

Tennessee 200, Inc.

**For the Year Ended
June 30, 1996**

Arthur A. Hayes, Jr., CPA

Director

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Editor

December 1, 1997

The Honorable Don Sundquist, Governor
and

Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

and

Ms. Martha Ingram, Chair
Tennessee 200, Inc.
One Belle Meade Place
1100 Harding Road
Nashville, Tennessee 37205

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of Tennessee 200, Inc., for the year ended June 30, 1996. You will note from the independent auditor's report that an unqualified opinion was given on the fairness of the presentation of the financial statements.

Consideration of the internal control structure and tests of compliance disclosed certain deficiencies, which are detailed in the Results of the Audit section of this report. The corporation's management has responded to the audit findings; the responses are included following each finding. The Division of State Audit will follow up the audit to examine the application of the procedures instituted because of the audit findings.

Very truly yours,

W. R. Snodgrass
Comptroller of the Treasury

WRS/tp
97/068

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Tennessee 200, Inc.
For the Year Ended June 30, 1996

AUDIT OBJECTIVES

The objectives of the audit were to consider the corporation's internal control structure; to determine the fairness of the presentation of the financial statements; to determine compliance with laws, regulations, contracts, and grants; and to recommend appropriate actions to correct any deficiencies.

INTERNAL CONTROL FINDINGS

Weak Controls Over Accounting Functions

Internal controls over cash receipts, cash disbursements, general ledger, contracts, and conflicts-of-interest were inadequate (page 9).

Payroll and Personnel Policies and Procedures Not Followed*

Internal controls over payroll and personnel were inadequate to ensure that employees were qualified for their positions, that employees were properly evaluated, and that time worked and annual and compensatory leave taken were accurately reported (page 11).

Inadequate Internal Controls Over Petty Cash*

The corporation did not have sufficient internal controls to adequately safeguard its petty cash fund (page 12).

* These findings are repeated from the prior audit.

OPINION ON THE FINANCIAL STATEMENTS

The opinion on the financial statements is unqualified.

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-0264
(615) 741-3697

Audit Report
Tennessee 200, Inc.
For the Year Ended June 30, 1996

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Tennessee 200, Inc.

For the Year Ended June 30, 1996

INTRODUCTION

POST-AUDIT AUTHORITY

This is a report on the financial and compliance audit of Tennessee 200, Inc. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of 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.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to consider the corporation’s internal control structure to determine auditing procedures for the purpose of expressing an opinion on the financial statements;
2. to determine the fairness of the presentation of the financial statements;
3. to determine compliance with laws, regulations, contracts, and grants; and
4. to recommend appropriate actions to correct any deficiencies.

Although this audit was not intended to serve as an organization-wide audit as described in the Single Audit Act of 1984 and Office of Management and Budget (OMB) Circular A-128, “Audits of State and Local Governments,” it included tests of compliance with applicable federal laws and regulations and consideration of the internal control structure used in administering federal financial assistance programs. This audit is a segment of the organization-wide audit of the State of Tennessee, which is conducted in accordance with the Single Audit Act of 1984 and OMB Circular A-128.

SCOPE OF THE AUDIT

The audit was limited to the period July 1, 1995, through June 30, 1996, and was conducted in accordance with generally accepted government auditing standards. Financial statements are presented for the year ended June 30, 1996, and for comparative purposes, the year ended June 30, 1995. Tennessee 200, Inc., has been included as a component unit in the *Tennessee Comprehensive Annual Financial Report*.

BACKGROUND AND ORGANIZATION

LEGISLATIVE HISTORY

Tennessee 200, Inc., was established in 1993 under the provisions of Title 4, Chapter 44, *Tennessee Code Annotated*. This statute authorizes the creation of a not-for-profit corporation to raise funds and develop, manage, and implement the plans and programs of the Tennessee Bicentennial Commission. The commission has the authority to name the corporation. The corporation has its own board of directors and may employ support staff and name such advisory groups or steering committees as necessary to assist in the promotion, coordination, and implementation of, and fund-raising for, the comprehensive program developed by the commission for the bicentennial.

The board consists of the members of the 1996 Tennessee Bicentennial Commission, which includes the Comptroller of the Treasury, a representative appointed by the Governor, and a representative of the Attorney General and Reporter. The board appoints a chairperson with the approval of the chair of the commission.

By statute, the Tennessee Bicentennial Commission shall cease to exist on June 30, 1997. However, Tennessee 200's business activities are not expected to be completed until December 1997. In accordance with Tennessee 200's approved plan of dissolution, certain responsibilities, documents, assets, and artifacts will be transferred to certain state agencies.

ORGANIZATION

The governing body of Tennessee 200, Inc., is a 31-member board of directors.

The corporation's programs are carried out by a staff under the supervision of the executive director, who is appointed by the board of directors. The executive director is to report directly to the chairperson and board of directors of Tennessee 200, Inc., and the Governor of Tennessee.

An organization chart for Tennessee 200, Inc., is on the following page.

PRIOR AUDIT FINDINGS

Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. A follow-up of all prior audit findings was conducted as part of the current audit.

RESOLVED AUDIT FINDINGS

The current audit disclosed that the corporation has corrected previous audit findings concerning presigned checks and inaccurate payroll information reported on state and federal forms.

REPEATED AUDIT FINDINGS

The prior audit report also contained findings concerning inadequate controls over petty cash, disbursements, and compliance with payroll and personnel policies and procedures. These findings have not been resolved and are repeated in this report.

RESULTS OF THE AUDIT

AUDIT CONCLUSIONS

Internal Control Structure

As part of the audit of Tennessee 200, Inc.'s, financial statements for the year ended June 30, 1996, we considered the internal control structure to determine auditing procedures for the purpose of expressing an opinion on the financial statements, as required by generally accepted government auditing standards. The report on the internal control structure is on the following pages. Reportable conditions, along with recommendations and management's responses, are detailed in the findings and recommendations, which follow the report on the internal control structure. Consideration of the internal control structure disclosed no material weaknesses.

Fairness of Financial Statement Presentation

The Division of State Audit has rendered an unqualified opinion on the financial statements of Tennessee 200, Inc. In our opinion, the statements included in this report present fairly, in all material respects, the financial position of the corporation as of June 30, 1996, and the results of its operations and cash flows for the year then ended. The independent auditor's report follows the compliance report.

Compliance with Laws and Regulations

The results of our audit tests disclosed no instances of noncompliance that are required to be reported herein under generally accepted government auditing standards. Immaterial instances of noncompliance, along with recommendations and management's responses, are included in the findings and recommendations. The compliance report follows the findings and recommendations.

**Report on the Internal Control Structure Based on an
Audit of the Financial Statements Performed in Accordance With
*Government Auditing Standards***

February 25, 1997

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the financial statements of Tennessee 200, Inc., a component unit of the State of Tennessee, as of and for the year ended June 30, 1996, and have issued our report thereon dated February 25, 1997.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The corporation's management is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may be

come inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the corporation's financial statements for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the corporation's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

We noted the following reportable conditions:

- Controls over accounting functions were not adequate.
- Tennessee 200, Inc., failed to comply with payroll and personnel policies and procedures.
- Controls over petty cash were weak.

These conditions are described in the Findings and Recommendations section of this report.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above are material weaknesses.

The Honorable W. R. Snodgrass
February 25, 1997
Page Three

We also noted other matters involving the internal control structure and its operation that we have reported to the corporation's management in a separate letter.

This report is intended for the information of the General Assembly of the State of Tennessee, the board of directors, and management. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/tp

FINDINGS AND RECOMMENDATIONS

1. Controls over accounting functions were not adequate

Finding

The corporation's controls over accounting functions were inadequate. Testwork and review of the internal control structure revealed several deficiencies in the areas of cash receipts, cash disbursements, general ledger, contracts, and conflicts-of-interest policy:

Cash Receipts — Cash-receipting and bank reconciliation duties were not properly segregated. The business manager performed the general (all but brick receipts) cash-receipting duties such as receiving cash and checks in the mail, endorsing checks, depositing money, inputting information into the accounting system, and reconciling both the general and brick checking accounts. A compensating control would have been to have the bank reconciliations performed or reviewed by another employee. However, there was no evidence that the reconciliations were reviewed by the executive director.

For 97 deposits totaling \$125,376.06, all or part of each deposit was not supported by a receipt ticket, copy of the check, or any other documentation indicating the source of the deposit. For those deposits resulting from sales of cookbooks, stamps, civil war books, and other merchandise, the sales ledgers, which were the supporting documentation, could not be traced or reconciled to a given day's deposit.

The date of receipt could not be accurately determined for five of 41 cash receipts tested (12%) because the supporting documentation contained no indication of when the corporation received the check. The five receipts totaled \$199,398.

Cash Disbursements — Of 71 cash disbursements tested, five (8%), which represented 48 invoices, were not paid within a reasonable amount of time. The number of days from the receipt of the invoice to the date paid ranged from 51 to 98 days.

For 11 of 71 cash disbursements tested (16%), the invoices were not canceled to prevent duplicate payment.

General Ledger — A review of the general and brick checking accounts in the general ledger revealed 14 instances in which checks were issued out of sequence. These checks were dated from one to 71 days different from adjacent checks. Management stated that seven of 14 instances resulted from dating payroll checks for payday instead of the date written. For the remaining instances, management could not provide a reasonable explanation. However, based on review, these disbursements were properly supported and approved.

Contracts — Tennessee 200, Inc., contracted with an agency to design a train for the bicentennial exposition. Although the design was submitted and the contracted amount was paid, Tennessee 200, Inc., paid the design firm an additional \$38,540.51 for design revisions without the benefit of a contract amendment or another contract.

After approval of the train design, the same firm also performed work to implement the design at a total cost of \$79,110.86, paid on two invoices. The first invoice included fees totaling \$26,010.92 for work performed from February 15 through March 15, 1996. There was no contract or agreement in place identifying the terms of this service. The second invoice included fees totaling \$53,099.94 for work performed from March 16 through April 15, 1996. A letter of agreement identifying the terms of this service was on file and had been initialed by the executive director of Tennessee 200, Inc., but it was dated April 3, 1996, more than two weeks after the beginning of the period covered. Additionally, there was no documentation indicating Tennessee 200 requested bids for these services or that the firm was an expert in this area, thereby eliminating the need for bids according to Tennessee 200's policies.

Written agreements specifying all relevant terms minimize misunderstandings and ensure that both parties are aware of their rights and obligations. Furthermore, compliance with purchasing policies ensures agency resources are used efficiently.

Conflicts of Interest — Tennessee 200, Inc., did not have written policies and procedures to identify or document potential conflicts of interest.

Recommendation

Recommendations for corrective action have not been presented because the remaining responsibilities of Tennessee 200, Inc., have been transferred to certain state agencies as provided for in the approved plan of dissolution.

Management's Comments

We concur. While several deficiencies in Tennessee 200, Inc.'s, accounting controls were revealed during the audit period, no fraudulent transactions or improprieties have been noted or detected.

Tennessee 200, Inc., has been dissolved in accordance with its Board of Directors Plan of Dissolution. Responsibilities for the Path of Volunteers Brick program, the Tennessee 200, Inc., program continuing after the dissolution of the corporation, were transferred to Capital Projects Management, Tennessee State Parks, and the Treasurer's Office. The remaining financial and administrative responsibilities were transferred to the Treasurer's Office for resolution and close-out.

2. Tennessee 200, Inc., failed to comply with payroll and personnel policies and procedures

Finding

As stated in the prior audit, Tennessee 200, Inc., failed to comply with its personnel policies and procedures. Management concurred in part with the finding and stated that the policy manual should have been amended and resubmitted to the board for approval to reflect the extraordinary nature and purpose of the organization. However, management did not amend the policy manual. Several discrepancies were noted:

- Management of Tennessee 200, Inc., did not require regular salaried employees to complete monthly time sheets to record daily attendance and accumulated and used leave, although the employee manual states that employees must keep time sheets. Additionally, the *Office Policies and Procedures* manual states that the monthly time sheet must be signed by the immediate supervisor and given to the business manager at the end of the month and that a record of leave should be kept in the employee's file. Because time sheets were not completed, it could not be determined whether all leave was reported accurately.
- Compensatory time was not documented as being earned or authorized. Because monthly time sheets were not completed by employees, it could not be determined whether the overtime earned and used by personnel was authorized or accounted for accurately.
- Performance evaluations were not performed for individuals who had been employed for a year or more. The employee manual states that "annual reviews are done one year from the employee's date of hire." The executive director was responsible for completing the evaluations. Regular evaluations are needed to maintain and improve job performance and to properly consider individuals for merit increases and promotions.
- Verification of references and other information on the resumes of employees was not documented in the employees' personnel files. Without performing reference checks and verifying educational background and previous work experience, the corporation could hire unqualified individuals.
- Vacation and sick leave balances were maintained in increments of whole and half days rather than hours. Employees could arrive late or leave early by nearly half a day without submitting a leave request and having their leave balance properly adjusted.
- Each employee was responsible for submitting an approved time-off request memo; however, seven of 25 requests submitted (28%) were not approved. The employee manual states that employees "must first complete a time-off request and have it signed by their immediate supervisor."

Recommendation

Recommendations for corrective action have not been presented because the remaining responsibilities of Tennessee 200, Inc., have been transferred to certain state agencies as provided for in the approved plan of dissolution.

Management's Comments

We concur. Tennessee 200, Inc., should have developed appropriate personnel procedures and complied with its written procedures. As a result of the dissolution of the corporation, there are no longer any persons employed by Tennessee 200, Inc.

3. Controls over petty cash were weak

Finding

As stated in the prior audit, Tennessee 200, Inc., did not have sufficient procedures over petty cash. Management concurred with the finding, and the petty cash fund was closed. However, management established another petty cash fund during the audit period. Several deficiencies were noted:

- The petty cash fund was not maintained on an imprest basis. When the fund was authorized by the executive director, it was not set and maintained at a certain amount. It was established with a refund check from a vendor and periodically increased with agency checks. A change fund used on the train was also added to the petty cash fund.
- The fund was used both as a change fund for merchandise sales and as a petty cash disbursement fund.
- The business manager was the custodian of the fund (and had access to other types of receipts and disbursements) and could also record transactions in the general ledger.
- No documentation was maintained showing that the fund had ever been reconciled with the general ledger. Periodic reconciliations are necessary for the prompt identification and resolution of discrepancies.
- Pre-numbered vouchers were not used as required by the organization's petty-cash procedures.
- A travel advance was disbursed from petty cash.

- Personal checks from employees and third-party checks were cashed from the petty cash fund.

The lack of internal controls, particularly the failure to separate the petty cash disbursement and change funds, failure to follow petty cash procedures, and failure to establish procedures for the change fund, created an environment where the misuse of funds could have occurred and gone undetected. The fund was closed December 19, 1996.

Recommendation

Recommendations for corrective action have not been presented because the remaining responsibilities of Tennessee 200, Inc., have been transferred to certain state agencies as provided for in the approved plan of dissolution.

Management's Comments

We concur. All petty cash accounts should be adequately controlled. While weaknesses in petty cash controls were noted, no misappropriation of petty cash funds have been noted or detected.

**Compliance Report Based on an Audit of the
Financial Statements Performed in Accordance
With *Government Auditing Standards***

February 25, 1997

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the financial statements of Tennessee 200, Inc., a component unit of the State of Tennessee, as of and for the year ended June 30, 1996, and have issued our report thereon dated February 25, 1997.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Tennessee 200, Inc., is the responsibility of the corporation's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the corporation's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under generally accepted government auditing standards.

We did, however, note certain immaterial instances of noncompliance that we have reported to the corporation's management in a separate letter.

The Honorable W. R. Snodgrass
February 25, 1997
Page Two

This report is intended for the information of the General Assembly of the State of Tennessee, the board of directors, and management. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/tp

Independent Auditor's Report

February 25, 1997

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the accompanying combined balance sheets of Tennessee 200, Inc., a component unit of the State of Tennessee, as of June 30, 1996, and June 30, 1995, and the related statements of revenues, expenditures, and changes in fund balances for the years then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements, based on our audits.

We conducted our audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tennessee 200, Inc., as of June 30, 1996, and June 30, 1995, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

The Honorable W. R. Snodgrass
February 25, 1997
Page Two

In accordance with generally accepted government auditing standards, we have also issued reports dated February 25, 1997, regarding our consideration of the corporation's internal control structure and its compliance with laws and regulations.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/tp

TENNESSEE 200, INC.
COMBINED BALANCE SHEETS
JUNE 30, 1996, AND JUNE 30, 1995

	June 30, 1996			June 30, 1995
	Governmental Fund Type	Account Group	Totals (Memorandum Only)	Governmental Fund Type
	General Fund	General Fixed Assets		General Fund
<u>Assets</u>				
Cash (Note 2)	\$ 125,828.02	\$ -	\$ 125,828.02	\$ 93,540.24
Investments (Note 3)	-	-	-	2,048,146.09
Prepaid items	60,918.56	-	60,918.56	2,742.80
Accounts receivable	1,682,716.10	-	1,682,716.10	2,170.85
General fixed assets (Note 4):				
Train	-	1,486,293.15	1,486,293.15	-
Total assets	<u>\$ 1,869,462.68</u>	<u>\$ 1,486,293.15</u>	<u>\$ 3,355,755.83</u>	<u>\$ 2,146,599.98</u>
<u>Liabilities, Other Credit, and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 1,376,566.91	\$ -	\$ 1,376,566.91	\$ 92,197.60
Loans payable (Note 5)	125,000.00	-	125,000.00	-
Accrued payroll	7,997.22	-	7,997.22	3,794.53
Accrued payroll taxes and benefits	2,160.39	-	2,160.39	5,525.97
Accrued annual leave	12,328.21	-	12,328.21	3,990.00
Due to Primary Government	16,486.50	-	16,486.50	2,723.37
Total liabilities	<u>1,540,539.23</u>	<u>-</u>	<u>1,540,539.23</u>	<u>108,231.47</u>
Other credit:				
Investment in general fixed assets (Note 4)	-	1,486,293.15	1,486,293.15	-
Fund balances:				
Reserved for prepaid items	60,918.56	-	60,918.56	2,742.80
Reserved for future grant payments	168,650.00	-	168,650.00	46,200.00
Unreserved fund balance	99,354.89	-	99,354.89	1,989,425.71
Total other credit and fund balances	<u>328,923.45</u>	<u>1,486,293.15</u>	<u>1,815,216.60</u>	<u>2,038,368.51</u>
Total liabilities, other credit, and fund balances	<u>\$ 1,869,462.68</u>	<u>\$ 1,486,293.15</u>	<u>\$ 3,355,755.83</u>	<u>\$ 2,146,599.98</u>

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE 200, INC.
 STATEMENTS OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 FOR THE YEARS ENDED JUNE 30, 1996, AND JUNE 30, 1995

	General Fund	
	For the Year Ended June 30, 1996	For the Year Ended June 30, 1995
<u>Revenues</u>		
State grants	\$ 2,250,000.00	\$ 1,050,000.00
Local grants	125,000.00	-
Contributions	919,628.00	252,999.00
Program income	722,021.46	167,541.13
Interest	6,448.88	16,137.36
Investment income	<u>88,172.75</u>	<u>68,970.98</u>
Total revenues	\$ <u>4,111,271.09</u>	\$ <u>1,555,648.47</u>
<u>Expenditures</u>		
General and administrative	\$ 319,773.03	\$ 251,984.62
Local programs	585,299.50	184,024.90
Marketing	556,219.62	67,657.06
Bicentennial Mall	945,232.80	77,580.47
Festival	1,656,809.60	142,660.06
Exposition	<u>1,757,381.60</u>	<u>62,141.30</u>
Total expenditures	<u>5,820,716.15</u>	<u>786,048.41</u>
Excess (deficiency) of revenues over (under) expenditures	(1,709,445.06)	769,600.06
Fund balances, July 1	<u>2,038,368.51</u>	<u>1,268,768.45</u>
Fund balances, June 30	\$ <u><u>328,923.45</u></u>	\$ <u><u>2,038,368.51</u></u>

The Notes to the Financial Statements are an integral part of this statement.

Tennessee 200, Inc.
Notes to the Financial Statements
June 30, 1996 and June 30, 1995

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Tennessee 200, Inc., was authorized in 1993 in accordance with Title 4, Chapter 44, of *Tennessee Code Annotated* as “a not-for-profit corporation to raise funds, develop, manage and implement the plans and programs of the [Tennessee Bicentennial] Commission relating to the commemoration of Tennessee’s bicentennial.”

The corporation is a component unit of the State of Tennessee and is discretely presented in the *Tennessee Comprehensive Annual Financial Report* because the corporation’s board is comprised of state officials and others appointed by the Governor, and the state provides a substantial amount of funding.

B. Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

C. Fund Structure, Basis of Accounting, and Measurement Focus

The financial records of Tennessee 200, Inc., are maintained on the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred.

The general fund is presented using the flow of current financial resources measurement focus.

The agency’s accounts are organized and operated on the basis of fund types and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial

Tennessee 200, Inc.
Notes to the Financial Statements (Cont.)
June 30, 1996 and June 30, 1995

requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental fund not recorded directly in that fund.

The agency's financial activities reported in the accompanying statements are classified into one fund type and one account group:

Governmental Fund Type

General Fund—used to account for all resources not accounted for in another fund.

Account Group

General Fixed Assets Account Group (GFAAG)—used to account for the corporation's fixed assets. The GFAAG is not a fund, but rather a management control and accountability listing of the corporation's general fixed assets.

D. Totals (Memorandum Only)

The total column of the combined balance sheet is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column do not present financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation.

E. Compensated Absences

The agency's liability for accumulated unpaid annual leave is reported on the accompanying balance sheets. There is no liability in the accompanying financial statements for unpaid accumulated sick leave since it is the corporation's policy to record the cost of sick leave only when paid. See Note 7 for disclosure of the amount of this contingency.

F. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Tennessee 200, Inc.
Notes to the Financial Statements (Cont.)
June 30, 1996 and June 30, 1995

G. Investments

Investments are stated at cost or amortized cost. The corporation invests funds in short-term instruments (those with original maturities of three months to one year from date of purchase) which may include the highest rated commercial paper and U. S. government obligations.

NOTE 2. DEPOSITS

Deposits with financial institutions are required to be categorized to indicate the level of risk assumed by the corporation. Category 1 consists of deposits that are insured or collateralized with securities held by the corporation or by its agent in the corporation's name. Category 2 consists of deposits collateralized with securities held by the pledging financial institution's trust department or agent in the corporation's name. Category 3 deposits are uncollateralized. This category includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the corporation's name.

At June 30, 1996, the carrying amount of the corporation's deposits was \$125,302.02, and the bank balance was \$214,540.74. Of the bank balance, \$100,000.00 was category 1, and \$114,540.74 was category 3. At June 30, 1996, petty cash on hand was \$526.00. At June 30, 1995, the carrying amount of the corporation's deposits was \$93,358.24, and the bank balance including accrued interest was \$143,255.83. Of the bank balance, \$100,000.00 was category 1, and \$43,255.83 was category 3. At June 30, 1995, petty cash on hand was \$182.00.

NOTE 3. INVESTMENTS

At June 30, 1995, the investment classification consisted of commercial paper with a carrying value of \$1,585,942.90 and a market value of \$1,596,000.00, and the money market mutual fund of \$462,203.19. Investments were also made in U.S. government obligations during the fiscal year.

Investments are required to be categorized according to the level of credit risk associated with the custodial arrangements. Category 1 includes investments that are insured or registered, or for which securities are held by the corporation or its agent in the corporation's name. Category 2 includes uninsured and unregistered investments

Tennessee 200, Inc.
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for which the securities are held by the counterparty's trust department or agent in the corporation's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent but not in the corporation's name. Tennessee 200, Inc.'s investments at June 30, 1995, were category 1. The money market mutual fund is not categorized as to the level of credit risk associated with custodial arrangements.

NOTE 4. GENERAL FIXED ASSETS

General fixed assets are recorded at cost and are not depreciated. Donations are recorded at fair value at the date of the donation.

The following changes in general fixed assets occurred during the year ended June 30, 1996:

	<u>July 1, 1995</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 1996</u>
Train	\$ <u> -</u>	\$ <u>1,511,471.15</u>	\$ <u>25,178.00</u>	\$ <u>1,486,293.15</u>

NOTE 5. LOANS PAYABLE

A commercial line of credit of up to \$1,500,000.00 was established with Nations Bank with an interest rate of 8.25 percent. The purpose of the line of credit was to defray expenditures incurred until the corporation received the state appropriation of \$1,500,000.00 allocated by the General Assembly. At June 30, 1996, the corporation's obligation was \$125,000.00.

NOTE 6. OPERATING LEASES

The corporation leases office space and equipment to carry out its activities. Total expenditures under operating leases for space and equipment were \$28,087.48 and \$33,338.11 the year ended June 30, 1996. The expenditures were \$31,336.00 and \$5,598.98 for the year ended June 30, 1995. The leases expire within seven months from June 30, 1996.

Tennessee 200, Inc.
Notes to the Financial Statements (Cont.)
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NOTE 7. CONTINGENCIES

Sick Leave - The corporation records the cost of sick leave only when paid. Generally, since sick leave is paid only when an employee is absent because of illness, injury, or related family death, there is no liability in the accompanying financial statements for unpaid accumulated sick leave at June 30. The amount of unused sick leave was \$1,552.32 at June 30, 1996, and \$2,134.46 at June 30, 1995.

NOTE 8. RISK MANAGEMENT

The corporation is exposed to various risks of loss related to general liability; theft of, damage to, and destruction of assets; errors and omissions; and bodily injuries to employees. Commercial insurance is carried for these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance in the past three fiscal years.

The corporation has elected to provide health coverage for its employees through a health plan for eligible local government and quasi-governmental agencies in Tennessee. The Local Government Group Insurance Fund provides access to affordable health insurance by pooling risk among the groups. The plan provides for greater stability in controlling premium increases and, though a structured managed care program, helps contain health care costs of participating members.

The plan is administered by the State of Tennessee, using a separately established fund. To this fund, premiums of participating units are deposited and used to pay claims for health care costs of participants, as well as the state's administrative costs of the plan. The agency's obligation under the plan is limited to 80 percent of the total premiums. The employees are responsible for the remaining 20 percent of the total premiums. Employees have the option of obtaining insurance through either Blue Cross Blue Shield of Tennessee or Prudential Health Care-Nashville. Claims are administered by these companies which are currently under contract to provide these and other services to the state. Insurance premiums are adjusted at the end of the year based on the claims experience of the pool. Individual pool participants are not assessed additional premiums based on individual claims experience. Employees and providers have 13 months to file medical claims.

Tennessee 200, Inc.
Notes to the Financial Statements (Cont.)
June 30, 1996 and June 30, 1995

NOTE 9. PLEDGES

The corporation has received pledges from various organizations in support of the state's bicentennial celebration. At June 30, 1996, pledges totaling \$207,533.00 are due to be collected over the next fiscal year. It is not practicable to estimate the net realizable value of such pledges.

NOTE 10. SUBSEQUENT EVENTS

By statute, the Tennessee Bicentennial Commission shall cease to exist on June 30, 1997. However, the business activities of Tennessee 200, Inc., are not expected to be completed until December 1997.

The Board of Directors of Tennessee 200, Inc., approved the plan of dissolution for the complete liquidation and termination of corporate existence of the corporation in February 1997. In connection with the dissolution, certain responsibilities, documents, assets, and artifacts are to be transferred to certain state agencies.

The plan of dissolution states in part:

The responsibilities for time capsules shall be transferred to the Capital Projects Management Division. The responsibilities for the Path of Volunteers brick program shall be transferred to certain persons in the Capital Projects Management Division, the State Treasurer's Office, and the Tennessee State Parks system. Operating, general administrative, financial, and all other responsibilities not mentioned above shall be handled by the State Treasurer's Office.

Paper documents, except for financial records needed by the State Treasurer's Office to carry out its duties, shall be transferred to the Tennessee State Library and Archives. All artifacts from the Tennessee Bicentennial celebration shall be transferred to the Tennessee State Museum.

The Spirit of Tennessee Bicentennial Exposition Train shall be sold. Rights arising from the Tennessee 200 logo and trademark shall be transferred to the Tennessee State Parks. Any remaining items of tangible property belonging to the corporation shall be transferred to the following offices of the State: the Capital Projects Management Division, the State Treasurer's Office, the

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Governor's Office, General Services, Tennessee State Library and Archives, or the Tennessee State Museum. After all debts and liabilities of the corporation have been paid, any remaining cash shall be transferred to the State of Tennessee Capital Projects Management Division.

