noncurrent liabilities:		
Unearned revenue (Note 6)	18	19
Revolving credit facility (Note 5)	84,480	61,682
Bonds payable (Note 5)	2,010,625	2,095,479
Total noncurrent liabilities	2,095,123	2,157,180
Total liabilities	2,180,931	2,301,607
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow - derivatives (Notes 1 and 2)	1,791	832
Total deferred inflows of resources	1,791	832
NET POSITION		
Unrestricted	\$ 17,970	\$ 8,537

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, 2016, AND JUNE 30, 2015

(Expressed in Thousands)

	Year Ended June 30, 2016	Year Ended June 30, 2015
OPERATING REVENUES		
Revenue from loans	\$ 75,210	\$ 66,092
Investment earnings	15,146	5,697
Total operating revenues	90,356	71,789
OPERATING EXPENSES		
Interest expense-revolving credit facility	470	679
Interest expense-bonds	75,109	63,944
Subsidy to borrowers	13,939	13,341
Administrative expense	994	2,473
Total operating expenses	90,512	80,437
Operating loss	(156)	(8,648)
NONOPERATING REVENUES		
Federal subsidy on bonds	9,589	9,549
Total nonoperating revenues	9,589	9,549
Increase (decrease) in net position	9,433	901
NET POSITION		
Net position, July 1	8,537	7,636
Net position, June 30	\$ 17,970	\$ 8,537

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, 2016, AND JUNE 30, 2015

(Expressed in Thousands)

	<u>Year Ended</u> <u>June 30, 2016</u>	<u>Year Ended</u> <u>June 30, 2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from borrowers for administrative fees	\$ 825	\$ 912
Payment to suppliers	(890)	(819)
Net cash provided by operating activities	<u>(65)</u>	<u>93</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from sale of bonds	-	414,503
Proceeds from sale of refunding bonds	-	509,939
Proceeds from the sale of revolving credit facility	35,000	50,000
Bond interest subsidy from federal government	9,574	9,552
Bond issuance costs paid	(125)	(1,558)
Refunding bond proceeds placed in escrow	-	(508,894)
Debt Service Reserve Fund released in escrow	-	(9,307)
Principal paid - bonds and commercial paper	(83,917)	(202,337)
Interest paid - bonds and commercial paper	(79,908)	(65,227)
Subsidy to borrowers	(9,574)	(9,552)
Net cash provided by (used in) noncapital financing activities	<u>(128,950)</u>	<u>187,119</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(82,963)	(69,593)
Proceeds from sales and maturities of investments	63,697	49,355
Interest received on investments	3,275	2,668
Loans issued	(243,257)	(83,154)
Collections of loan principal	95,681	83,657
Interest received on loans	65,180	56,765
Net cash provided by (used in) investing activities	<u>(98,387)</u>	<u>39,698</u>
Net increase (decrease) in cash	(227,402)	226,910
Cash, July 1	318,669	91,759
Cash, June 30	<u>\$ 91,267</u>	<u>\$ 318,669</u>
Reconciliation of cash to the Statement of Net Position:		
Cash	\$ 76,403	\$ 296,686
Cash with fiscal agent	4,423	1,423
Restricted cash	10,441	20,560
Cash, June 30	<u>\$ 91,267</u>	<u>\$ 318,669</u>

TENNESSEE STATE SCHOOL BOND AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016, AND JUNE 30, 2015

(Expressed in Thousands)

	<u>Year Ended</u> <u>June 30, 2016</u>	<u>Year Ended</u> <u>June 30, 2015</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	<u>\$ (156)</u>	<u>\$ (8,648)</u>
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Investment earnings	(15,147)	(5,697)
Interest expense	75,579	64,623
Subsidy to borrowers	13,939	13,341
Bond issuance costs	125	1,558
Interest income (loss) from loans	(74,370)	(65,282)
Changes in assets and liabilities:		
(Increase) decrease in receivables for administrative fees	(16)	104
Increase (decrease) in payables for administrative fees	(20)	96
Increase (decrease) in unearned revenue	<u>1</u>	<u>(2)</u>
Total adjustments	<u>91</u>	<u>8,741</u>
Net cash provided by (used in) operating activities	<u>\$ (65)</u>	<u>\$ 93</u>
Noncash investing activities:		
Increase in fair value of investments	<u>\$ 13,481</u>	<u>\$ 2,590</u>

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

Tennessee State School Bond Authority
Notes to the Financial Statements
June 30, 2016, and June 30, 2015

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 and a separate legal entity. In accordance with the Governmental Accounting Standards Board's (GASB) Statement No. 14 (as amended), *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 accordance 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, and acquiring land and 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.

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2016, and June 30, 2015

Investments

Investments for the Higher Education, QZAB, and QSCB Programs are stated at fair 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 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.

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 are very liquid; there are no minimum amounts or lengths of time for investment with the exception of a 24-hour notice for withdrawals exceeding \$5,000,000. 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 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.

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2016, and June 30, 2015

Investments

As of June 30, 2016, the Authority has the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value (Level 1)</u>
U.S. Treasury Notes	November 30, 2016	\$ 1,146,214
	April 30, 2017	4,399,780
	April 30, 2017	579,971
	April 30, 2017	3,040,214
	April 30, 2017	10,829,459
	April 30, 2017	3,726,294
	April 30, 2017	849,957
	April 30, 2017	270,821
	October 31, 2017	1,483,582
	August 15, 2026	25,680,376
	August 15, 2027	25,834,557
U.S. Treasury Securities:		
Agency Zeroes & Strips	August 15, 2026	44,650,964
	August 15, 2027	43,563,450
Total Level 1 Investments		<u>\$ 166,055,639</u>
<u>Investment</u>	<u>Maturity</u>	<u>Fair Value (Level 2)</u>
U.S. Treasury Bills	November 25, 2016	\$ 8,234,262
	December 8, 2016	10,969,051
Total Level 2 Investments		<u>\$ 19,203,313</u>
Total Investments		<u>\$ 185,258,952</u>

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2016, and June 30, 2015

As of June 30, 2015, the Authority has the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value (Level 1)</u>
U.S. Treasury Notes	August 31, 2015	\$ 6,673,135
	August 31, 2015	580,273
	November 30, 2015	2,709,526
	November 30, 2015	9,692,780
	April 30, 2016	589,169
	May 31, 2016	3,170,847
	August 31, 2016	3,565,453
	August 31, 2016	256,833
	November 30, 2016	1,171,445
	April 30, 2017	3,046,397
	April 30, 2017	3,733,872
	April 30, 2017	271,371
	August 15, 2026	21,299,967
	August 15, 2027	20,153,520
U.S. Treasury Securities:		
Agency Zeroes & Strips	August 15, 2026	32,891,628
	August 15, 2027	30,462,314
Total Level 1 Investments		<u>\$ 140,268,530</u>
<u>Investment</u>	<u>Maturity</u>	<u>Fair Value (Level 2)</u>
U.S. Treasury Bills	October 29, 2015	\$ 5,990,760
	November 19, 2015	7,376,189
Total Level 2 Investments		<u>\$ 13,366,949</u>
Total Investments		<u>\$ 153,635,479</u>

Debt and equity securities classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified as Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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. QSCB investments are intended to be held to maturity at which time par value will be received, which decreases significantly the concerns related to interest rate risk. The Authority's investments are specifically identified above.

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2016, and June 30, 2015

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2016, and June 30, 2015, the Authority had cash on deposit in the State Pooled Investment Fund and Local Government Investment Pool administered by the State Treasurer, which are unrated. At June 30, 2016, and June 30, 2015, the Authority also 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, 2016, and June 30, 2015, 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, 2016, and June 30, 2015, 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, 2016, \$8,234,262 is invested through the Agreement. As of June 30, 2015, \$7,376,189 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, 2016, \$10,969,052 is invested through the Agreement. As of June 30, 2015, \$9,692,780 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.

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2016, and June 30, 2015

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 6/30/16 at fair value ¹	\$8,234,262	\$10,969,052
Amount Invested in Agreement at 6/30/15 at fair value ¹	\$7,376,189	\$9,692,780
Date of Deposits	Nov. 24, 2005 through 2020	Dec. 8, 2006 through 2020

¹ The forward delivery agreements are classified as Level 2 of the fair value hierarchy. Debt securities classified as Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

For the fiscal year ended June 30, 2016, the Agreement for the 2004 QZABs has a positive fair value of \$605,021, and the Agreement for the 2005 QZABs has a positive fair value of \$1,186,128. For the fiscal year ended June 30, 2015, the Agreement for the 2004 QZABs had a positive fair value of \$190,093, and the Agreement for the 2005 QZABs had a positive fair value of \$642,052. The positive fair value is reported as a deferred inflow of resources on the statement of net position. The Authority did not enter into these agreements as interest rate hedges. 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, 2016, 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, 2016, the fair value of the State's Agreements is a total

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2016, and June 30, 2015

positive value of \$1,791,149. As of June 30, 2015, the fair value of the State's Agreements is a total positive value of \$832,145.

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.

When the Authority issues bonds to finance capital projects for the higher education institutions 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 are included in loans receivable on the statement of net position.

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

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2016, and June 30, 2015

reserve fund for the 2005 Series A and B; 2006 Series A; 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, and 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, 2013 Series A, 2014 Series A and B, and 2015 Series A and B 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. *Revolving Credit Facility.* Revolving credit facility constitutes a special obligation of the Authority. Principal and interest on the revolving credit facility is payable from the following sources: (i) as to principal only, the proceeds of the draw on the revolving credit facility to pay the principal of other outstanding revolving credit facility, (ii) available revenues, (iii) the money and securities (if any) on deposit in the Reimbursement Fund and in the Debt Service Fund, (iv) the moneys and securities (if any) on deposit in the Project Construction Account for such projects, and (v) 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

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2016, and June 30, 2015

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. The September 15, 2015, federal interest subsidy payment for the 2010 QSCBs was reduced by 7.3%, or \$375,916.83, 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, 2015. On August 5, 2015, the Internal Revenue Service announced that federal subsidy payments will be cut by 6.8% during the 2016 federal fiscal year.

Changes in debt payable for the years ended June 30, 2016, and June 30, 2015, are as follows (expressed in thousands):

	Balance			Amounts		
	July 1, 2015	Additions	Deletions	Balance	Due Within	One Year
	July 1, 2015	Additions	Deletions	June 30, 2016	One Year	
Revolving Credit Facility	\$ 61,682	\$ 35,000	\$ 12,202	\$ 84,480	\$ -	
Bonds payable	\$ 1,979,840	\$ -	\$ 71,715	\$ 1,908,125	\$ 66,595	
Less: unamortized bond discount	(56)	-	(4)	(52)	-	
Add: unamortized bond premium	176,080	-	6,933	169,147	-	
Total bonds payable	\$ 2,155,864	\$ -	\$ 78,644	\$ 2,077,220	\$ 66,595	

	Balance			Amounts		
	July 1, 2014	Additions	Deletions	Balance	Due Within	One Year
	July 1, 2014	Additions	Deletions	June 30, 2015	One Year	
Revolving Credit Facility	\$ 157,584	\$ 50,000	\$ 145,902	\$ 61,682	\$ -	
Bonds payable	\$ 1,695,470	\$ 808,815	\$ 524,445	\$ 1,979,840	\$ 60,385	
Less: unamortized bond discount	(18)	(51)	(13)	(56)	-	
Add: unamortized bond premium	85,106	115,678	24,704	176,080	-	
Total bonds payable	\$ 1,780,558	\$ 924,442	\$ 549,136	\$ 2,155,864	\$ 60,385	

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2016, and June 30, 2015

Bonds and revolving credit facility at June 30, 2016, and June 30, 2015, are as follows (expressed in thousands):

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Bonds Payable:		
2007 Series A at interest rates from 4.00% to 4.25% maturing to 2036 (original par - \$33,730)	3,615	4,990
2007 Series B (Federally Taxable) at interest rate of 5.243% maturing to 2017 (original par - \$14,040)	480	1,230
2007 Series C at interest rates from 4.00% to 5.00% maturing to 2032 (original par - \$89,940)	42,045	42,440
2008 Series A at interest rate of 4.00% maturing to 2016 (original par - \$118,530)	0	3,860
2008 Series B at interest rates from 4.25% to 5.00% maturing to 2018 (original par - \$166,990)	14,315	20,970
2009 Series A at interest rates from 3.50% to 5.00% maturing to 2019 (original par - \$109,905)	10,625	14,000
2010 Series A at interest rates from 3.125% to 4.250% maturing to 2040 (original par - \$213,920)	79,315	89,005
2010 Series B at interest rates from 3.0% to 5.20% maturing to 2040 (original par - \$18,015)	15,355	15,850
2012 Series A at interest rates from 2.50% to 5.00% maturing to 2042 (original par - \$208,295)	194,445	198,860
2012 Series B (Federally Taxable) at interest rates from 1.425% to 3.845% maturing to 2042 (original par - \$103,790)	92,490	98,135
2012 Refunding Series C at interest rates from 3.00% to 5.00% maturing to 2034 (original par - \$125,635)	94,345	102,960
2013 Series A at interest rates from 3.00% to 5.00% maturing to 2044 (original par - \$149,130)	140,875	145,365
2014 Series A (Federally Taxable) at interest rates from 0.650% to 4.207% maturing to 2045 (original par - \$132,450)	121,825	132,450
2014 Refunding Series B at interest rates from 3.00% to 5.000% maturing to 2038 (original par - \$212,200)	212,200	212,200
2015 Series A (Federally Taxable) at interest rates from 0.670% to 3.950% maturing to 2046 (original par - \$75,550)	75,550	75,550
2015 Series B at interest rates from 4.00% to 5.00% maturing to 2046 (original par - \$388,615)	388,615	388,615
2001 Qualified Zone Academy Bonds non-interest bearing maturing in 2016 (original par - \$11,330)	0	11,330

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2016, and June 30, 2015

	June 30, 2016	June 30, 2015
2003 Qualified Zone Academy Bonds non-interest bearing maturing in 2019 (original par - \$2,445)	2,445	2,445
2004 Qualified Zone Academy Bonds non-interest bearing maturing in 2021 (original par - \$12,600)	12,600	12,600
2005 Qualified Zone Academy Bonds non-interest bearing maturing in 2021 (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 2027 (original par - \$177,000)	177,000	177,000
2010 Qualified School Construction Bonds at an interest rate of 4.848% maturing in 2028 (original par - \$212,440)	212,440	212,440
Total Par Amount of Bonds Payable	\$ 1,908,125	\$ 1,979,840
Plus: Unamortized Premium/Less Unamortized Discount	169,095	176,024
Net Bonds Payable	\$ 2,077,220	\$ 2,155,864
Revolving Credit Facility, at interest rates from 0.476% to 0.655%	\$ 84,480	\$ 61,682

Debt service requirements to maturity of the bonds payable at June 30, 2016, are as follows (expressed in thousands):

For the Year(s) <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 66,595	\$ 64,637	\$ 131,232
2018	68,265	62,372	130,637
2019	72,275	59,433	131,708
2020	68,665	56,313	124,978
2021	95,705	53,527	149,232
2022-2026	509,575	225,835	735,410
2027-2031	504,130	154,900	659,030
2032-2036	229,285	94,693	323,978
2037-2041	187,960	46,906	234,866
2042-2046	105,670	10,644	116,314
	\$ 1,908,125	\$ 829,260	\$ 2,737,385

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, 2016, and June 30, 2015, the Authority did not have a liability for arbitrage.

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2016, and June 30, 2015

On May 7, 2015, the Authority issued two new series of bonds, 2015 Series A and B. The 2015 Series A taxable bond proceeds in the amount of \$75,550,000 were issued to redeem \$10,600,432 of the Authority's taxable revolving credit facility and to advance refund \$40,545,000 of the 2007 Series C bonds. The 2015 Series B tax-exempt bond proceeds in the amount of \$388,615,000 were issued to redeem \$86,453,306 of the Authority's tax-exempt revolving credit facility and to advance refund \$6,950,000 of the 2008 Series A bonds, \$11,845,000 of the 2008 Series B bonds, \$31,175,000 of the 2009 Series A bonds and \$84,135,000 of the 2010 Series A bonds. The balance of the proceeds of the 2015 Series A and B was used to pay for new construction projects and various costs of issuance. The 2015 Series A refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,847,500. This amount is reported as a deferred outflow of resources and is being charged to operations through the year 2025. The 2015 Series A refunding resulted in a reduction of total debt service payments of \$4,548,899 over the next 10 years and an economic gain (difference between the present values of the old and new debt service payments) of \$4,122,985. The 2015 Series B refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$6,805,826. This amount is reported as a deferred outflow of resources and is being charged to operations through the year 2038. The 2015 Series B refunding resulted in a reduction of total debt service payments of \$21,723,485 over the next 24 years and an economic gain (difference between the present values of the old and new debt service payments) of \$16,176,450. 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 price then due on the refunded bonds.

On August 27, 2014, the Authority issued two new series of bonds, 2014 Series A and B. The 2014 Series A taxable bond proceeds in the amount of \$132,450,000 were issued to redeem \$44,843,001 of the Authority's taxable revolving credit facility and to advance refund \$56,680,000 of the 2005 Series A bonds and \$7,725,000 of the 2007 Series B bonds. The 2014 Series B tax-exempt bond proceeds in the amount of \$212,200,000 were issued to current refund \$4,590,000 of the 2006 Series A bonds and advance refund \$18,890,000 of the 2007 Series A bonds, \$84,135,000 of the 2008 Series A bonds, \$99,115,000 of the 2008 Series B bonds and \$22,225,000 of the 2009 Series A bonds. The balance of the proceeds of the 2014 Series A and B was used to pay for new construction projects and various costs of issuance. The 2014 Series A refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$3,320,467. This amount is reported as a deferred outflow of resources and is being charged to operations through the year 2036. The 2014 Series A refunding resulted in a reduction of total debt service payments of \$8,297,682 over the next 22 years and an economic gain (difference between the present values of the old and new debt service payments) of \$7,330,312.74. The 2014 Series B refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$23,037,977. This amount is reported as a deferred outflow of resources and is being charged to operations through the year 2038. The 2014 Series B refunding resulted in a reduction of total debt service payments of \$29,059,618 over the next 24 years and an economic gain (difference between the present values of the old and new debt service payments) of \$24,666,277. 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 price then due on the refunded bonds.

Revolving Credit Facility

The Authority issues short-term debt to finance certain capital projects for the State's higher education institutions. On March 20, 2014, the Authority entered into a Revolving Credit Agreement (RCA) with Wells Fargo Bank, National Association, and U.S. Bank, National Association. The Revolving Credit Agreement permits loans (the Revolving Credit Facility) to be made from time to time (and prepayments and reborrowings) in an aggregate principal amount outstanding at any time not to exceed \$300,000,000. The Revolving Credit Agreement expires March 20, 2017, subject to extension. The revolving credit

Tennessee State School Bond Authority
Notes to the Financial Statements (Cont.)
June 30, 2016, and June 30, 2015

facility may be issued as tax-exempt or as taxable loans. At the program's inception, the revolving credit facility refinanced certain outstanding commercial paper proceeds that the Authority had previously issued to finance capital projects. At June 30, 2016, \$75,367,383 of tax-exempt revolving credit facility and \$9,112,778 of taxable revolving credit facility loans were outstanding. At June 30, 2015, \$51,443,643 of tax-exempt revolving credit facility and \$10,238,386 of taxable revolving credit facility loans were outstanding.

NOTE 6. UNEARNED REVENUE

Changes in unearned revenue for the years ended June 30, 2016, and June 30, 2015, are as follows (expressed in thousands):

	Balance July 1, 2015			Balance June 30, 2016		
	Additions	Deletions		Additions	Deletions	
Prepaid Interest	\$ 2,141	\$ 2,416	\$ 2,324	\$ 2,233		
Other unearned revenue	21	-	1	20		
Total unearned revenue	\$ 2,162	\$ 2,416	\$ 2,325	\$ 2,253		
	Balance July 1, 2014			Balance June 30, 2015		
	Additions	Deletions		Additions	Deletions	
Prepaid Interest	\$ 2,207	\$ 2,141	\$ 2,207	\$ 2,141		
Other unearned revenue	22	-	1	21		
Total unearned revenue	\$ 2,229	\$ 2,141	\$ 2,208	\$ 2,162		

NOTE 7. SUBSEQUENT EVENTS

As of July 27, 2016 S&P Global Ratings raised its long-term rating on the Authority's Higher Education Facilities Second Program Bonds from AA to AA+ following the upgrade for the GO rating on the State of Tennessee.

The September 15, 2016, federal interest subsidy payment for the 2010 QSCBs was reduced by 6.8%, or \$350,169.10, 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, 2016. On August 3, 2016, the Internal Revenue Service announced that federal subsidy payments will be cut by 6.9% during the 2017 federal fiscal year.

As of November 30, 2016, the Authority has \$106,890,978 outstanding in tax-exempt revolving credit facility and \$8,902,353 in taxable revolving credit facility. Between June 30, 2016, and November 30, 2016, the Authority has drawn \$35,000,000 in revolving credit facility to pay construction expenditures.

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SUPPLEMENTARY SCHEDULES



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TENNESSEE STATE SCHOOL BOND AUTHORITY
 SUPPLEMENTARY SCHEDULES OF NET POSITION - PROGRAM LEVEL
 JUNE 30, 2016, AND JUNE 30, 2015
 (Expressed in Thousands)

	June 30, 2016					June 30, 2015				
	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	\$ 74,592	\$ 120	\$ 1,691	\$ 76,403	\$	\$ 294,991	\$ 220	\$ 1,475	\$ 296,686	
Cash with fiscal agent	4,403	-	20	4,423		1,403	-	20	1,423	
Fair value of derivatives	-	1,791	-	1,791		-	832	-	832	
Loans receivable	71,935	2,120	24,301	98,356		63,070	2,929	24,301	90,300	
Interest receivable	10,563	-	851	11,414		11,047	-	721	11,768	
Federal subsidy receivable	-	-	2,800	2,800		-	-	2,785	2,785	
Receivables for administrative fees	129	5	-	134		110	8	-	118	
Total current assets	161,622	4,036	29,663	195,321		370,621	3,989	29,302	403,912	
Noncurrent assets:										
Restricted cash	-	3,707	6,734	10,441		-	14,042	6,518	20,560	
Restricted investments	26,326	19,203	139,730	185,259		31,759	17,069	104,807	153,635	
Loans receivable	1,523,748	7,855	235,297	1,766,900		1,417,525	10,055	259,720	1,687,300	
Total noncurrent assets	1,550,074	30,765	381,761	1,962,600		1,449,284	41,166	371,045	1,861,495	
Total assets	1,711,696	34,801	411,424	2,157,921		1,819,905	45,155	400,347	2,265,407	
DEFERRED OUTFLOWS OF RESOURCES										
Deferred amount on refunding	42,771	-	-	42,771		45,569	-	-	45,569	
Total deferred outflows of resources	42,771	-	-	42,771		45,569	-	-	45,569	
LIABILITIES										
Current liabilities:										
Accounts payable	171	-	-	171		64,728	-	-	64,728	
Accrued liabilities	6	-	2,800	2,806		130	-	2,795	2,925	
Accrued interest payable	10,849	-	3,152	14,001		11,094	-	3,152	14,246	
Unearned revenue	-	1	2,234	2,235		-	1	2,142	2,143	
Bonds payable	66,595	-	-	66,595		60,385	-	-	60,385	
Total current liabilities	77,621	1	8,186	85,808		136,337	1	8,089	144,427	
Noncurrent liabilities:										
Unearned revenue	15	3	-	18		14	5	-	19	
Revolving credit facility	84,480	-	-	84,480		61,682	-	-	61,682	
Bonds payable	1,588,599	32,586	389,440	2,010,625		1,662,125	43,914	389,440	2,095,479	
Total noncurrent liabilities	1,673,094	32,589	389,440	2,095,123		1,723,821	43,919	389,440	2,157,180	
Total liabilities	1,750,715	32,590	397,626	2,180,931		1,860,158	43,920	397,529	2,301,607	
DEFERRED INFLOWS OF RESOURCES										
Deferred inflow - derivatives	-	1,791	-	1,791		-	832	-	832	
Total deferred inflows of resources	-	1,791	-	1,791		-	832	-	832	
NET POSITION										
Unrestricted	\$ 3,752	\$ 420	\$ 13,798	\$ 17,970	\$	\$ 5,316	\$ 403	\$ 2,818	\$ 8,537	

TENNESSEE STATE SCHOOL BOND AUTHORITY
 SUPPLEMENTARY SCHEDULES OF REVENUES,
 EXPENSES AND CHANGES IN NET POSITION - PROGRAM LEVEL
 FOR THE YEARS ENDED JUNE 30, 2016, AND JUNE 30, 2015
 (Expressed in Thousands)

	Year ended June 30, 2016				Year ended June 30, 2015			
	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	\$ 61,868	\$ 14	\$ 13,328	\$ 75,210	\$ 52,749	\$ 15	\$ 13,328	\$ 66,092
Investment earnings	684	19	14,493	15,146	322	35	5,340	5,697
Total operating revenues	62,502	33	27,821	90,356	53,071	50	18,668	71,789
OPERATING EXPENSES								
Interest expense-commercial paper	-	-	-	-	-	-	-	-
Interest expense-revolving credit facility	470	-	-	470	679	-	-	679
Interest expense-bonds	62,126	2	12,981	75,109	50,961	2	12,981	63,944
Subsidy to borrowers	616	-	13,323	13,939	304	-	13,037	13,341
Administrative expense	854	14	126	994	2,351	14	108	2,473
Total operating expenses	64,066	16	26,430	90,512	54,295	16	26,126	80,437
Operating income (loss)	(1,564)	17	1,391	(156)	(1,224)	34	(7,458)	(8,648)
NONOPERATING REVENUES								
Federal subsidy on bonds	-	-	9,589	9,589	-	-	9,549	9,549
Total nonoperating revenues	-	-	9,589	9,589	-	-	9,549	9,549
Increase (decrease) in net position	(1,564)	17	10,980	9,433	(1,224)	34	2,091	901
NET POSITION								
Net position, July 1	5,316	403	2,818	8,537	6,540	369	727	7,636
Net position, June 30	3,752	420	13,798	17,970	5,316	403	2,818	8,537

TENNESSEE STATE SCHOOL BOND AUTHORITY
SUPPLEMENTARY SCHEDULES OF CASH FLOWS - PROGRAM LEVEL
FOR THE YEARS ENDED JUNE 30, 2016, AND JUNE 30, 2015
(Expressed in Thousands)

	Year ended June 30, 2016				Year ended June 30, 2015			
	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	\$ 461	\$ 14	\$ 350	\$ 825	\$ -	\$ 14	\$ 346	\$ 912
Payment to suppliers	(738)	(14)	(138)	(890)	(708)	(14)	(97)	(819)
Net cash provided by (used in) operating activities	(277)	-	212	(65)	(156)	-	249	93
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Proceeds from sale of bonds	-	-	-	-	414,503	-	-	414,503
Proceeds from the sale of refunding bonds	-	-	-	-	509,939	-	-	509,939
Proceeds from sale of revolving credit facility	35,000	-	-	35,000	50,000	-	-	50,000
Bond interest subsidy from federal government	-	-	9,574	9,574	-	-	9,552	9,552
Bond issuance costs paid	(125)	-	-	(125)	(1,538)	-	-	(1,538)
Refunding bond proceeds placed in escrow	-	-	-	-	(508,894)	-	-	(508,894)
Debt service reserve fund release to escrow	-	-	-	-	(9,307)	-	-	(9,307)
Principal paid - bonds and revolving credit facility	(72,587)	(11,330)	-	(83,917)	(202,337)	-	-	(202,337)
Interest paid - bonds and revolving credit facility	(66,927)	-	(12,981)	(79,908)	(52,246)	-	(12,981)	(65,227)
Subsidy to borrowers	-	-	(9,574)	(9,574)	-	-	(9,552)	(9,552)
Net cash provided by (used in) noncapital financing activities	(104,639)	(11,330)	(12,981)	(128,950)	200,100	-	(12,981)	187,119

Purchases of investments	(22,904)	(37,503)	(22,556)	(82,963)	(13,824)	(33,307)	(22,462)	(69,593)
Proceeds from sales and maturities of investments	28,309	35,388	-	63,697	18,043	31,262	50	49,355
Interest received on investments	662	615	1,998	3,275	523	538	1,607	2,668
Loans issued	(243,257)	-	-	(243,257)	(83,154)	-	-	(83,154)
Collections of loan principal	72,587	2,395	20,699	95,681	60,441	2,487	20,729	83,657
Interest received on loans	52,120	-	13,060	65,180	43,852	-	12,913	56,765
Net cash provided by (used in) investing activities	(112,483)	895	13,201	(98,387)	25,881	980	12,837	39,698
Net increase (decrease) in cash	(217,399)	(10,435)	432	(227,402)	225,825	980	105	226,910
Cash, July 1	296,394	14,262	8,013	318,669	70,569	13,282	7,908	91,759
Cash, June 30	78,995	3,827	8,445	91,267	296,394	14,262	8,013	318,669

Reconciliation of cash to the Statement of Net Position:

Cash	\$ 74,592	\$ 120	\$ 1,691	\$ 76,403	\$ 294,991	\$ 220	\$ 1,475	\$ 296,686
Cash with fiscal agent	4,403	-	20	4,423	1,403	-	20	1,423
Restricted cash	-	3,707	6,734	10,441	-	14,042	6,518	20,560
Cash, June 30	78,995	3,827	8,445	91,267	296,394	14,262	8,013	318,669

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

Operating income (loss)	\$ (1,564)	\$ 17	\$ 1,391	\$ (156)	\$ (1,224)	\$ 34	\$ (7,458)	\$ (8,648)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Investment earnings	(636)	(18)	(14,493)	(15,147)	(322)	(35)	(5,340)	(5,697)
Interest expense	62,597	1	12,981	75,579	51,640	2	12,981	64,623
Subsidy to borrowers	616	-	13,323	13,939	304	-	13,037	13,341
Bond issuance costs	125	-	-	125	1,558	-	-	1,558
Interest income (loss) from loans	(61,389)	-	(12,981)	(74,370)	(52,301)	-	(12,981)	(65,282)
Changes in assets and liabilities:								
(Increase)/decrease in receivables for administrative fees	(17)	1	-	(16)	104	-	-	104
Increase (decrease) in payables for administrative fees	(9)	-	(11)	(20)	85	-	11	96
Increase (decrease) in unearned revenue	-	(1)	2	1	-	(1)	(1)	(2)
Total adjustments	1,287	(17)	(1,179)	91	1,068	(34)	7,707	8,741
Net cash provided by (used in) operating activities	\$ (277)	\$ -	\$ 212	\$ (65)	\$ (156)	\$ -	\$ 249	\$ 93

Noncash investing activities:

Increase in fair value of investments	\$ 22	\$ -	\$ 13,459	\$ 13,481	\$ 142	\$ -	\$ 2,448	\$ 2,590
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STATISTICAL SECTION



STATISTICAL SECTION

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

Financial Trends Information

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

Schedules of Revenues, Expenses, and Changes in Net Position	44
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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 to Borrowers	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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Allocable Debt to Borrowers Per Capita – Qualified Zone Academy Bonds Program	48
Allocable Debt to Borrowers Per Capita – Qualified School Construction Bonds Program	48
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Debt Service Coverage - Qualified Zone Academy Bond Program	51
Debt Service Coverage - Qualified School Construction Bonds Program	56

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.

State of Tennessee – Demographic and Economic Information	64
Fall Term Full-Time Equivalent Enrollment in Public Higher Education Schools	65
History of Average Daily Membership Grades Kindergarten through Twelve 2006-2016	66

TENNESSEE'S STATE SCHOOL BOND AUTHORITY
SCHEDULES OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
FOR FISCAL YEARS 2007 TO 2016
(Expressed in Thousands)

	For the Year Ended										
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	
OPERATING REVENUES											
Revenue from loans	\$ 75,210	\$ 66,092	\$ 66,625	\$ 62,496	\$ 59,242	\$ 57,310	\$ 43,377	\$ 38,979	\$ 34,991	\$ 30,157	
Investment earnings (loss)	15,146	5,697	2,571	1,725	1,100	512	386	742	1,356	1,975	
Total operating revenues	90,356	71,789	69,196	64,221	60,342	57,822	43,763	39,721	36,347	32,132	
OPERATING EXPENSES											
Interest expense-commercial paper	-	-	173	244	323	450	757	3,457	6,244	4,405	
Interest expense-revolving credit facility	470	679	224	-	-	-	-	-	-	-	
Interest expense-bonds	75,109	63,944	65,636	60,761	57,684	54,905	41,357	33,999	27,385	24,091	
Loss on retirement of bonds	-	-	-	-	4	-	-	-	-	-	
Subsidy to borrowers	13,939	13,341	12,097	12,314	11,314	8,061	291	511	1,183	1,578	
Administrative expense	994	2,473	1,864	2,334	1,143	1,356	773	970	681	663	
Amortization of bond issuance costs	-	-	-	-	-	787	632	543	561	435	
Total operating expenses	90,512	80,437	79,994	75,653	70,468	65,559	43,810	39,480	36,054	31,172	
Operating income (loss)	(156)	(8,648)	(10,798)	(11,432)	(10,126)	(7,737)	(47)	241	293	960	
NONOPERATING REVENUES											
Federal subsidy on bonds	9,589	9,549	9,264	10,299	10,299	7,524	-	-	-	-	
Total nonoperating revenues	9,589	9,549	9,264	10,299	10,299	7,524	-	-	-	-	
Increase (decrease) in net position	9,433	901	(1,534)	(1,133)	173	(213)	(47)	241	293	960	
NET POSITION											
Net position, July 1 before change in accounting principle	8,537	7,636	9,170	10,303	7,831	8,044	8,091	7,850	7,557	6,597	
Cumulative effect of a change in accounting principle	-	-	-	-	2,299	-	-	-	-	-	
Net position, July 1	8,537	7,636	9,170	10,303	10,130	8,044	8,091	7,850	7,557	6,597	
Net position, June 30	\$ 17,970	\$ 8,537	\$ 7,636	\$ 9,170	\$ 10,303	\$ 7,831	\$ 8,044	\$ 8,091	\$ 7,850	\$ 7,557	

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

(Expressed in Thousands)

Fiscal Year	Higher Education Facilities Programs	Qualified Zone Academy Bonds Program	Qualified School Construction Bonds Program	Total
2016**	\$ 1,595,683	\$ 9,975	\$ 259,597	\$ 1,865,255
2015**	1,480,595	12,984	284,021	1,777,600
2014**	1,391,547	16,010	308,234	1,715,791
2013**	1,301,314	18,963	330,122	1,594,266
2012	1,165,181	21,927	290,801	1,477,909
2011	1,107,640	24,729	145,281	1,277,650
2010	1,071,729	28,011	23,192	1,122,932
2009	999,371	31,020	-	1,030,391
2008	859,706	33,614	-	893,320
2007	695,235	28,439	-	723,674

Note: The QSCB loans were only made in fiscal years 2010 and 2011 with loan proceeds disbursed over a three-year period.

*The outstanding loans to borrowers represent the portion of the total outstanding debt allocable to the borrowers in each program. Differences in the amounts shown as total outstanding debt and total outstanding loans arise from the following:

- Higher Education Facilities Programs - Debt Service Reserve Funds, unspent proceeds, and capitalized interest
- Qualified Zone Academy Bonds Program - funds on deposit in the sinking fund
- Qualified School Construction Bonds Program - funds on deposit in the sinking fund

**The outstanding loans for fiscal year 2013, 2014, 2015 and 2016 include amounts previously reported as unearned revenue on the Statement of Net Position, which are now included in loans receivable (See Note 3 in the Notes to the Financial Statements)

TENNESSEESTATESCHOOL BOND AUTHORITY
SCHEDULE OF RATIOS OF OUTSTANDING DEBT PAYABLE
FOR THE LAST TEN YEARS

(Expressed in Thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Higher Education:										
Bonds	\$ 1,655,194	\$ 1,722,510	\$ 1,347,205	\$ 1,242,712	\$ 1,006,108	\$ 1,041,312	\$ 840,824	\$ 888,295	\$ 639,185	\$ 547,605
Commercial Paper	-	-	-	209,429	253,676	162,653	281,782	174,300	243,229	164,195
Revolving Credit Facility	84,480	61,682	157,584	-	-	-	-	-	-	-
QZAB Bonds	32,586	43,914	43,913	43,911	43,909	57,193	57,181	57,168	57,155	57,142
QSCB Bonds	389,440	389,440	389,440	389,440	389,440	389,440	177,000	-	-	-
Total Debt Outstanding	<u>\$ 2,161,700</u>	<u>\$ 2,217,546</u>	<u>\$ 1,938,142</u>	<u>\$ 1,885,492</u>	<u>\$ 1,693,133</u>	<u>\$ 1,650,598</u>	<u>\$ 1,356,787</u>	<u>\$ 1,119,763</u>	<u>\$ 939,569</u>	<u>\$ 768,942</u>
Per Capita	\$ 327.53	\$ 338.61	\$ 298.36	\$ 292.05	\$ 264.43	#VALUE!	\$ 213.80	\$ 177.85	\$ 151.18	\$ 124.89
As a percentage of personal income	0.78%	0.83%	0.73%	0.71%	0.66%	0.68%	0.58%	0.50%	0.43%	0.36%

Note: QSCB bonds were only issued in fiscal years 2010 and 2011 with loan proceeds disbursed over a three-year period. Revolving Credit Facility replaced the commercial paper program in fiscal year 2014

ALLOCABLE DEBT TO BORROWERS

The Tennessee State School Bond Authority (“Authority”) is a corporate governmental agency and instrumentality of the State of Tennessee which was created to provide a means of financing projects for its borrowers through the issuance of debt. The Authority consists of three different programs: Higher Education Facilities Program, Qualified Zone Academy Bond Program, and Qualified School Construction Bond Program. The following charts present each borrower’s allocable amount of the outstanding debt of each program under the Authority. The allocable debt to the borrower is equal to the amount of outstanding loans to the borrowers. The allocable debt would not include certain debt proceeds issued by the Authority that are held on deposit for the borrowers in the form of debt service reserve funds, capitalized interest funds, and unspent construction funds. In addition, the allocable debt would not include borrowers’ debt service payments held on deposit in sinking funds. Amounts held on deposit are available for the Authority to pay debt service when needed.

The following charts present the allocable debt for each borrower on a per capita basis. In the case of the Higher Education Facilities Program, this amount is expressed on a per student basis – as measured by the Fall Term Full-Time Enrollment (“FTE”) of each respective higher education institution. In the case of the Qualified Zone Academy Bonds Program and Qualified School Construction Bonds Program, this amount is expressed on a per resident basis for the county of each respective school district.

TENNESSEE STATE SCHOOL BOND AUTHORITY ALLOCABLE DEBT TO BORROWERS PER FTE* HIGHER EDUCATION FACILITIES PROGRAMS FOR THE LAST TEN YEARS

(Expressed in Thousands)

Fiscal Year	University of Tennessee		Tennessee Board of Regents	
	Total Allocable Debt	Debt Per FTE*	Total Allocable Debt	Debt Per FTE*
2016	\$ 873,910	\$ 20.07	\$ 681,136	\$ 5.26
2015	767,865	17.63	712,729	5.50
2014	694,598	16.01	696,948	5.47
2013	633,813	14.58	667,501	5.12
2012	567,280	12.61	597,900	4.41
2011	532,436	12.08	575,205	4.11
2010	545,156	12.45	526,573	3.74
2009	518,244	11.91	481,122	3.60
2008	461,963	10.80	397,693	3.27
2007	351,581	8.43	344,544	2.90

*The 2016 Debt per FTE is based on 2015 FTE since 2016 FTE was not available by the date of this CAFR.

**TENNESSEE STATE SCHOOL BOND AUTHORITY
ALLOCABLE DEBT TO BORROWERS PER CAPITA
QUALIFIED ZONE ACADEMY BONDS PROGRAM
FOR THE LAST TEN YEARS**

(Debt Expressed in Thousands)

	2016		2015		2014		2013		2012		2011		2010		2009		2008		2007	
	Loans	Debt Per Capita ¹	Loans	Debt Per Capita ¹	Loans	Debt Per Capita	Loans	Debt Per Capita	Loans	Debt Per Capita	Loans	Debt Per Capita	Loans	Debt Per Capita	Loans	Debt Per Capita	Loans	Debt Per Capita	Loans	Debt Per Capita
Benton County	\$ 76	\$ 4.75	\$ 90	\$ 5.63	\$ 106	\$ 6.63	\$ 118	\$ 7.38	\$ 131	\$ 8.19	\$ 144	\$ 9.00	\$ 156	\$ 9.75	\$ 168	\$ 9.88	\$ 179	\$ 10.53	\$ 189	\$ 11.12
Blount County	192	1.56	248	2.02	302	2.46	354	2.88	409	3.33	453	3.68	501	4.07	546	5.15	588	5.55	627	5.92
Hamilton County	123	0.37	223	0.66	321	0.96	419	1.25	517	1.54	614	1.83	713	2.12	812	2.64	917	2.98	1,028	3.34
Humboldt City	-	-	156	19.50	314	39.25	471	58.88	629	78.63	786	98.25	942	117.75	1,088	120.89	1,227	136.33	1,382	153.56
Kingsport City	5,735	119.48	2,141	44.60	2,488	51.83	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
Knox County	-	-	-	-	-	-	-	-	-	-	211	0.49	423	0.98	617	1.62	798	2.09	1,004	2.63
Lexington City	417	52.13	499	62.38	578	72.25	656	82.00	737	92.13	803	100.38	874	109.25	942	134.57	1,008	144.00	1,067	152.43
Lincoln County	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loudon County	1,529	31.20	1,826	37.27	2,137	43.61	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
Memphis City	-	-	410	0.63	957	1.48	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
Montgomery County	-	-	1,838	10.69	2,307	13.41	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
Nashville-Davidson County	1,513	2.41	1,961	3.13	2,428	3.87	2,808	4.48	3,210	5.12	3,597	5.74	3,971	6.33	4,316	7.57	4,461	7.83	-	-
Oak Ridge City	378	13.03	3,363	115.97	3,905	134.66	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
Rhea County	192	6.00	229	7.16	268	8.38	299	9.34	333	10.41	441	13.78	548	17.13	648	23.14	742	26.50	839	29.96
Scott County	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Union County	-	-	-	-	-	-	-	-	-	-	222	12.33	418	23.22	605	33.61	789	43.83	987	54.83

Note: QZAB Bonds were last issued in fiscal year 2006

¹ Per Capita for Fiscal Years ending June 30, 2010 through June 30, 2016 are calculated based on the 2010 Census

² Per Capita for Fiscal Years ending June 30, 2005 through June 30, 2009 are calculated based on the 2000 Census

³ Loan amounts are pulled from the receivable schedule

**TENNESSEE STATE SCHOOL BOND AUTHORITY
ALLOCABLE DEBT TO BORROWERS PER CAPITA
QUALIFIED SCHOOL CONSTRUCTION BONDS PROGRAM
FOR THE LAST TEN YEARS**

(Debt Expressed in Thousands)

	2016		2015		2014		2013		2012		2011		2010		2009		2008		2007	
	Loans	Debt Per Capita	Loans	Debt Per Capita	Loans	Debt Per Capita	Loans	Debt Per Capita	Loans	Debt Per Capita	Loans	Debt Per Capita	Loans	Debt Per Capita	Loans	Debt Per Capita	Loans	Debt Per Capita	Loans	Debt Per Capita
Blount County	\$ 10,305	\$ 83.77	\$ 11,229	\$ 91.29	\$ 12,155	\$ 98.81	\$ 13,057	\$ 106.15	\$ 13,594	\$ 110.51	\$ 12,476	\$ 101.43	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cooke County	3,867	108.43	4,214	118.16	4,562	127.92	4,909	137.66	3,197	89.65	381	10.68	-	-	-	-	-	-	-	-
Coffee County	2,114	40.04	2,303	43.62	2,492	47.20	2,617	49.56	2,624	49.70	220	4.16	-	-	-	-	-	-	-	-
Cleveland	2,627	63.63	2,886	69.90	3,145	76.18	3,404	82.46	3,663	88.73	3,922	95.01	1,580	38.28	-	-	-	-	-	-
Dyer County	9,593	250.24	10,503	273.98	11,416	297.79	12,328	321.58	12,811	334.18	4,893	127.64	227	5.93	-	-	-	-	-	-
Dyersburg	1,869	109.01	2,053	119.74	2,238	130.53	2,422	141.28	2,607	152.03	2,791	162.78	749	43.69	-	-	-	-	-	-
Hambden County	7,122	113.87	7,824	125.10	8,528	136.35	9,231	147.59	9,852	157.53	5,217	83.42	982	15.69	-	-	-	-	-	-
Hawkins County	3,285	57.80	3,595	63.26	3,905	68.71	4,170	73.37	3,312	58.28	1,684	29.62	643	11.32	-	-	-	-	-	-
Jefferson County	7,350	142.98	8,009	155.80	8,670	168.65	9,330	181.49	9,605	186.84	1,008	19.60	-	-	-	-	-	-	-	-
Johnson City	5,152	81.58	5,660	89.63	6,169	97.68	6,678	105.74	7,186	113.78	7,694	121.83	775	12.27	-	-	-	-	-	-
Kingsport	783	16.24	860	17.84	937	19.44	1,015	21.05	681	14.14	153	3.18	87	1.81	-	-	-	-	-	-
Knox County	20,419	47.24	22,243	51.46	24,067	55.68	24,527	56.74	6,948	16.08	1,854	4.29	-	-	-	-	-	-	-	-
Lauderdale County	1,762	63.35	1,920	69.03	2,077	74.67	2,236	81.77	2,036	73.20	1,143	41.10	-	-	-	-	-	-	-	-
Mauryville	11,820	430.37	12,985	472.78	14,152	515.27	15,319	557.77	16,485	600.21	13,922	506.89	4,118	149.92	-	-	-	-	-	-
Maury County	3,058	37.77	3,332	41.16	3,607	44.56	3,787	46.77	2,756	34.05	2,054	25.37	-	-	-	-	-	-	-	-
Montgomery County	12,628	73.28	13,968	81.05	15,216	88.30	16,464	95.30	17,612	102.20	14,645	84.98	1,469	8.53	-	-	-	-	-	-
Nashville-Davidson County	38,264	61.06	41,800	66.70	45,337	72.35	48,495	77.38	52,120	83.17	26,629	42.49	6,928	11.05	-	-	-	-	-	-
Sevier County	10,061	111.93	11,035	122.76	11,868	132.03	12,772	142.09	11,368	126.47	1,120	12.46	-	-	-	-	-	-	-	-
Shelby County	81,460	87.81	89,078	96.03	96,707	104.25	104,334	112.47	79,189	85.37	30,672	33.06	4,153	4.48	-	-	-	-	-	-
Sullivan County	13,293	84.76	14,573	92.93	15,854	101.09	17,135	109.26	16,296	103.91	4,660	29.71	291	1.86	-	-	-	-	-	-
Trousdale County	1,750	222.36	1,907	242.31	2,064	262.26	2,150	273.16	1,738	220.87	333	42.33	-	-	-	-	-	-	-	-
Union County	4,521	236.59	4,967	259.93	5,413	283.27	5,859	306.62	6,305	329.95	6,661	348.60	-	-	-	-	-	-	-	-
Warren County	6,495	163.03	7,075	177.59	7,656	192.17	8,236	206.73	8,816	221.30	1,149	28.84	-	-	-	-	-	-	-	-

Note: The first QSCB bond series was issued on December 17, 2009. A second series was issued on October 7, 2010. No bonds have been issued since.

¹ Per Capita for Fiscal Years ending June 30, 2010 through June 30, 2016 are calculated based on the 2010 Census

**TENNESSEE STATE SCHOOL BOND AUTHORITY
COLLEGE AND UNIVERSITY FUNDS
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)
2016	\$ 746,986	\$ 499,862	\$ -	\$ 73,722
2015	700,757	475,416	-	55,553
2014	691,600	467,845	-	55,821
2013	609,399	432,636	-	52,859
2012	584,147	411,729	-	51,469
2011	685,003	548,787	-	48,256
2010	648,298	493,304	12	43,998
2009	599,973	476,333	35	35,373
2008	565,963	510,261	35	29,158
2007	532,582	471,730	45	26,652

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)
2016	\$ 1,102,572	\$ 660,789	\$ -	\$ 57,511
2015	1,158,289	578,734	-	52,405
2014	1,057,701	644,437	-	53,349
2013	1,035,821	621,841	-	49,484
2012	1,216,903	501,867	1,399	45,016
2011	1,143,916	660,608	1,399	43,367
2010	1,039,268	633,006	1,399	43,120
2009	923,813	610,380	1,699	31,997
2008	863,336	645,952	1,889	27,556
2007	801,229	641,094	2,070	25,567

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

¹ Appropriations for operation and maintenance, including employer social security and retirement contributions, for the respective systems (including the respective schools and Boards).

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 AGREEMENTS¹
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	Fees, Charges, & Appropriations
2016	\$ 746,986	\$ 499,862	\$ 74,965	9.96 X	16.63 X
2015	700,757	475,416	56,855	12.33 X	20.90 X
2014	691,600	467,845	56,764	12.18 X	20.43 X
2013	609,399	432,636	53,855	11.32 X	19.35 X
2012	584,147	411,729	51,984	11.24 X	19.16 X
2011	685,003	584,787	41,583	16.47 X	30.54 X
2010	648,298	493,304	44,804	14.47 X	25.48 X
2009	599,973	476,333	36,122	16.61 X	29.80 X
2008	565,963	510,261	29,762	19.02 X	36.16 X
2007	532,582	471,730	27,157	19.61 X	36.98 X

TENNESSEE BOARD OF REGENTS SYSTEM

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Annual Financing Charges ³	Coverage By:	
				Fees & Charges	Fees, Charges, & Appropriations
2016	\$ 1,102,572	\$ 660,789	\$ 58,754	18.77 X	30.01 X
2015	1,158,289	578,734	53,707	21.57 X	32.34 X
2014	1,057,701	644,437	54,346	19.46 X	31.32 X
2013	1,035,821	621,841	50,530	20.50 X	32.81 X
2012	1,216,903	501,867	46,048	26.43 X	37.33 X
2011	1,143,916	660,608	40,430	28.29 X	44.63 X
2010	1,039,268	633,006	44,194	23.52 X	37.84 X
2009	923,813	610,380	33,169	27.85 X	46.25 X
2008	863,336	645,952	28,163	30.65 X	53.59 X
2007	801,229	641,094	26,056	30.75 X	55.35 X

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

¹ Includes Bonds. Excludes Revolving Credit Facility.

² Does not include coverage for debt outstanding as Revolving Credit loans.

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

STATE SHARED TAX OBLIGATIONS

Fiscal Year	QZAB Obligations	Other Pledged Obligations ³	Total Obligations	State Shared Taxes	Coverage
2016	\$ 14	\$ 62	\$ 76	\$ 3,486	45.87 X
2015	14	62	76	3,394	44.66 X
2014	14	62	76	3,285	43.23 X
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

BLOUNT COUNTY SCHOOLS

STATE SHARED TAX OBLIGATIONS

Fiscal Year	QZAB Obligations	Other Pledged Obligations ³	Total Obligations	State Shared Taxes	Coverage
2016	\$ 51	\$ 1,647	\$ 1,698	\$ 5,069	2.99 X
2015	51	1,647	1,698	4,765	2.81 X
2014	51	1,647	1,698	4,862	2.86 X
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

HAMILTON COUNTY SCHOOLS

STATE SHARED TAX OBLIGATIONS

Fiscal Year	QZAB Obligations	Other Pledged Obligations ³	Total Obligations	State Shared Taxes	Coverage
2016	\$ 91	\$ 153	\$ 244	\$ 9,950	40.83 X
2015	91	596	687	9,382	13.66 X
2014	91	596	687	9,073	13.21 X
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

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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)

HUMBOLDT CITY SCHOOLS²

STATE SHARED TAX OBLIGATIONS

Fiscal Year	QZAB Obligations	Other Pledged Obligations ³	Total Obligations	State Shared Taxes	Coverage
2016	\$ -	\$ 279	\$ 279	\$ 1,055	3.78 X
2015	158	279	437	1,019	2.33 X
2014	158	279	437	934	2.13 X
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

KINGSPORT CITY SCHOOLS

STATE SHARED TAX OBLIGATIONS

Fiscal Year	QZAB Obligations	Other Pledged Obligations ³	Total Obligations	State Shared Taxes	Coverage
2016	\$ 324	\$ 988	\$ 1,312	\$ 7,705	5.87 X
2015	324	96	420	7,197	17.15 X
2014	324	96	420	6,820	16.26 X
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

KNOX COUNTY SCHOOLS²

STATE SHARED TAX OBLIGATIONS

Fiscal Year	QZAB Obligations	Other Pledged Obligations ³	Total Obligations	State Shared Taxes	Coverage
2016	\$ -	\$ 3,242	\$ 3,242	\$ 14,014	4.32 X
2015	-	3,242	3,242	11,435	3.53 X
2014	-	3,242	3,242	12,085	3.73 X
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

LEXINGTON CITY SCHOOLS**STATE SHARED TAX OBLIGATIONS**

Fiscal Year	QZAB	Other Pledged	Total	State Shared	
	Obligations	Obligations ³	Obligations	Taxes	Coverage
2016	\$ 76	\$ -	\$ 76	\$ 999	13.14 X
2015	76	-	76	931	12.25 X
2014	76	-	76	886	11.66 X
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

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

Fiscal Year	QZAB	Other Pledged	Total	State Shared	
	Obligations	Obligations ³	Obligations	Taxes	Coverage
2016	\$ 275	\$ 313	\$ 588	\$ 4,154	7.07 X
2015	275	-	275	3,646	13.26 X
2014	275	-	275	3,723	13.54 X
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

MEMPHIS CITY SCHOOLS**STATE SHARED TAX OBLIGATIONS**

Fiscal Year	QZAB	Other Pledged	Total	State Shared	
	Obligations	Obligations ³	Obligations	Taxes	Coverage
2016	\$ 72	\$ 7,019	\$ 7,091	\$ 100,038	14.11 X
2015	547	-	547	90,692	165.80 X
2014	547	-	547	85,750	156.76 X
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

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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)

MONTGOMERY COUNTY SCHOOLS

STATE SHARED TAX OBLIGATIONS

Fiscal Year	QZAB Obligations	Other Pledged Obligations ³	Total Obligations	State Shared Taxes	Coverage
2016	\$ 260	\$ 1,551	\$ 1,811	\$ 5,125	2.83 X
2015	436	1,551	1,987	4,945	2.49 X
2014	436	1,551	1,987	4,824	2.43 X
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

NASHVILLE - DAVIDSON COUNTY SCHOOLS¹

STATE SHARED TAX OBLIGATIONS

Fiscal Year	QZAB Obligations	Other Pledged Obligations ^{3,4}	Total Obligations	State Shared Taxes	Coverage
2016	\$ 415	\$ 5,580	\$ 5,995	\$ 99,018	16.52 X
2015	415	5,580	5,995	90,280	15.06 X
2014	415	5,580	5,995	86,077	14.36 X
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

OAK RIDGE CITY SCHOOLS

STATE SHARED TAX OBLIGATIONS

Fiscal Year	QZAB Obligations	Other Pledged Obligations ³	Total Obligations	State Shared Taxes	Coverage
2016	\$ 510	\$ 1,068	\$ 1,578	\$ 4,612	2.92 X
2015	510	188	698	4,256	6.10 X
2014	510	1,203	1,713	3,998	2.33 X
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

RHEA COUNTY SCHOOLS**STATE SHARED TAX OBLIGATIONS**

Fiscal Year	QZAB Obligations	Other Pledged Obligations ³	Total Obligations	State Shared Taxes	Coverage
2016	\$ 34	\$ -	\$ 34	\$ 3,635	106.90 X
2015	34	-	34	3,511	103.26 X
2014	34	-	34	3,434	101.01 X
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

UNICOI COUNTY SCHOOLS²**STATE SHARED TAX OBLIGATIONS**

Fiscal Year	QZAB Obligations	Other Pledged Obligations ³	Total Obligations	State Shared Taxes	Coverage
2016	\$ -	\$ -	\$ -	\$ 1,790	0.00 X
2015	-	-	-	1,715	0.00 X
2014	-	-	-	1,692	0.00 X
2013	-	-	-	1,680	0.00 X
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

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

STATE SHARED TAX OBLIGATIONS

Fiscal Year	QSCB Obligations	Other Pledged Obligations ²	Total Obligations	State Shared Taxes	Coverage
2016	\$ 1,647	\$ 51	\$ 1,698	\$ 5,069	2.99 X
2015	1,647	51	1,698	4,765	2.81 X
2014	1,647	51	1,698	4,862	2.86 X
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

CLEVELAND CITY SCHOOLS ¹

STATE SHARED TAX OBLIGATIONS

Fiscal Year	QSCB Obligations	Other Pledged Obligations ²	Total Obligations	State Shared Taxes	Coverage
2016	\$ 323	\$ 834	\$ 1,156	\$ 7,471	6.46 X
2015	323	50	373	5,738	15.40 X
2014	323	50	373	5,658	15.18 X
2013	323	50	373	5,557	14.91 X
2012	323	50	373	5,253	14.10 X
2011	279	21	300	4,736	15.78 X
2010	42	-	42	5,327	127.84 X
2009	-	-	-	-	0.00 X
2008	-	-	-	-	0.00 X
2007	-	-	-	-	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
2016	\$ 618	\$ -	\$ 618	\$ 2,753	4.45 X
2015	618	-	618	2,648	4.28 X
2014	618	-	618	2,595	4.20 X
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

COFFEE COUNTY SCHOOLS¹**STATE SHARED TAX OBLIGATIONS**

Fiscal Year	QSCB Obligations	Other Pledged Obligations ²	Total Obligations	State Shared Taxes	Coverage
2016	\$ 336	\$ -	\$ 336	\$ 3,150	9.38 X
2015	336	-	336	3,022	9.00 X
2014	336	-	336	2,957	8.81 X
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

DYER COUNTY SCHOOLS¹**STATE SHARED TAX OBLIGATIONS**

Fiscal Year	QSCB Obligations	Other Pledged Obligations ²	Total Obligations	State Shared Taxes	Coverage
2016	\$ 1,324	\$ -	\$ 1,324	\$ 2,929	2.21 X
2015	1,324	-	1,324	2,786	2.10 X
2014	1,324	-	1,324	2,714	2.05 X
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

DYERSBURG CITY SCHOOLS¹**STATE SHARED TAX OBLIGATIONS**

Fiscal Year	QSCB Obligations	Other Pledged Obligations ²	Total Obligations	State Shared Taxes	Coverage
2016	\$ 230	\$ -	\$ 230	\$ 2,360	10.28 X
2015	230	-	230	2,205	9.60 X
2014	230	-	230	2,066	9.00 X
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

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DEBT SERVICE COVERAGE
TENNESSEE STATE SCHOOL BOND AUTHORITY
QUALIFIED SCHOOL CONSTRUCTION BONDS PROGRAM
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
2016	\$ 875	\$ -	\$ 875	\$ 2,904	3.32 X
2015	875	-	875	2,791	3.19 X
2014	875	-	875	2,705	3.09 X
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

HAWKINS COUNTY SCHOOLS ¹

STATE SHARED TAX OBLIGATIONS

Fiscal Year	QSCB Obligations	Other Pledged Obligations ²	Total Obligations	State Shared Taxes	Coverage
2016	\$ 463	\$ -	\$ 463	\$ 3,741	8.07 X
2015	463	-	463	3,730	8.05 X
2014	463	-	463	3,711	8.01 X
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

JEFFERSON COUNTY SCHOOLS ¹

STATE SHARED TAX OBLIGATIONS

Fiscal Year	QSCB Obligations	Other Pledged Obligations ²	Total Obligations	State Shared Taxes	Coverage
2016	\$ 1,175	\$ -	\$ 1,175	\$ 2,952	2.51 X
2015	1,175	-	1,175	3,236	2.75 X
2014	1,175	-	1,175	2,955	2.52 X
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

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

Fiscal Year	QSCB Obligations	Other Pledged Obligations ²	Total Obligations	State Shared Taxes	Coverage
2016	\$ 633	\$ -	\$ 633	\$ 9,067	14.33 X
2015	633	-	633	8,439	13.34 X
2014	633	-	633	8,167	12.91 X
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

KINGSPORT CITY SCHOOLS**STATE SHARED TAX OBLIGATIONS**

Fiscal Year	QSCB Obligations	Other Pledged Obligations ^{2,3}	Total Obligations	State Shared Taxes	Coverage
2016	\$ 96	\$ 1,216	\$ 1,312	\$ 7,705	5.87 X
2015	96	324	420	7,197	17.13 X
2014	96	324	420	6,820	16.23 X
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

KNOX COUNTY SCHOOLS**STATE SHARED TAX OBLIGATIONS**

Fiscal Year	QSCB Obligations	Other Pledged Obligations ²	Total Obligations	State Shared Taxes	Coverage
2016	\$ 3,242	\$ -	\$ 3,242	\$ 14,014	4.32 X
2015	3,242	-	3,242	11,435	3.53 X
2014	3,242	-	3,242	12,085	3.73 X
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

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

(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
2016	\$ 280	\$ -	\$ 280	\$ 2,581	9.22 X
2015	280	-	280	2,489	8.90 X
2014	280	-	280	2,426	8.67 X
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

MARYVILLE CITY SCHOOLS ¹

STATE SHARED TAX OBLIGATIONS

Fiscal Year	QSCB Obligations	Other Pledged Obligations ²	Total Obligations	State Shared Taxes	Coverage
2016	\$ 1,452	\$ 141	\$ 1,593	\$ 4,137	2.60 X
2015	1,452	141	1,593	3,758	2.36 X
2014	1,452	141	1,593	3,650	2.29 X
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

MAURY COUNTY SCHOOLS ¹

STATE SHARED TAX OBLIGATIONS

Fiscal Year	QSCB Obligations	Other Pledged Obligations ²	Total Obligations	State Shared Taxes	Coverage
2016	\$ 489	\$ 364	\$ 853	\$ 3,897	4.57 X
2015	489	364	853	3,793	4.45 X
2014	489	364	853	3,746	4.39 X
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

METROPOLITAN GOVERNMENT OF NASHVILLE**STATE SHARED TAX OBLIGATIONS**

Fiscal Year	QSCB Obligations	Other Pledged Obligations ^{2,3}	Total Obligations	State Shared Taxes	Coverage
2016	\$ 5,580	\$ 415	\$ 5,995	\$ 100,038	16.69 X
2015	5,580	415	5,995	90,280	15.06 X
2014	5,580	415	5,995	86,077	14.36 X
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

MONTGOMERY COUNTY SCHOOLS**STATE SHARED TAX OBLIGATIONS**

Fiscal Year	QSCB Obligations	Other Pledged Obligations ²	Total Obligations	State Shared Taxes	Coverage
2016	\$ 1,551	\$ 260	1,811	\$ 5,125	2.83 X
2015	1,551	436	1,987	4,945	2.49 X
2014	1,551	436	1,987	4,824	2.43 X
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

SEVIER COUNTY SCHOOLS¹**STATE SHARED TAX OBLIGATIONS**

Fiscal Year	QSCB Obligations	Other Pledged Obligations ²	Total Obligations	State Shared Taxes	Coverage
2016	\$ 1,608	\$ -	1,608	\$ 4,315	2.68 X
2015	1,608	-	1,608	4,057	2.52 X
2014	1,608	-	1,608	3,977	2.47 X
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

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

(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
2016	\$ 11,732	\$ -	11,732	\$ 19,110	1.63 X
2015	11,732	-	11,732	18,477	1.57 X
2014	11,732	-	11,732	21,015	1.79 X
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

SULLIVAN COUNTY SCHOOLS ¹

STATE SHARED TAX OBLIGATIONS

Fiscal Year	QSCB Obligations	Other Pledged Obligations ²	Total Obligations	State Shared Taxes	Coverage
2016	\$ 1,763	\$ -	\$ 1,763	\$ 5,259	2.98 X
2015	\$ 1,763	\$ -	\$ 1,763	\$ 5,072	2.88 X
2014	1,763	-	1,763	4,967	2.82 X
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

TROUSDALE COUNTY SCHOOLS ¹

STATE SHARED TAX OBLIGATIONS

Fiscal Year	QSCB Obligations	Other Pledged Obligations ²	Total Obligations	State Shared Taxes	Coverage
2016	\$ 280	\$ -	280	\$ 1,791	6.40 X
2015	280	-	280	1,721	6.15 X
2014	280	-	280	1,675	5.99 X
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

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

Fiscal Year	QSCB Obligations	Other Pledged Obligations ²	Total Obligations	State Shared Taxes	Coverage
2016	\$ 555	\$ -	\$ 555	\$ 2,636	4.75 X
2015	555	-	555	2,584	4.65 X
2014	555	-	555	2,497	4.50 X
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

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

Fiscal Year	QSCB Obligations	Other Pledged Obligations ²	Total Obligations	State Shared Taxes	Coverage
2016	\$ 1,031	\$ -	1,031	\$ 2,813	2.73 X
2015	1,031	-	1,031	2,726	2.64 X
2014	1,031	-	1,031	2,687	2.61 X
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

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 and Metropolitan Government of Nashville paid in full all of their TLDA debt.

STATE OF TENNESSEE
 DEMOGRAPHIC AND ECONOMIC INFORMATION
 FOR THE LAST TEN CALENDAR YEARS
 (expressed in thousands; except per capita)

	FOR THE CALENDAR YEAR ENDED DECEMBER 31,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Population	6,600 (est)	6,549 (est)	6,496 (est)	6,456 (est)	6,403 (est)	6,346	6,296	6,215	6,157	6,039
Total personal income	\$ 277,316,000	\$ 266,467,000	\$ 256,814,000	\$ 243,018,000	\$ 232,832,000	\$ 224,358,000	\$ 217,884,000	\$ 213,124,000	\$ 205,112,000	\$ 195,656,000
Per capita personal income	\$ 42,215	\$ 40,233	\$ 40,734	\$ 39,682	\$ 38,233	\$ 36,489	\$ 35,065	\$ 34,995	\$ 33,746	\$ 32,474
Unemployment rate	5.9%	6.9%	8.2%	8.0%	9.1%	9.4%	10.9%	7.9%	5.3%	4.5%

Source: Population from www.census.gov
 All other from the University of Tennessee Economic Report to the Governor

HISTORY OF AVERAGE DAILY MEMBERSHIP GRADES KINDERGARTEN THROUGH TWELVE 2006-2015 **

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
ANDERSON COUNTY	6,397	6,433	6,570	6,597	6,660	6,617	6,830	6,968	6,890	6,882
CLINTON	910	905	900	887	886	857	858	853	860	841
OAK RIDGE	4,403	4,492	4,439	4,457	4,533	4,460	4,457	4,385	4,361	4,351
BEDFORD COUNTY	8,335	8,212	8,100	7,964	7,818	7,761	7,750	7,656	7,461	7,277
BENTON COUNTY	2,159	2,212	2,221	2,231	2,290	2,372	2,437	2,477	2,477	2,468
BLED SOE COUNTY	1,763	1,814	1,856	1,801	1,825	1,802	1,834	1,886	1,910	1,896
BLOUNT COUNTY	10,937	10,909	11,060	11,044	11,249	11,412	11,467	11,599	11,466	11,279
ALCOA	1,868	1,812	1,797	1,749	1,699	1,681	1,637	1,610	1,594	1,466
MARYVILLE	5,039	5,062	4,970	4,914	4,962	4,965	5,021	4,997	4,868	4,711
BRADLEY COUNTY	9,990	10,051	10,087	10,056	10,043	10,076	10,087	9,995	9,859	9,700
CLEVELAND	5,275	5,157	5,136	5,082	4,961	4,801	4,849	4,630	4,567	4,478
CAMPBELL COUNTY	5,552	5,617	5,595	5,673	5,822	5,875	5,830	5,823	6,019	5,980
CANNON COUNTY	1,975	1,999	2,008	2,024	2,109	2,125	2,184	2,244	2,191	2,141
CARROLL COUNTY	3	5	5	6	2	6	6	4	5	9
*HOLLOW ROCK-BR	627	629	645	682	663	667	696	714	718	726
*HUNTINGDON	1,204	1,205	1,212	1,229	1,208	1,225	1,229	1,252	1,253	1,275
*MCKENZIE	1,320	1,362	1,358	1,378	1,377	1,371	1,398	1,377	1,390	1,344
*S. CARROLL	349	371	369	352	364	365	389	394	399	419
*W. CARROLL	911	954	970	965	988	1,000	1,026	1,041	1,024	1,051
CARTER COUNTY	5,238	5,313	5,425	5,436	5,560	5,702	5,804	5,908	5,842	5,980
ELIZABETHTON	2,433	2,416	2,413	2,326	2,235	2,137	2,055	1,991	2,000	2,010
CHEATHAM COUNTY	6,328	6,494	6,525	6,649	6,702	6,843	6,799	6,815	6,978	6,923
CHESTER COUNTY	2,791	2,739	2,744	2,742	2,713	2,720	2,718	2,698	2,635	2,540
CLAIBORNE COUNTY	4,379	4,446	4,526	4,545	4,644	4,644	4,657	4,730	4,764	4,847
CLAY COUNTY	1,036	1,026	1,024	1,027	1,041	1,056	1,056	1,070	1,170	1,150
COCKE COUNTY	4,522	4,620	4,670	4,676	4,665	4,771	4,815	4,809	4,720	4,719
NEWPORT	729	734	725	703	729	754	759	752	715	716
COFFEE COUNTY	4,381	4,426	4,402	4,351	4,336	4,333	4,369	4,414	4,476	4,421
MANCHESTER	1,256	1,268	1,287	1,373	1,340	1,321	1,288	1,282	1,265	1,225
TULLAHOMA	3,346	3,396	3,333	3,258	3,209	3,328	3,364	3,408	3,507	3,600
CROCKETT COUNTY	1,957	1,910	1,849	1,827	1,774	1,801	1,743	1,798	1,766	1,788
ALAMO	580	596	595	592	579	578	586	547	517	499
BELLS	367	379	388	380	397	369	391	373	378	382
CUMBERLAND COUNTY	7,150	7,170	7,218	7,103	7,308	7,380	7,276	7,235	7,207	7,162
DAVIDSON COUNTY	80,731	79,129	77,860	76,130	74,832	73,447	72,293	72,014	72,004	71,465
DECATUR COUNTY	1,542	1,574	1,603	1,591	1,612	1,598	1,614	1,601	1,587	1,560
DEKALB COUNTY	2,870	2,786	2,886	2,905	2,870	2,794	2,831	2,827	2,736	2,649
DICKSON COUNTY	8,234	8,197	8,265	8,299	8,287	8,362	8,394	8,421	8,353	8,212
DYER COUNTY	3,808	3,723	3,719	3,693	3,619	3,497	3,439	3,434	3,364	3,310
DYERSBURG	2,600	2,622	2,744	2,859	2,971	3,136	3,276	3,364	3,464	3,521
FAYETTE COUNTY	3,259	3,377	3,533	3,475	3,518	3,533	3,601	3,586	3,612	3,549
FENTRESS COUNTY	2,128	2,198	2,242	2,282	2,335	2,347	2,385	2,353	2,332	2,300
FRANKLIN COUNTY	5,398	5,506	5,536	5,585	5,789	5,804	5,836	5,953	5,952	5,929
GIBSON COUNTY	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
HUMBOLDT	1,050	1,059	1,092	1,166	1,204	1,293	1,318	1,368	1,398	1,404
*MILAN	1,950	2,000	2,033	2,083	2,120	2,108	2,095	2,051	2,058	2,043
*TRENTON	1,305	1,333	1,321	1,335	1,357	1,400	1,388	1,396	1,432	1,432
*BRADFORD	500	509	506	531	543	526	554	585	609	605
*GIBSON CO. SPEC.	3,879	3,857	3,814	3,722	3,622	3,458	3,306	3,117	2,910	2,797
GILES COUNTY	3,830	3,905	3,921	3,956	4,066	4,158	4,317	4,342	4,342	4,464
GRAINGER COUNTY	3,470	3,562	3,572	3,514	3,540	3,528	3,538	3,444	3,460	3,428

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HISTORY OF AVERAGE DAILY MEMBERSHIP GRADES KINDERGARTEN THROUGH TWELVE 2006-2015 **

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
GREENE COUNTY	6,875	6,946	6,969	7,063	7,123	7,113	7,252	7,232	7,183	7,126
GREENEVILLE	2,725	2,715	2,726	2,682	2,676	2,696	2,705	2,740	2,771	2,744
GRUNDY COUNTY	2,150	2,118	2,186	2,209	2,218	2,192	2,271	2,200	2,285	2,252
HAMBLEN COUNTY	10,052	10,007	9,976	9,918	9,890	9,819	9,564	9,651	9,654	9,481
HAMILTON COUNTY	42,669	42,385	42,427	41,836	41,615	40,677	39,892	39,852	40,007	40,066
HANCOCK COUNTY	960	967	977	985	1,012	1,027	1,006	1,019	1,010	1,006
HARDEMAN COUNTY	3,731	3,800	3,839	3,883	3,958	4,063	4,108	4,214	4,252	4,330
HARDIN COUNTY	3,522	3,510	3,556	3,581	3,464	3,657	3,739	3,740	3,724	3,740
HAWKINS COUNTY	6,962	7,073	7,235	7,301	7,400	7,545	7,630	7,695	7,618	7,490
ROGERSVILLE	624	648	657	673	681	665	663	658	645	673
HAYWOOD COUNTY	2,970	3,112	3,156	3,225	3,310	3,265	3,301	3,326	3,401	3,480
HENDERSON COUNTY	3,833	3,836	3,768	3,695	3,734	3,682	3,555	3,476	3,518	3,566
LEXINGTON	935	909	970	991	995	1,025	1,062	1,100	1,077	1,028
HENRY COUNTY	2,998	3,020	3,050	3,045	3,104	3,171	3,119	3,145	3,120	3,168
*PARIS	1,683	1,685	1,686	1,656	1,646	1,580	1,589	1,578	1,539	1,540
HICKMAN COUNTY	3,488	3,511	3,567	3,615	3,740	3,807	3,839	3,872	3,884	3,837
HOUSTON COUNTY	1,311	1,322	1,345	1,333	1,410	1,466	1,442	1,464	1,486	1,435
HUMPHREYS COUNTY	2,852	2,842	2,942	2,955	3,033	3,052	3,064	3,060	3,024	3,001
JACKSON COUNTY	1,520	1,537	1,577	1,500	1,532	1,627	1,646	1,651	1,678	1,645
JEFFERSON COUNTY	7,228	7,208	7,280	7,246	7,353	7,372	7,389	7,429	7,377	7,277
JOHNSON COUNTY	2,080	2,108	2,128	2,130	2,167	2,211	2,215	2,244	2,270	2,279
KNOX COUNTY	57,582	57,022	56,811	56,298	55,588	55,521	55,265	54,293	54,215	53,050
LAKE COUNTY	813	840	870	873	884	893	900	920	897	912
LAUDERDALE COUNTY	4,318	4,406	4,452	4,441	4,458	4,503	4,510	4,547	4,528	4,479
LAWRENCE COUNTY	6,531	6,659	6,851	6,603	6,726	6,732	6,675	6,717	6,732	6,692
LEWIS COUNTY	1,767	1,797	1,840	1,839	1,874	1,900	1,892	1,901	1,898	1,865
LINCOLN COUNTY	3,859	3,870	3,933	3,921	3,921	4,009	4,043	4,087	4,053	4,021
FA YETTEVILLE	1,432	1,352	1,216	1,166	1,162	993	986	995	956	983
LOUDON COUNTY	4,723	4,718	4,816	4,928	4,846	5,040	5,028	5,086	5,046	4,966
LENOIR CITY	2,274	2,248	2,234	2,209	2,244	2,191	2,191	2,118	2,146	2,164
MCMINN COUNTY	5,558	5,698	5,801	5,877	5,859	5,885	5,952	5,928	5,872	5,901
ATHENS	1,563	1,587	1,537	1,494	1,594	1,674	1,673	1,744	1,716	1,690
ETOWAH	314	341	339	329	311	329	351	374	365	374
MCNAIRY COUNTY	4,200	4,183	4,225	4,268	4,295	4,353	4,310	4,318	4,318	4,253
MACON COUNTY	3,680	3,670	3,710	3,664	3,710	3,724	3,736	3,735	3,723	3,695
MADISON COUNTY	12,543	12,599	12,704	12,649	12,756	12,808	13,134	13,409	13,783	13,731
MARION COUNTY	4,077	4,161	4,176	4,227	4,224	4,271	4,253	4,163	4,130	4,092
*RICHARD CITY	270	277	297	339	322	312	286	322	327	355
MARSHALL COUNTY	5,266	5,278	5,248	5,211	5,228	5,260	5,258	5,286	5,146	4,939
MAURY COUNTY	11,725	11,664	11,554	11,418	11,327	11,403	11,501	11,505	11,421	11,245
MEIGS COUNTY	1,742	1,726	1,715	1,734	1,752	1,827	1,813	1,841	1,820	1,822
MONROE COUNTY	5,396	5,414	5,458	5,446	5,523	5,524	5,518	5,487	5,424	5,350
SWEETWATER	1,520	1,537	1,513	1,501	1,481	1,480	1,492	1,516	1,468	1,471
MONTGOMERY COUNTY	31,384	30,706	29,871	29,728	29,202	28,661	28,401	27,813	27,449	26,603
MOORE COUNTY	891	924	978	993	992	973	975	970	981	967
MORGAN COUNTY	3,050	3,136	3,189	3,178	3,198	3,206	3,277	3,265	3,281	3,266
OBION COUNTY	3,509	3,576	3,633	3,645	3,787	3,837	3,907	3,987	4,017	4,045
UNION CITY	1,531	1,473	1,447	1,451	1,444	1,454	1,399	1,376	1,420	1,409
OVERTON COUNTY	3,146	3,238	3,298	3,317	3,430	3,448	3,352	3,372	3,371	3,302
PERRY COUNTY	1,078	1,087	1,069	1,110	1,120	1,110	1,116	1,099	1,102	1,096
PICKETT COUNTY	740	747	733	725	705	682	665	658	674	676
POLK COUNTY	2,418	2,493	2,520	2,564	2,650	2,640	2,658	2,673	2,656	2,583

HISTORY OF AVERAGE DAILY MEMBERSHIP GRADES KINDERGARTEN THROUGH TWELVE 2006-2015 **

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
PUTNAM COUNTY	10,706	10,640	10,632	10,511	10,501	10,434	10,388	10,337	10,251	10,014
RHEA COUNTY	4,229	4,296	4,275	4,214	4,192	4,236	4,152	4,118	4,133	4,046
DAYTON	791	822	802	791	743	755	734	705	722	702
ROANE COUNTY	6,708	6,874	6,882	7,036	7,115	7,293	7,320	7,480	7,451	7,400
ROBERTSON COUNTY	11,143	10,807	11,182	11,050	10,957	10,909	10,774	10,710	10,551	10,261
RUTHERFORD COUNTY	41,425	40,932	39,969	38,645	38,122	37,238	36,497	35,706	34,384	32,704
MURFREESBORO	7,528	7,072	7,151	7,069	6,837	6,903	6,859	6,849	6,661	6,358
SCOTT COUNTY	2,888	2,904	2,869	2,848	2,866	2,750	2,806	2,768	2,679	2,647
*ONEIDA	1,230	1,241	1,252	1,225	1,201	1,192	1,263	1,276	1,318	1,308
SEQUATCHIE COUNTY	2,260	2,277	2,257	2,261	2,274	2,277	2,251	2,217	2,179	2,123
SEVIER COUNTY	14,253	14,304	14,303	14,216	14,315	14,291	14,277	14,317	14,202	13,967
SHELBY COUNTY ¹	110,807	144,338	146,896	150,109	150,955	151,868	153,070	155,750	159,870	162,580
ARLINGTON	4,850	0	0	0	0	0	0	0	0	0
BARTLETT	8,332	0	0	0	0	0	0	0	0	0
COLLIERVILLE	7,853	0	0	0	0	0	0	0	0	0
GERMANTOWN	5,676	0	0	0	0	0	0	0	0	0
LAKELAND	844	0	0	0	0	0	0	0	0	0
MILLINGTON	2,653	0	0	0	0	0	0	0	0	0
SMITH COUNTY	3,013	3,080	3,084	3,138	3,201	3,253	3,240	3,245	3,260	3,180
STEWART COUNTY	2,001	2,113	2,113	2,140	2,130	2,161	2,239	2,235	2,202	2,124
SULLIVAN COUNTY	10,079	10,355	10,596	10,737	11,054	11,418	11,659	11,860	12,020	12,206
BRISTOL	3,990	3,883	3,895	3,842	3,876	3,853	3,918	3,914	3,876	3,803
KINGSPORT	7,038	7,011	6,798	6,698	6,556	6,439	6,392	6,396	6,455	6,400
SUMNER COUNTY	28,346	28,237	27,958	27,612	27,377	27,032	26,554	26,241	25,872	25,313
TIPTON COUNTY	11,152	11,215	11,398	11,544	11,738	11,767	11,781	11,736	11,670	11,498
TROUSDALE COUNTY	1,194	1,225	1,230	1,246	1,219	1,297	1,373	1,331	1,331	1,306
UNICOI COUNTY	2,412	2,499	2,538	2,575	2,520	2,583	2,533	2,491	2,534	2,502
UNION COUNTY	4,228	5,305	5,871	4,549	2,953	2,970	2,968	2,989	3,026	3,044
VAN BUREN COUNTY	728	718	729	732	717	758	782	782	778	786
WARREN COUNTY	6,457	6,396	6,427	6,450	6,475	6,501	6,341	6,326	6,244	6,219
WASHINGTON COUNTY	8,668	8,864	8,927	9,058	9,050	9,169	9,174	9,150	9,123	8,985
JOHNSON CITY	7,732	7,645	7,529	7,425	7,390	7,313	7,328	7,239	7,094	7,048
WAYNE COUNTY	2,229	2,303	2,312	2,333	2,356	2,398	2,394	2,445	2,491	2,513
WEAKLEY COUNTY	4,253	4,340	4,373	4,499	4,550	4,662	4,751	4,721	4,766	4,877
WHITE COUNTY	3,944	3,935	3,929	3,969	3,966	3,981	4,007	3,990	4,003	3,928
WILLIAMSON COUNTY	34,991	33,916	32,912	31,949	31,275	30,517	29,762	28,585	27,301	25,440
*FRANKLIN	3,585	3,633	3,710	3,671	3,748	3,688	3,720	3,825	3,781	3,800
WILSON COUNTY	16,766	16,446	16,002	15,637	15,408	15,057	14,778	14,269	14,048	13,513
*LEBANON	3,628	3,581	3,547	3,381	3,327	3,183	3,117	3,145	3,053	3,005
ASD ²	6,790	3,912	1,503	0	0	0	0	0	0	0
GRAND TOTAL	959,532	958,276	956,975	951,035	948,616	946,668	944,621	943,594	942,645	933,688

*SPECIAL SCHOOL DISTRICT

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

¹ YEARS PRIOR TO 2015 WERE NOT LISTED SEPARATELY BY CITY

² ACHIEVEMENT SCHOOL DISTRICT FOUNDED IN 2013

ACKNOWLEDGMENTS

OFFICE OF STATE AND LOCAL FINANCE

SANDRA THOMPSON*
JACQUELINE FELLAND*
SHARON SCHMUCKER*
KAYLA CARR*
MARK GRAUBNER*
LORI BARNARD
DONNA KAUKAS
CINDY LIDDELL
STEVE OSBORNE
KATHY PALMER
RON QUEEN
ALICIA SCOTT

*PREPARER OF COMPREHENSIVE ANNUAL FINANCIAL REPORT