

CASH FLOW METHODOLOGY AND ASSUMPTIONS:

TCA 9-4-610 created the Tennessee interagency cash flow committee, as an interagency committee, for the purpose of establishing, compiling and maintaining a periodic cash flow report relative to all material sources and all material uses of pooled investment fund cash projected to be received and expended by the state.

This report includes the state's General, Special Revenue, Education, Highway, Capital Projects and Debt Service funds. (For purposes of presentation the state's general and special revenue funds have been combined.) Due to the self-supporting and/or restrictive nature of the use of their resources, the state's permanent, proprietary and fiduciary funds have been excluded.

The portion of cash estimated to be restricted is based on an approximate four year average. For purposes of this projection, funds restricted represent amounts where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation; and, amounts that can only be used for the specific purposes determined by the formal action of the state's highest level of decision making authority.

State tax estimates (including licenses, fines and fees) are based in part on the official revenue estimates of the department of finance and administration, with monthly allocations based on historical collection patterns.

Departmental revenue and expenditure projections have been developed using a hybrid forecasting methodology, i.e. historical trending has been combined with knowledge-based forecasting in order to address new programs and non-recurring items for which there was no history to look back on.

Interdepartmental activity (including transfers) between state departments used in this projection has not been eliminated for purposes of this projection. The net impact on the combined projected cash flows being zero.

The beginning and ending cash and investment balances are inclusive of the state's general fund Reserve for Revenue Fluctuations (rainy day) stabilization account.

*Unaudited