



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0264
PHONE (615) 741-3697
FAX (615) 532-2765

Independent Auditor's Report

December 17, 1997

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

Dear Mr. Snodgrass:

We have audited the accompanying general-purpose financial statements of the State of Tennessee as of and for the year ended June 30, 1997, as listed in the table of contents. These general-purpose financial statements are the responsibility of the State of Tennessee's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above represent fairly, in all material respects, the financial position of the State of Tennessee as of June 30, 1997, and the results of its operations and the cash flows of its proprietary and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 2C to the general-purpose financial statements, the State of Tennessee implemented GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*. As discussed in Note 2C to the general-purpose financial statements, management has reported corrections of errors in the June 30, 1997, financial statements. As discussed in Note 5 to the general-purpose financial statements, the State of Tennessee has implemented GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*.

The statistical and economic data, listed in the table of contents, were not audited by us, and accordingly, we do not express an opinion thereon.

In accordance with *Government Auditing Standards*, we will issue our report dated December 17, 1997, on our consideration of the State of Tennessee's internal control over financial reporting and on our tests of its compliance with laws, regulations, contracts and grants in the *Tennessee Single Audit Report*.

Sincerely,

\s\ Arthur A. Hayes, Jr.

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

AAH/jm