

**Davidson County Metropolitan Community Services Agency**

**For the Year Ended  
June 30, 1998**

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CPA**

Director

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Editor

March 15, 1999

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 37210

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, 1998. 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/sdr  
99/025

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, 1998

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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, 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.

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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, 1998**

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**TABLE OF CONTENTS**

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	<u>Exhibit</u>	<u>Page</u>
<b>INTRODUCTION</b>		1
Post-Audit Authority		1
Background		1
<b>AUDIT SCOPE</b>		2
<b>OBJECTIVES OF THE AUDIT</b>		2
<b>PRIOR AUDIT FINDINGS</b>		2
Resolved Audit Finding		3
<b>RESULTS OF THE AUDIT</b>		3
Audit Conclusions		3
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		4
<b>FINANCIAL STATEMENTS</b>		
Independent Auditor's Report		6
Balance Sheets	A	8
Statements of Revenues, Expenditures, and Changes in Fund Balances	B	9
Notes to the Financial Statements		10
<b>APPENDIX</b>		13
Board of Directors		13

# **Davidson County Metropolitan Community Services Agency For the Year Ended June 30, 1998**

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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, 1998, the board was composed of 13 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, 1997, through June 30, 1998, and was conducted in accordance with generally accepted government auditing standards. Financial statements are presented for the year ended June 30, 1998, and for comparative purposes, the year ended June 30, 1997. 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, 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.

**Although this audit was not intended to serve as an organization-wide audit as described in the Single Audit Act, as amended by the Single Audit Act Amendments of 1996, and Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," it included tests of compliance with applicable federal laws and regulations and consideration of internal control 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 as amended.**

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## PRIOR AUDIT FINDINGS

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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. The Davidson County Metropolitan Community Services Agency filed its report with the Department of Audit on September 21, 1998. A follow-up of the prior audit finding was conducted as part of the current audit.

## **RESOLVED AUDIT FINDING**

The prior audit report contained a finding concerning compliance with Assessment and Care Coordination Team Guidelines. Case assessment of, planning for, and management of children in the state's custody or at imminent risk of coming into the state's custody (and maintenance of the related documentation) became the responsibility of the Tennessee Department of Children's Services as of July 1, 1998. Compliance with the applicable guidelines will be evaluated as part of the audit of the department.

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## **RESULTS OF THE AUDIT**

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### **AUDIT CONCLUSIONS**

#### Internal Control Over Financial Reporting

As part of the audit of the agency's financial statements for the year ended June 30, 1998, 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 financial statements of the Davidson County Metropolitan Community Services Agency.

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

October 29, 1998

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

Dear Mr. Snodgrass:

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, 1998, and have issued our report thereon dated October 29, 1998. We conducted our audit in accordance with generally accepted government auditing standards.

Compliance

As part of obtaining reasonable assurance about whether the agency's financial statements are free of material misstatement, we performed tests of the agency'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*.

We did, however, note certain other less significant instances of noncompliance that we have reported to the agency's management in a separate letter.

The Honorable W. R. Snodgrass  
October 29, 1998  
Page Two

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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.

However, we noted other matters involving the internal control over financial reporting that we have reported to the agency's management in a separate letter.

This report is intended for the information of the General Assembly of the State of Tennessee 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/sdr

## **Independent Auditor's Report**

October 29, 1998

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

Dear Mr. Snodgrass:

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, 1998, and June 30, 1997, 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 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.

The Honorable W. R. Snodgrass  
October 29, 1998  
Page Two

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, 1998, and June 30, 1997, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 1998, 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, contracts, and grants.

Sincerely,

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

AAH/sdr

DAVIDSON COUNTY METROPOLITAN  
COMMUNITY SERVICES AGENCY  
BALANCE SHEETS  
JUNE 30, 1998, AND JUNE 30, 1997

	<u>June 30, 1998</u>	<u>June 30, 1997</u>
<u>Assets</u>		
Cash (Note 2)	\$ 2,122,151.66	\$ 320,556.41
Due from primary government (Note 3)	<u>51,043.69</u>	<u>325,758.65</u>
Total assets	<u>\$ 2,173,195.35</u>	<u>\$ 646,315.06</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>2,044,146.46</u>	<u>574,258.11</u>
Total liabilities	<u>2,083,464.04</u>	<u>613,575.69</u>
Fund balance:		
Unreserved	<u>89,731.31</u>	<u>32,739.37</u>
Total liabilities and fund balance	<u>\$ 2,173,195.35</u>	<u>\$ 646,315.06</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 BALANCES  
FOR THE YEARS ENDED JUNE 30, 1998, AND JUNE 30, 1997

	For the Year Ended <u>June 30, 1998</u>	For the Year Ended <u>June 30, 1997</u>
<u>Revenues</u>		
State grants and contracts	\$ 2,662,090.57	\$ 2,849,941.50
Interest	<u>62,086.99</u>	<u>30,454.91</u>
Total revenues	<u>2,724,177.56</u>	<u>2,880,396.41</u>
<u>Expenditures</u>		
Grants and awards	<u>2,667,185.62</u>	<u>2,883,391.50</u>
Total expenditures	<u>2,667,185.62</u>	<u>2,883,391.50</u>
Excess (deficit) of revenues over (under) expenditures	<u>56,991.94</u>	<u>(2,995.09)</u>
Fund balance, July 1	<u>32,739.37</u>	<u>35,734.46</u>
Fund balance, June 30	\$ <u><u>89,731.31</u></u>	\$ <u><u>32,739.37</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, 1998, and June 30, 1997**

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

**Reporting Entity**

In May 1996, the Tennessee General Assembly replaced the community health agency (CHA) with the community services agency (CSA). Although the agency's mission changed from providing health care services to indigent citizens in the state to coordinating care for children and other citizens in the state, CHA employees, financial assets and obligations, and fund balances now belong to the CSA. The Davidson County Metropolitan CSA works in conjunction with the Tennessee Department of Children's Services and the Metropolitan Government of Nashville to coordinate "funds or programs designated for care of children and other citizens in the state."

The legislation did not affect factors considered in determining reporting status. 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 CSA is financially accountable to the state because the state 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 CSA 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 fund 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

**Davidson County Metropolitan Community Services Agency**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 1998, and June 30, 1997**

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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.

**NOTE 2. DEPOSITS**

At June 30, 1998, and June 30, 1997, the agency had deposits in the Tennessee Local Government Investment Pool administered by the State Treasurer of \$2,122,151.66 and \$320,556.41, respectively.

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

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>

June 30, 1997

Due From:	
Department of Children's Services—program funds	<u>\$325,758.65</u>

Due To:	
Department of Health—program funds	<u>\$39,317.58</u>

**Davidson County Metropolitan Community Services Agency**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 1998, and June 30, 1997**

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**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**

Michael Miller, Acting Executive Director

#### **BOARD OF DIRECTORS**

##### Board Officers

Dr. Alma Clayton-Pederson, Chair

##### Other Members of the Board of Directors

Dr. Sam Okpaka  
Judge Andrew Shookhoff  
Dr. G. Helen Brown  
Chief Charles Smith  
Mr. Chris Ferrell  
Mr. Craig Jenkins  
Dr. Ann Hutcheson Price  
Mr. Arthur J. Rebrovick, Jr.  
Ms. Carla Fenswick  
Ms. Charita M. Upkins  
Dr. Maria E. Frexes-Steed  
Ms. Susan Steppe