

**Davidson County Metropolitan Community Services Agency**

**For the Year Ended  
June 30, 1999**

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**COMPTROLLER OF THE TREASURY**  
State Capitol  
Nashville, Tennessee 37243-0260  
(615) 741-2501

**John G. Morgan**  
Comptroller

May 30, 2000

The Honorable Don Sundquist, Governor  
and  
Members of the General Assembly  
State Capitol  
Nashville, Tennessee  
and  
Board of Directors  
Davidson County Metropolitan Community Services Agency  
Nashville, Tennessee

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Davidson County Metropolitan Community Services Agency for the year ended June 30, 1999. 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/eb  
00/068

State of Tennessee

# **A u d i t   H i g h l i g h t s**

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit  
**Davidson County Metropolitan Community Services Agency**  
For the Year Ended June 30, 1999

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## **AUDIT OBJECTIVES**

The objectives of the audit were to consider the agency's internal control over financial reporting; to determine compliance with certain provisions of laws, regulations, and contracts; 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.

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"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

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**Audit Report**  
**Davidson County Metropolitan Community Services Agency**  
**For the Year Ended June 30, 1999**

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**Davidson County Metropolitan Community Services Agency  
For the Year Ended June 30, 1999**

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**INTRODUCTION**

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**POST-AUDIT AUTHORITY**

This is a report on the financial and compliance audit of the Davidson County Metropolitan Community Services Agency. The audit was conducted pursuant to Section 37-5-313, *Tennessee Code Annotated*, which authorizes the Comptroller of the Treasury to “make an annual audit of the program established by this part as part of the comptroller’s annual audit pursuant to Section 9-3-211.”

**BACKGROUND**

Tennessee’s 12 community health agencies were created by Chapter 567 of the Public Acts of 1989, known as the Community Health Agency Act of 1989. This legislation established a defined system of health services to make health care available to the indigent citizens of Tennessee. The community health agencies determined areas of need in their geographic areas and ensured that services were available to meet those needs.

In May 1996, the Community Services Agency Act of 1996 replaced the community health agencies with the community services agencies. The purpose of these agencies is to coordinate funds and programs designated for care of children and other citizens in the state.

The Davidson County Metropolitan Community Services Agency’s administrative offices are in Nashville, Tennessee.

The governing body of the Davidson County Metropolitan Community Services Agency is the board of directors. As of June 30, 1999, the board was composed of 12 members. (See Appendix.)

The Davidson County Metropolitan Community Services Agency entered into an agreement with the Metropolitan Government of Nashville for day-to-day operations. All records, purchasing, accounting, and financial procedures are subject to the policies and procedures of the Metropolitan Government of Nashville, except in the case of a conflict between the state’s and metropolitan government’s rules and regulations. In such a case, the policies and procedures of the state prevail. The administrative liaison to the board is the custodian of the funds and reports to the board chair and the board of directors on the status of the programs.

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## **AUDIT SCOPE**

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The audit was limited to the period July 1, 1998, through June 30, 1999, and was conducted in accordance with generally accepted government auditing standards. Financial statements are presented for the year ended June 30, 1999, and for comparative purposes, the year ended June 30, 1998. The Davidson County Metropolitan Community Services Agency has been included as a component unit in the *Tennessee Comprehensive Annual Financial Report*.

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## **OBJECTIVES OF THE AUDIT**

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The objectives of the audit were

1. to consider the agency'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, and contracts;
  3. to determine the fairness of the presentation of the financial statements; and
  4. to recommend appropriate actions to correct any deficiencies.
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## **PRIOR AUDIT FINDINGS**

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There were no findings in the prior audit report.

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## **RESULTS OF THE AUDIT**

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### **AUDIT CONCLUSIONS**

#### Internal Control

As part of the audit of the Davidson County Metropolitan Community Services Agency's financial statements for the year ended June 30, 1999, 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 the Davidson County Metropolitan Community Services Agency's financial statements.



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF STATE AUDIT  
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NASHVILLE, TENNESSEE 37243-0264  
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**Report on Compliance and on Internal Control  
Over Financial Reporting Based on an Audit of  
Financial Statements Performed in Accordance With  
*Government Auditing Standards***

March 31, 2000

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

Dear Mr. Morgan:

We have audited the financial statements of the Davidson County Metropolitan Community Services Agency, a component unit of the State of Tennessee, as of and for the year ended June 30, 1999, and have issued our report thereon dated March 31, 2000. We conducted our audit in accordance with generally accepted government auditing standards.

Compliance

As part of obtaining reasonable assurance about whether the Davidson County Metropolitan Community Services Agency's financial statements are free of material misstatement, we performed tests of the agency's compliance with certain provisions of laws, regulations, and contracts, 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*.

We noted certain less significant instances of noncompliance that we have reported to the agency's management in a separate letter.

The Honorable John G. Morgan  
March 31, 2000  
Page Two

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Davidson County Metropolitan Community Services Agency'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, the board of directors, and management 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,

A handwritten signature in black ink that reads "Arthur A. Hayes, Jr." with a stylized flourish at the end.

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

AAH/eb



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF STATE AUDIT  
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**Independent Auditor's Report**

March 31, 2000

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 the Davidson County Metropolitan Community Services Agency, a component unit of the State of Tennessee, as of June 30, 1999, and June 30, 1998, and the related statements of revenues, expenditures, and changes in fund balance for the years then ended. These financial statements are the responsibility of the agency'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 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 the Davidson County Metropolitan Community Services Agency as of June 30, 1999, and June 30, 1998, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

The Honorable John G. Morgan  
March 31, 2000  
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2000, on our consideration of Davidson County Metropolitan Community Services Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts.

Sincerely,

A handwritten signature in black ink, reading "Arthur A. Hayes, Jr." in a cursive style.

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

AAH/eb

**Davidson County Metropolitan Community Services Agency**  
**Balance Sheets**  
**June 30, 1999, and June 30, 1998**

	<u>June 30, 1999</u>	<u>June 30, 1998</u>
<u>Assets</u>		
Assets:		
Cash (Note 2)	\$ 2,988,274.65	\$ 2,122,151.66
Due from primary government (Note 3)	<u>110,393.36</u>	<u>51,043.69</u>
Total assets	<u>\$ 3,098,668.01</u>	<u>\$ 2,173,195.35</u>
<u>Liabilities and fund balance</u>		
Liabilities:		
Due to primary government (Note 3)	\$ 39,317.58	\$ 39,317.58
Due to Metropolitan Government of Nashville	<u>2,884,750.32</u>	<u>2,044,146.46</u>
Total liabilities	<u>2,924,067.90</u>	<u>2,083,464.04</u>
Fund balance:		
Unreserved	<u>174,600.11</u>	<u>89,731.31</u>
Total liabilities and fund balance	<u>\$ 3,098,668.01</u>	<u>\$ 2,173,195.35</u>

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

**Davidson County Metropolitan Community Services Agency  
Statements of Revenues, Expenditures,  
And Changes in Fund Balance  
For the Years Ended June 30, 1999, and June 30, 1998**

	For the Year Ended June 30, 1999	For the Year Ended June 30, 1998
<u>Revenues</u>		
State contracts	\$ 2,884,749.86	\$ 2,662,090.57
Interest	84,868.80	62,086.99
Total revenues	<u>2,969,618.66</u>	<u>2,724,177.56</u>
<u>Expenditures</u>		
Contracts and awards	<u>2,884,749.86</u>	<u>2,667,185.62</u>
Total expenditures	<u>2,884,749.86</u>	<u>2,667,185.62</u>
Excess of revenues over expenditures	<u>84,868.80</u>	<u>56,991.94</u>
Fund balance, July 1	<u>89,731.31</u>	<u>32,739.37</u>
Fund balance, June 30	<u><u>\$ 174,600.11</u></u>	<u><u>\$ 89,731.31</u></u>

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

**Davidson County Metropolitan Community Services Agency**  
**Notes to the Financial Statements**  
**June 30, 1999, and June 30, 1998**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

Title 37, Chapter 5, of *Tennessee Code Annotated*, established the CSA as “a political subdivision and instrumentality of the state.” The Davidson County Metropolitan Community Services Agency is a component unit of the State of Tennessee and is discretely presented in the *Tennessee Comprehensive Annual Financial Report*. Although the CSA is a separate legal entity, the state is financially accountable for the CSA because the state appoints a majority of the CSA’s governing body and approves the CSA’s Plan of Operation (budget).

**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).

**Measurement Focus and Basis of Accounting**

The financial records of the Davidson County Metropolitan Community Services Agency are maintained on the modified accrual basis of accounting and the flow of current financial resources measurement focus. Under this basis, revenues are recognized when they become measurable and available, and expenditures are recognized when the related liability is incurred.

**Budgetary Process**

Legislation requires the CSA board to submit an annual plan of operation for review and approval to the Commissioner of Children’s Services, Commissioner of Finance and Administration, and the Comptroller of the Treasury. As part of this plan, the CSA is to submit a financial plan for operating and capital expenditures. This financial plan is prepared on the modified accrual basis of accounting. The Plan of Operation may be amended during the year with the written approval of the Commissioners and the Comptroller.

The agency does not have an annual appropriated budget. The Plan of Operation serves as an annual financial plan for budgetary purposes.

**Davidson County Metropolitan Community Services Agency**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 1999, and June 30, 1998**

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**NOTE 2. DEPOSITS**

The Davidson County Metropolitan Community Services Agency's deposits are in the Local Government Investment Pool (LGIP) administered by the State Treasurer. The LGIP is part of the Pooled Investment Fund. The fund's investment policy and custodial credit risk are presented in the *Tennessee Comprehensive Annual Financial Report*.

**NOTE 3. DUE FROM/TO PRIMARY GOVERNMENT**

June 30, 1999

Due From:	
Department of Children's Services—program funds	<u>\$ 110,393.36</u>
Due To:	
Department of Health—program funds	<u>\$ 39,317.58</u>

June 30, 1998

Due From:	
Department of Children's Services—program funds	<u>\$ 51,043.69</u>
Due To:	
Department of Health—program funds	<u>\$ 39,317.58</u>

**NOTE 4. DONATED FACILITIES**

The Metropolitan Government of Nashville donates office space, utilities, telephone service, copiers, and computer use and computers to the Davidson County Metropolitan Community Services Agency. The value of the donation is not recorded in the financial statements.

## **APPENDIX**

### **DAVIDSON COUNTY METROPOLITAN COMMUNITY SERVICES AGENCY**

Mr. Michael Miller, Executive Director

#### **BOARD OF DIRECTORS**

Dr. Alma Clayton-Pedersen, Chair

Judge Betty Adams-Green

Dr. G. Helen Brown

Councilman Craig Jenkins

Ms. Carla Fenswick

Councilman Chris Ferrell

Dr. Maria E. Frexes-Steed

Dr. Sam Okpaku

Mr. Arthur J. Rebrovick, Jr.

Chief Charles Smith

Ms. Susan Steepe

Ms. Charita M. Upkins