

Tennessee 200, Inc.

**For the Periods Ended
October 21, 1998; June 30, 1998; and June 30, 1997**

**Arthur A. Hayes, Jr., CPA, JD,
CFE**
Director

Edward Burr, CPA
Assistant Director

Katherine J. Anderson, CPA
Audit Manager

Britt Wood
In-Charge Auditor

Joseph Hulsey
Staff Auditor

Erica V. Smith, CPA
Technical Analyst

Amy Brack
Editor

December 6, 1999

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 periods ended October 21, 1998; June 30, 1998; and June 30, 1997. 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 internal control over financial reporting and tests of compliance resulted in no audit findings.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/ms
98/063

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit

Tennessee 200, Inc.

For the Periods Ended October 21, 1998; June 30, 1998; and June 30, 1997

AUDIT OBJECTIVES

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

AUDIT FINDINGS

The audit report contains no findings.

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 Periods Ended October 21, 1998;
June 30, 1998; and June 30, 1997

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Tennessee 200, Inc.
For the Periods Ended October 21, 1998;
June 30, 1998; and June 30, 1997

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.

LEGISLATIVE HISTORY

Tennessee 200, Inc., was established in 1993 under the provisions of Title 4, Chapter 44, *Tennessee Code Annotated*. This statute authorized 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 had the authority to name the corporation. The corporation had its own board of directors and support staff and named 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 consisted of the members of the 1996 Tennessee Bicentennial Commission, which included the Comptroller of the Treasury, a representative appointed by the Governor, and a representative of the Attorney General and Reporter. The board appointed a chairperson with the approval of the chair of the commission.

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. The plan transferred operating, general administrative, and financial responsibilities to the State Treasurer’s Office.

By statute, the Tennessee Bicentennial Commission should have ceased to exist on June 30, 1997. However, Tennessee 200's business activities were not completed until October 21, 1998. In accordance with Tennessee 200's approved plan of dissolution, certain responsibilities, documents, assets, and artifacts were transferred to certain state agencies.

ORGANIZATION

The governing body of Tennessee 200, Inc., was a 31-member board of directors. The corporation's programs were carried out by a staff under the supervision of the executive director, who was appointed by the board of directors. The executive director reported 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.

AUDIT SCOPE

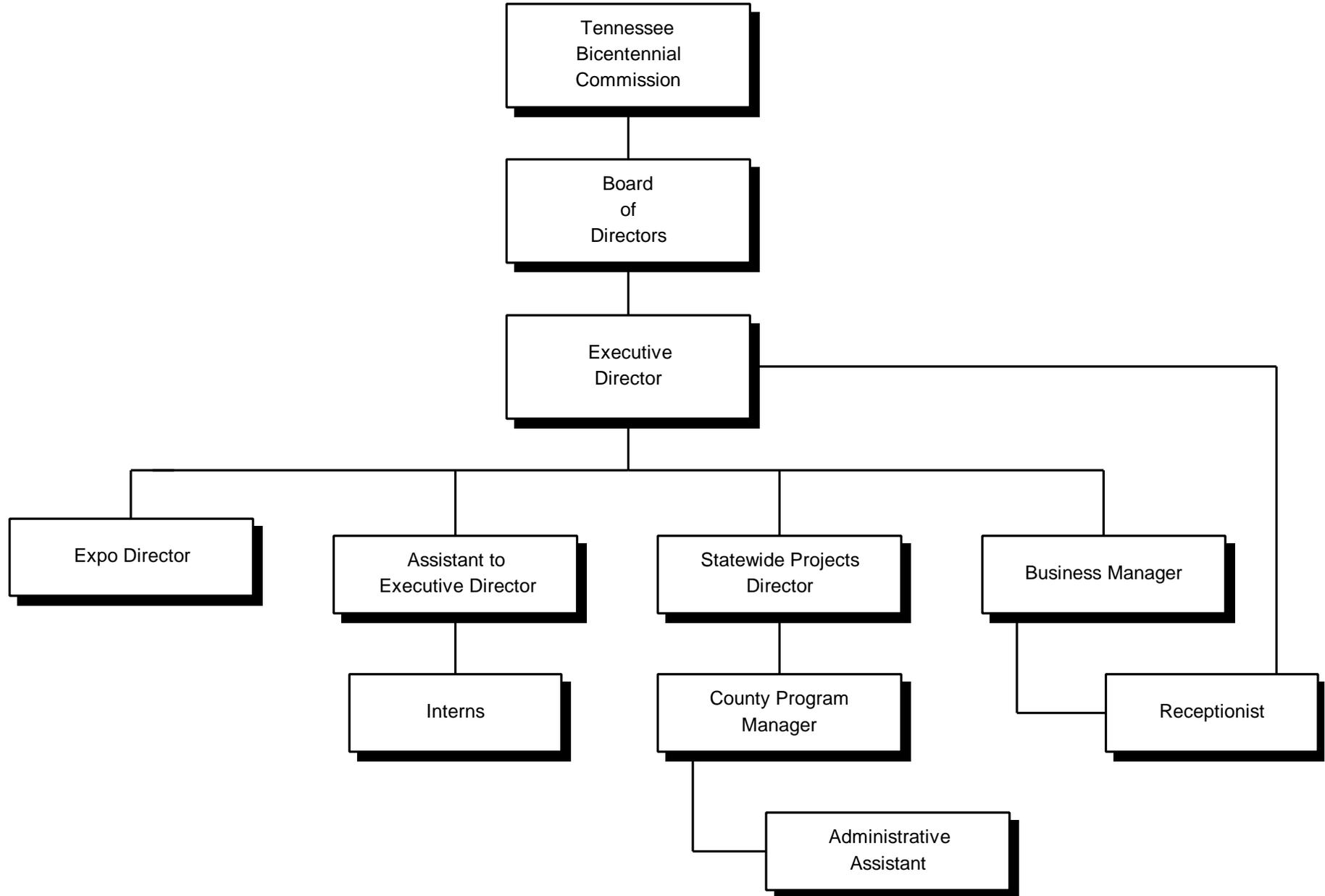
The audit was limited to the period July 1, 1996, through October 21, 1998, and was conducted in accordance with generally accepted government auditing standards. Financial statements are presented for the periods ended October 21, 1998; June 30, 1998; and June 30, 1997. Tennessee 200, Inc., has been included as a component unit in the *Tennessee Comprehensive Annual Financial Report*.

OBJECTIVES OF THE AUDIT

The objectives of the audit were

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

**TENNESSEE 200, INC.
ORGANIZATION CHART**



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. Tennessee 200, Inc., filed its report with the Department of Audit on November 7, 1997. A follow-up of all prior audit findings was conducted as part of the current audit.

Management concurred with the prior audit findings concerning inadequate controls over accounting functions and petty cash, and compliance with payroll and personnel policies and procedures, but no action was taken by management to correct them because of the dissolution of the corporation. However, these findings were no longer an issue when regular operations ceased and accounting duties were transferred to the State Treasurer's Office.

RESULTS OF THE AUDIT

AUDIT CONCLUSIONS

Internal Control Over Financial Reporting

As part of the audit of Tennessee 200, Inc.'s financial statements for the periods ended October 21, 1998; June 30, 1998; and June 30, 1997, we considered internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements, as required by generally accepted government auditing standards. Consideration of internal control over financial reporting disclosed no material weaknesses.

Compliance

The results of our audit tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Fairness of Financial Statement Presentation

The Division of State Audit has rendered an unqualified opinion on Tennessee 200, Inc.'s financial statements.

**Report on Compliance and on Internal Control
Over Financial Reporting Based on an Audit of
Financial Statements Performed in Accordance With
*Government Auditing Standards***

February 9, 1999

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

Dear Mr. Morgan:

We have audited the financial statements of Tennessee 200, Inc., a component unit of the State of Tennessee, as of and for the periods ended October 21, 1998; June 30, 1998; and June 30, 1997, and have issued our report thereon dated February 9, 1999. We conducted our audit in accordance with generally accepted government auditing standards.

Compliance

As part of obtaining reasonable assurance about whether Tennessee 200, Inc.'s financial statements are free of material misstatement, we performed tests of the corporation's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The Honorable John G. Morgan
February 9, 1999
Page Two

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the General Assembly of the State of Tennessee, management, and the board of directors, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record.

Sincerely,

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

AAH/ms

Independent Auditor's Report

February 9, 1999

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

Dear Mr. Morgan:

We have audited the accompanying balance sheets of Tennessee 200, Inc., a component unit of the State of Tennessee, as of October 21, 1998; June 30, 1998; and June 30, 1997, and the related statements of revenues, expenditures, and changes in fund balances for the periods 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 audit.

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. 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 audit provides 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 October 21, 1998; June 30, 1998; and June 30, 1997, and the results of its operations for the periods then ended in conformity with generally accepted accounting principles.

The Honorable John G. Morgan
February 9, 1999
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 1999, on our consideration of the corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Sincerely,

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

AAH/ms

TENNESSEE 200, INC.
BALANCE SHEETS
OCTOBER 21, 1998; JUNE 30, 1998; AND JUNE 30, 1997

	<u>October 21, 1998</u>	<u>June 30, 1998</u>	<u>June 30, 1997</u>
<u>Assets</u>			
Cash (Note 2)	\$ -	\$ 3,252.98	\$ 269,858.44
Investments (Note 3)	-	88,323.79	-
Accounts receivable	-	-	125,000.00
Total assets	<u>\$ -</u>	<u>\$ 91,576.77</u>	<u>\$ 394,858.44</u>
<u>Liabilities and Fund Balances</u>			
<u>Liabilities:</u>			
Accounts payable	\$ -	\$ 3,000.00	\$ 3,000.00
Total liabilities	<u>-</u>	<u>3,000.00</u>	<u>3,000.00</u>
<u>Fund balances:</u>			
Reserved for future contract payments	-	-	302,223.00
Unreserved	-	88,576.77	89,635.44
Total fund balances	<u>-</u>	<u>88,576.77</u>	<u>391,858.44</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 91,576.77</u>	<u>\$ 394,858.44</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 PERIODS ENDED OCTOBER 21, 1998; JUNE 30, 1998; AND JUNE 30, 1997

	For the Period Ended October 21, 1998	For the Year Ended June 30, 1998	For the Year Ended June 30, 1997
<u>Revenues</u>			
Local grants	\$ -	\$ -	\$ 125,000.00
Other grants	-	-	25,000.00
Contributions	-	-	261,038.00
Program income	-	-	662,678.06
Interest income	35.30	332.39	3,420.34
Investment income	1,020.23	6,323.79	5,135.10
Total revenues	\$ 1,055.53	\$ 6,656.18	\$ 1,082,271.50
<u>Expenditures</u>			
General and administrative	\$ 2,833.98	\$ 2,655.58	\$ 204,693.11
Local programs	-	24.00	228,594.29
Marketing	-	-	118,144.10
Bicentennial Mall	3,913.93	307,258.27	193,079.19
Festival	-	-	3,657.87
Exposition	-	-	411,167.95
Total expenditures	6,747.91	309,937.85	1,159,336.51
Excess (deficiency) of revenues over (under) expenditures	(5,692.38)	(303,281.67)	(77,065.01)
<u>Other financing sources (uses)</u>			
Sales of general fixed assets	-	-	140,000.00
Transfer to Finance and Administration	(82,884.39)	-	-
Fund balances, July 1	88,576.77	391,858.44	328,923.45
Ending fund balances	\$ -	\$ 88,576.77	\$ 391,858.44

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

Tennessee 200, Inc.
Notes to the Financial Statements
October 21, 1998; June 30, 1998; and June 30, 1997

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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

Tennessee 200, Inc.
Notes to the Financial Statements (Cont.)
October 21, 1998; June 30, 1998; and June 30, 1997

following offices of the State: the Capital Projects Management Division, the State Treasurer's Office, the 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.

As of October 21, 1998, all business activities of Tennessee 200, Inc., were completed including the complete liquidation and termination of the corporation and the transfer of artifacts, assets, and programs as set out in the Board of Directors' Plan of Dissolution.

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).

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.

Investments

Investments are stated at fair value.

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.

Tennessee 200, Inc.
Notes to the Financial Statements (Cont.)
October 21, 1998; June 30, 1998; and June 30, 1997

At October 21, 1998, all funds had been distributed in accordance with the Board of Directors' Plan of Dissolution. On September 25, 1998, \$82,860.74 was transferred to the State of Tennessee Capital Projects Management Division, and on October 21, 1998, the final interest posted of \$23.65 was transferred to State of Tennessee Capital Projects Management Division to close the account.

At June 30, 1998, the carrying amount of the Tennessee 200, Inc.'s deposits was \$3,252.98, and the bank balance including accrued interest was \$4,879.22, all of which was Category 1.

At June 30, 1997, the carrying amount of Tennessee 200, Inc.'s deposits was \$269,858.44, and the bank balance including accrued interest was \$273,131.88. Of the bank balance, \$100,000 was category 1 and \$173,131.88 was Category 3.

NOTE 3. INVESTMENTS

At June 30, 1998, the investment classification consisted of a money market mutual fund of \$88,323.79.

Certain investments are required to be categorized according to the level of credit risk associated with the custodial arrangements. The money market mutual fund is not required to be categorized as to the level of credit risk associated with custodial arrangements.

NOTE 4. GENERAL FIXED ASSETS

The following changes in general fixed assets occurred during the year ended June 30, 1997:

Tennessee 200, Inc.
Notes to the Financial Statements (Cont.)
October 21, 1998; June 30, 1998; and June 30, 1997

	<u>July 1, 1996</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 1997</u>
Train	<u>\$1,486,293.15</u>	<u>\$ -</u>	<u>\$1,486,293.15</u>	<u>\$ -</u>

The July 1, 1996, balance included the train and all expenditures incurred to get the train into operation. The train was sold in January 1997 and general fixed assets were reduced to zero.