

Anderson County Board of Commissioners

**Audit Committee  
Minutes**

**April 25, 2019**

**3:00 p.m. in room 118A**

**Members Present:** Steve Mead, Bob Smallridge, Catherine Denenberg and Joshua Anderson

**Members Absent:** Chuck Fritts, Gail Cook, and Theresa Scott

**Call to Order:** The meeting was called to order by Chairman Steve Mead.

**2018 Fiscal Year Audit Finding 2018-001**

Motion was made by Commissioner Smallridge to recommend that we go with the Finance Director's recommendation to forgive EMS's current debt. Motion was seconded by Catherine Denenberg. Motion passed.

Commissioner Denenberg made a motion to recommend to full commission to approve the complete adoption of the corrective action plan submitted on page 312 of the audit finding 2018-001. Motion was seconded by Commissioner Anderson. Motion passed unanimously with the members present.

**Discussion with State Auditor(s) from the Comptroller's Office**

Audit team believes that the current audit finding has been addressed. The Committee discussed the need to find a long-term solution to address the funding to prevent future operating deficits. No action taken.

**New Business**

Mayor Frank asked the auditor's a question regarding the material weakness identified for the finding.

**Adjournment**

Upon motion made by Commissioner Denenberg, meeting was adjourned.

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**ANDERSON COUNTY, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2018**

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**PART I, SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements:**

1. Our report on the financial statements of Anderson County is unmodified.
2. Internal Control Over Financial Reporting:
  - \* Material weakness identified? YES
  - \* Significant deficiency identified? NO
3. Noncompliance material to the financial statements noted? NO

**Federal Awards:**

4. Internal Control Over Major Federal Programs:
  - \* Material weakness identified? NO
  - \* Significant deficiency identified? NONE REPORTED
5. Type of report auditor issued on compliance for major programs. UNMODIFIED
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? NO
7. Identification of Major Federal Programs:
  - \* CFDA Number 84.010 Title I Grants to Local Education Agencies
  - \* CFDA Numbers: 84.027 and 84.173 Special Education Cluster: Special Education - Grants to States and Special Education - Preschool Grants
8. Dollar threshold used to distinguish between Type A and Type B Programs. \$750,000
9. Auditee qualified as low-risk auditee? YES

## PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

A finding and recommendation a result of our audit, are presented below. We reviewed this finding and recommendation with management to provide an opportunity for their response. Written responses for all findings are paraphrased and presented following each finding and recommendation. Management's corrective action plans, whether related to the financial statements or federal awards, are presented separately in the Management's Corrective Action Plan in the Single Audit Section of this report. Findings relating specifically to the audit of federal awards, if any, are separately presented under Part III, Findings and Questioned Costs for Federal Awards.

### OFFICES OF COUNTY MAYOR AND FINANCE DIRECTOR

#### FINDING 2018-001

**THE AMBULANCE SERVICE FUND HAD A DEFICIT IN UNASSIGNED FUND BALANCE AT JUNE 30, 2018**  
(Internal Control – Material Weakness Under *Government Auditing Standards*)

The Ambulance Service Fund (special revenue fund) had a deficit in unassigned fund balance of \$612,529 at June 30, 2018. At the time the county converted the enterprise fund to a special revenue fund, the special revenue fund opened with a deficit of \$523,947 (current financial resources were exceeded by liabilities payable from current financial resources by that amount). This conversion required the recognition of a transfer of funds from the special revenue fund to the enterprise fund and resulted in expenditures and other uses exceeding available funds in the Ambulance Service Fund (special revenue fund).

Operating expenses exceeded operating revenues in the enterprise fund during the prior three fiscal years. These operating deficits in the enterprise fund existed due to the failure of county officials to provide adequate funding to support operations of the Ambulance Service and resulted in the deficit of current financial resources discussed above.

The deficit in the special revenue fund grew from \$523,947 at July 1, 2017, to \$612,529 at June 30, 2018. This was due in part to actual revenues of the fund being more than \$288,000 below budget estimates. It should also be noted that at the time of the conversion, the Ambulance Service Fund owed other funds of the county over \$1.1 million, which it had been unable to repay. The amount due to other funds at June 30, 2018, remained in excess of \$1.1 million.

The failure to provide sufficient funding to support operations of the Ambulance Service was also confirmed by an operational and financial performance audit obtained by the county for the Ambulance Service operations. As of the date of this report, the deficit has not been liquidated.

#### RECOMMENDATION

Adequate funding should be provided to eliminate the deficit in unassigned fund balance. To prevent future operating deficits, county officials should provide sufficient funding to support operations, and/or implement options presented in the operational and financial performance audit.

MANAGEMENT'S RESPONSE – COUNTY MAYOR AND FINANCE DIRECTOR

Management concurs with this finding. County officials have increased funding to support operations of the Ambulance Service Fund. The increased funding has been a combination of rate increases and an allocation of a portion of the property tax levy. County officials are actively evaluating the findings from the operational and financial performance audit and implementing options on the delivery of service.

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**PART III, FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

There were no findings and questioned costs related to federal awards for the year ended June 30, 2018.

Anderson County, Tennessee  
Management's Corrective Action Plan  
For the Year Ended June 30, 2018

We reviewed the financial statement and federal award findings and recommendations with management to provide an opportunity for their response as required by the auditee requirements within Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Management's corrective action plans for all financial statement findings and federal award findings are presented in this section and have been indexed below. The corrective action plans were prepared by management and have been presented as they were submitted.

Finding Number	Title of Finding	Corrective Action Plan Page Number
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OFFICES OF COUNTY MAYOR AND FINANCE DIRECTOR

2018-001	The Ambulance Service had a Deficit in Unassigned Fund Balance at June 30, 2018	312
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 CLINTON, TN 37716-3625

**Natalie Erb, CPA, CTP**  
 Finance Director



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**Corrective Action Plan**

**FINDING: 2018-001 THE AMBULANCE SERVICE FUND HAD A DEFICIT IN UNASSIGNED FUND BALANCE AT JUNE 30, 2018**

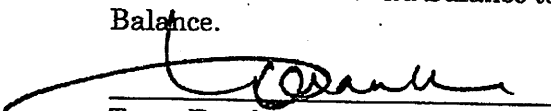
**Response and Corrective Action Plan Prepared by:**  
 Terry Frank, Mayor, Anderson County, Tennessee  
 Natalie Erb, Director of Finance, Anderson County, Tennessee

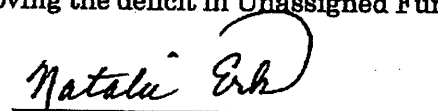
**Person Responsible for Implementing the Corrective Action:**  
 Terry Frank, Mayor, Anderson County, Tennessee  
 Natalie Erb, Director of Finance, Anderson County, Tennessee

**Anticipated Completion Date of Corrective Action:**  
 June 30, 2019

**Repeat Finding:**  
 No

**Planned Corrective Action:**  
 Management will recommend to the County Legislative Board that the County forgive the Ambulance Service Fund the amount Due to Other Funds (General Fund). The amount of the Ambulance Service Fund's Liability due to the General Fund is \$1,026,786.70. The approval to forgive the Ambulance Service Fund this amount will write-off the Liability and increase the Total Fund Balance to \$414,258. Thus, removing the deficit in Unassigned Fund Balance.

  
 Terry Frank  
 Mayor of Anderson County

  
 Natalie Erb, CPA, CTP  
 Director of Finance