

Knoxville
Knox County
Metropolitan
Planning
Commission

Annual Financial Report

June 30, 2002

KNOXVILLE-KNOX COUNTY
M P C
METROPOLITAN
PLANNING
COMMISSION
TENNESSEE

KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION
ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS
June 30, 2002

	<u>Page</u>
<u>Introductory Section</u>	
Commission Members.....	1
<u>General Purpose Financial Statements</u>	
Report of Independent Auditors.....	2
Combined Balance Sheet.....	3
Statement of Revenues, Expenditures, and Changes in Fund Balance-General Fund.....	4
Notes to the Financial Statements.....	5-10
<u>Supplementary Section</u>	
Schedule of General Fund Expenditures.....	11
<u>Internal Control and Compliance Section</u>	
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	12
<u>Single Audit Section</u>	
Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	13-14
Schedule of Findings and Questioned Costs.....	15-16
Schedule of Expenditures of Federal Awards.....	17-18

INTRODUCTORY

SECTION

KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION

LISTING OF COMMISSION MEMBERS (UNAUDITED)
June 30, 2002

	Expiration of <u>Term</u>
Nominated by the Mayor of the City of Knoxville	
Ms. Susan Brown, Vice Chair	2003
Mr. Herbert Donaldson, Sr.	2004
Mr. Richard Graf	2005
Ms. Jennifer Martella	2005
Ms. Jean Teague	2003
Ms. Patsy Vittetoe	2003
Mr. David Wolf	2004
Nominated by the Knox County Executive	
Mr. Rusty Baksa	2003
Mr. Trey Benefield	2006
Ms. Mamosa Foster	2004
Mr. Philip French, Chairman	2006
Mr. Stephen Lewis	2004
Mr. C. Randy Massey	2006
Ms. Mary Parker Slack	2005
Mr. R. Larry Smith	2005

GENERAL PURPOSE
FINANCIAL STATEMENTS



REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Knoxville/ Knox County Metropolitan Planning Commission
Knoxville, Tennessee

We have audited the accompanying general-purpose financial statements of the Knoxville/ Knox County Metropolitan Planning Commission, as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Commission'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 auditing standards generally accepted in the United States of America 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 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 the 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 general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Knoxville/ Knox County Metropolitan Planning Commission, as of June 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2002, on our consideration of the Knoxville/ Knox County Metropolitan Planning Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The supplementary financial information presented in the introductory and supplementary sections of the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Knoxville/ Knox County Metropolitan Planning Commission. Such information has not been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, accordingly, we express no opinion on it.

Cherry, Bekaert & Holland, L.L.P.

Knoxville, Tennessee
November 25, 2002

**Knoxville/Knox County Metropolitan Planning Commission
 Combined Balance Sheet - All Fund Types and Account Groups
 June 30, 2002
 (With Comparative Totals for June 30, 2001)**

	Governmental Fund	Account Groups		Totals (Memorandum Only)	
	General	General Fixed Assets	General Long-Term Debt	2002	2001
Assets					
Cash and Cash Equivalents	\$ 351,226	\$ -	\$ -	\$ 351,226	\$ 228,555
Restricted Cash - TTCDA	6,935	-	-	6,935	6,935
Accounts Receivable:					188,325
Due from Other Governments	-	-	-	472,975	451,475
Grants Receivable	472,975	-	-	2,108	3,312
Other	2,108	-	-	299,834	696,288
Property, Plant and Equipment	-	299,834	-	12,168	11,159
Prepaid Expenses	12,168	-	-	-	-
Amount to be Provided for Retirement of Capital Lease	-	-	8,314	8,314	11,984
Total Assets	\$ 845,412	\$ 299,834	\$ 8,314	\$ 1,153,560	\$ 1,598,033
Liabilities and Fund Equity					
Liabilities:					
Accounts Payable	\$ 166,805	\$ -	\$ -	\$ 166,805	\$ 187,372
Retainage Payable	19,575	-	-	19,575	58,007
Customer Deposits	-	-	-	-	500
Accrued Payroll	76,959	-	-	76,959	-
Compensated Absences Payable	157,016	-	-	157,016	154,178
Deferred Revenue	34,186	-	-	34,186	77,063
Capital Lease Obligation	-	-	8,314	8,314	11,984
Due to Others	6,935	-	-	6,935	6,935
Total Liabilities	461,476	-	8,314	469,790	496,039
Fund Equity and Other Credits:					
Investment in General Fixed Assets	-	299,834	-	299,834	696,288
Fund Balances:					
Reserved	53,698	-	-	53,698	97,319
Undesignated, Unreserved	330,238	-	-	330,238	308,387
Total Equity and Other Credits	383,936	299,834	-	683,770	1,101,994
Total Liabilities and Fund Equity	\$ 845,412	\$ 299,834	\$ 8,314	\$ 1,153,560	\$ 1,598,033

The accompanying notes are an integral part of these financial statements.

Knoxville/Knox County Metropolitan Planning Commission
Statement of Revenues/Expenditures and Changes in Fund Balance - General Fund
For the Fiscal Year Ended June 30, 2002
(With Comparative Amounts for the Fiscal Year Ended June 30, 2001)

	Budget	Actual	Variance Favorable (Unfavorable)	2001 Actual
Revenues:				
Fees and Charges	\$ 360,000	\$ 351,003	\$ (8,997)	\$ 349,704
Federal Government Grants	881,613	742,232	(139,381)	603,170
State of Tennessee Grants	7,110	10,514	3,404	5,000
RTAS Project Grants	290,978	99,180	(191,798)	449,574
Local Grant Match	116,370	116,370	-	75,502
City of Knoxville	729,100	730,100	1,000	729,100
Knox County	709,660	709,660	-	682,600
In-Kind Contributions	185,000	105,242	(79,758)	178,057
Total revenues	3,279,831	2,864,301	(415,530)	3,072,707
Expenditures:				
Salaries and Employee Benefits	1,980,593	1,927,162	53,431	1,828,040
Contracted Services	1,091,710	739,112	352,598	917,384
Supplies and Materials	78,288	67,675	10,613	84,769
Other Charges	201,110	120,507	80,603	189,857
Capital Outlay	35,200	31,615	3,585	52,425
Total expenditures	3,386,901	2,886,071	500,830	3,072,475
Revenues over (under) expenditures	(107,070)	(21,770)	85,300	232
Fund Balance, July 1	405,706	405,706	-	405,474
Fund Balance, June 30	\$ 298,636	\$ 383,936	\$ 85,300	\$ 405,706

The accompanying notes are an integral part of these financial statements.

KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Knoxville/Knox County Metropolitan Planning Commission (the Commission), was formed in 1956. The Commission, which is funded as a joint venture between the City of Knoxville and Knox County, is a regional planning commission established by the Tennessee Department of Economic and Community Development pursuant to the provisions of the Tennessee Code Annotated, Section 13-3-102. The Commission's Board is composed of fifteen members serving four-year terms, eight of whom are nominated by the Knox County Executive and the remaining seven are nominated by the Mayor of the City of Knoxville. The Local Planning Division of the Tennessee Department of Economic and Community Development approves the nominations. The participating governments have an ongoing financial responsibility to the Commission, but do not have any equity interest in the joint venture.

The Commission's financial statements include the accounts of all Commission operations.

B. BASIS OF ACCOUNTING AND PRESENTATION

1. Basis of Accounting

The General Fund is accounted for using the modified accrual basis of accounting. The revenues and related assets are recognized when they become measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

The general fund is accounted for on a current flow of financial resources as the measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The general fund balance (net current assets) is considered a measure of "available spendable resources." The operating statement of the general fund presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Because of its spending measurement focus, expenditure recognition for the general fund excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as general fund expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

2. Fund Accounting

The accounts of the Commission are organized on the basis of funds and account groups. The funds are independent accounting entities with their own self-balancing accounts that comprise their assets, liabilities, fund balances, revenues, and expenditures. Account groups are financial reporting devices that account for certain assets and liabilities not recorded directly in a fund. Resources are accounted for in individual funds based upon the purposes for which they are to be spent and the restrictions, if any, on the spending activities. The Commission uses the following generic fund types in its activities:

KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

Governmental Fund Type

General Fund - The general fund of the Commission, accounts for all financial resources of the Commission that are not required to be accounted for in a separate account group or fund.

Account Groups

General Fixed Asset Account Group - An account group is used to establish accounting control and accountability for the Commission's general fixed assets. Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group rather than in governmental funds.

General Long-Term Debt Account Group - An account group is used to establish an account for all long-term debt obligations. This account currently consists only of the Commission's liability for a capital lease obligation.

3. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

4. Sources of Revenue

The Commission receives funding from Knox County, the City of Knoxville, the State of Tennessee, the Federal government, private grants and fees.

C. BUDGETS AND BUDGETARY ACCOUNTING

The Commission's annual budget is prepared using the modified accrual basis of accounting for the fiscal year ending June 30.

The Commission's primary funding source is federal, state, and local grants which have a grant period that may or may not coincide with the fiscal year. These grants normally are for a twelve-month period; however, they can be awarded for periods shorter or longer than twelve months.

Because of the Commission's dependency on federal, state, and local budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding.

The annual budget is subject to constant change within the fiscal year due to:

- Increases/decreases in actual grant awards from those estimated.
- Changes in grant periods.
- Unanticipated grant awards not included in the budget.

The full Commission formally approves the annual budget at a summary level and emphasis is also placed on complying with the grant budget, terms and conditions on a grant-by-grant basis. These terms and conditions usually specify the period during which costs may be incurred and outline budget restrictions or allowances.

KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

D. CASH AND CASH EQUIVALENTS

The Commission's Cash and Cash Equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

E. COMPENSATED ABSENCES

Commission employees are granted vacation and sick leave based on years of service. In the event of termination, an employee is paid only for accumulated vacation leave.

F. COMPARATIVE DATA

Summaries of comparative data for the prior year have been presented in the accompanying supplementary information to provide an understanding of changes in the Commission's financial position and operations.

G. TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

H. FIXED ASSETS AND LONG-TERM LIABILITIES

Fixed assets (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in the general fund. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from the general fund are accounted for in the General Long-Term Debt Account Group.

The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

I. FUND BALANCE

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change and are available for appropriation at the discretion of management.

J. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS
 June 30, 2002

NOTE 2: CASH AND CASH EQUIVALENTS

The bank collateral pool administered by the Treasurer of the State of Tennessee covered the Commission's cash and cash equivalents, pooled and managed by the Trustee of Knox County, at June 30, 2002. Banks participating in the collateral pool determine the aggregate balance of their public fund accounts for the Commission. The amount of collateral required to secure these deposits must equal between 90 – 115 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be entirely insured or collateralized.

On February 18, 1999, the Commission entered into a contract with the Tennessee Technology Corridor Development Authority (TTCDA) whereby the Commission agreed to provide Executive Director services, office space, and clerical support to TTCDA. In return, the Commission receives TTCDA fees and an additional allocation from Knox County. TTCDA transferred \$8,606 to the Commission to be used for specific purposes (such as equipment purchases) as approved by the TTCDA board. As of June 30, 2002, \$6,935 of the balance transferred remained and is reflected in the financial statements as restricted cash and due to others.

NOTE 3: RETIREMENT PLANS

Employees of the Commission are allowed to individually participate in the Knox County defined contribution plan ("asset accumulation" plan). The plan covers substantially all full-time employees under the age of 65. Plan benefits depend solely on amounts contributed to the plan plus investment earnings. Commission employees are eligible to participate from their initial employment date. Employees may contribute up to 15% of their gross wages and the Commission will match these contributions up to 6% of gross wages. All employees who work at least 18 hours a week are required to contribute a minimum of 6% of compensation. The Commission's contributions to the plan on behalf of employees vest at twenty percent per year and are fully vested after five years. Employee and employer contributions were approximately \$103,000 and \$92,000, respectively, for the year ended June 30, 2002. A description of the significant accounting policies used in the plan are described in the *Knox County Comprehensive Annual Financial Report (CAFR)* for the fiscal year ended June 30, 2002.

NOTE 4: GENERAL FIXED ASSETS

The following is a summary of changes in general fixed assets for the year ended June 30, 2002:

	Furniture & Fixtures	Computers & Equipment	Vehicles	Totals
General Fixed Assets July 1, 2001	\$121,064	\$519,004	\$56,220	\$696,288
Write-Offs under \$5,000 (Change in capitalization policy)	(87,989)	(196,747)	-	(284,736)
Additions	(575)	(101,143)	(10,000)	(111,718)
Deletions	-	-	-	-
General Fixed Assets June 30, 2002	\$32,500	\$221,114	\$46,220	\$299,834

Assets held under capital lease had a carrying value of \$18,410 at June 30, 2002.

KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS
 June 30, 2002

In fiscal year 2002, the Commission increased its capitalization threshold for fixed assets from \$1,000 to \$5,000 as a change in accounting principle. As a result, the Commission's fixed assets reported in the General Fixed Asset Account Group decreased by \$284,736.

NOTE 5: GENERAL LONG-TERM DEBT

Beginning June 1, 1999, the Commission entered into a capital lease obligation for a copy machine. Terms of this lease agreement specify total lease payments of \$24,282, which includes monthly maintenance charges. The current monthly payment is \$413.

The general long-term debt account group transactions are summarized as follows:

	Balance July 1, 2001	Additions	Payments/ Reductions	Balance June 30, 2002
Amount to be provided for capitalized leases	<u>\$11,984</u>	<u>\$ --</u>	<u>\$(3,670)</u>	<u>\$8,314</u>
Long-term debt payable – Capitalized lease obligation	<u>\$11,984</u>	<u>\$ --</u>	<u>\$(3,670)</u>	<u>\$8,314</u>

Future minimum lease payments are summarized as follows:

Fiscal Year Ending June 30:	Principal	Interest	Totals
2003	4,115	744	4,859
2004	4,199	245	4,444
<u>Totals</u>	<u>\$8,314</u>	<u>\$989</u>	<u>\$9,303</u>

NOTE 6: IN-KIND AND CONTRIBUTED SERVICE

The City of Knoxville and Knox County provide space within the City/County Building to the Commission at no cost to the Commission. The value of space provided during the year ended June 30, 2001, was estimated to be \$178,057. The building was paid off during the year and the actual cost was recalculated to be \$105,242 based on a decreased rate from \$14.38/foot to \$8.72/foot for the 12,069 square footage provided. Knox County provides various administrative and internal service functions to the Commission at no cost to the Commission. Since the value of such services has not been determined, no income or related expenses have been included in these financial statements.

NOTE 7: RISK MANAGEMENT

The Commission is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission maintains auto liability and worker's compensation insurance through a public entity risk pool operated as a risk-sharing program by the Tennessee Municipal League (TML). This pool is sustained by member premiums. The Commission's premium expenditures for FY 2002 amounted to \$9,210. Because the TML pool has excess aggregated and individual claim loss insurance coverage, management considers any related risk to be insignificant. There were no settlements in excess of insurance coverage in the past three fiscal years.

KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 8: ECONOMIC CONCENTRATION

The City of Knoxville and Knox County, Tennessee provided funding of \$1,439,760 which was 50% of the Commission's revenues and in-kind contributions for the year ended June 30, 2002.

NOTE 9: FUND BALANCE

The amount that is reported on the combined balance sheet as reserved fund balance at June 30, 2002 is comprised of the following:

Appropriations	\$41,121
Prepaid Items	12,168
Encumbrances	<u>409</u>
Total	<u>\$53,698</u>

SUPPLEMENTARY

SECTION

Knoxville/Knox County Metropolitan Planning Commission
Schedule of General Fund Expenditures (Unaudited)
For the Fiscal Year Ended June 30, 2002
(With Comparative Amounts for the Fiscal Year Ended June 30, 2001)

Expenditure Type	Budget	Actual	Variance Favorable (Unfavorable)	2001 Actual
Salaries and Employee Benefits	\$ 1,980,593	\$ 1,927,162	\$ 53,431	\$ 1,828,040
Advertising	900	489	411	1,410
Audit Services	7,600	7,570	30	7,350
Communications	20,000	21,331	(1,331)	18,376
Consultants	863,970	528,329	335,641	714,274
Contracts With Other Agencies	3,195	3,980	(785)	1,357
Dues and Memberships	6,700	6,689	11	5,864
Evaluation and Testing	700	680	20	-
Freight	800	714	86	711
Janitorial Services	-	-	-	53
Operating Lease Payments	5,000	4,499	501	4,882
Legal Services	34,000	34,000	-	33,180
Legal Notices and Recordings	25,000	23,070	1,930	25,447
Licenses	1,000	995	5	20
Maintenance Agreements	32,420	31,776	644	32,295
Maintenance and Repair	5,500	6,127	(627)	2,689
Postage	19,000	17,909	1,091	16,069
Printing	25,265	16,395	8,870	17,062
Usage Charges	15,000	12,780	2,220	14,627
Rental	200	145	55	-
Travel and Tuition	25,460	21,634	3,826	21,718
Data Processing Supplies	8,000	7,993	7	8,131
Duplicating Supplies	9,500	9,667	(167)	11,752
Equipment Parts - Light	-	21	(21)	40
Food Supplies	13,850	9,344	4,506	13,335
Gasoline	2,500	2,213	287	2,371
Books and Periodicals	5,800	6,071	(271)	6,484
Office Supplies	11,325	10,200	1,125	8,432
Signage	5,200	4,471	729	5,337
Tires and Tubes	250	179	71	214
Uniforms	1,000	971	29	44
Software	6,300	4,149	2,151	5,492
Small Equipment	14,563	12,396	2,167	23,137
Vehicle and Other Insurance	2,600	1,563	1,037	1,474
Trustee Commission	3,800	3,461	339	3,363
Workman's Comp	8,800	9,888	(1,088)	6,903
Space Costs	185,910	105,595	80,315	178,117
Data Processing Equipment	35,200	31,615	3,585	31,994
Motor Vehicles	-	-	-	20,431
Total Expenditures	\$ 3,386,901	\$ 2,886,071	\$ 500,830	\$ 3,072,475

INTERNAL CONTROL
AND
COMPLIANCE SECTION



***REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS***

The Board of Directors
Knoxville/ Knox County Metropolitan Planning Commission
Knoxville, Tennessee

We have audited the general-purpose financial statements of the Knoxville/ Knox County Metropolitan Planning Commission as of and for the year ended June 30, 2002, and have issued our report thereon dated November 25, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission'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 board of directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekaert & Holland, L.L.P.

Knoxville, Tennessee
November 25, 2002

SINGLE AUDIT

SECTION



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Directors
Knoxville/ Knox County Metropolitan Planning Commission
Knoxville, Tennessee

Compliance

We have audited the compliance of the Knoxville/ Knox County Metropolitan Planning Commission with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, that are applicable to its major federal program for the year ended June 30, 2002. The Commission's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Commission's compliance with those requirements.

In our opinion, the Knoxville/ Knox County Metropolitan Planning Commission, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the Knoxville/ Knox County Metropolitan Planning Commission, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control system that might be a material weakness. 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the general-purpose financial statements of the Knoxville/ Knox County Metropolitan Planning Commission, as of and for the year ended June 30, 2002, and have issued our report thereon dated November 25, 2002.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Behaert & Holland, L.L.P.

Knoxville, Tennessee
November 25, 2002

KNOXVILLE/ KNOX COUNTY METROPOLITAN PLANNING COMMISSION

Schedule of Findings and Questioned Costs
Year Ended June 30, 2002

I. Summary of Auditor's Results:

- A. An unqualified opinion was issued on the general-purpose financial statements of the Knoxville/ Knox County Metropolitan Planning Commission.
- B. The audit of the general-purpose financial statements disclosed no material weaknesses in internal controls.
- C. The audit of the financial statements disclosed no instances of noncompliance with laws, regulations and the provisions of contracts and grant agreements that were material to the general-purpose financial statements.
- D. The audit of compliance with the types of compliance requirements applicable to the Knoxville/ Knox County Metropolitan Planning Commission's major programs disclosed no material weaknesses in internal controls over major programs.
- E. There were no audit findings relative to the major federal award program for the Knoxville/ Knox County Metropolitan Planning Commission.
- F. An unqualified opinion was issued on the Knoxville/ Knox County Metropolitan Planning Commission's compliance with the types of compliance requirements applicable to its major federal program.
- G. The major federal program for the Knoxville/ Knox County Metropolitan Planning Commission for the fiscal year ended June 30, 2002 is:

<u>Program Name</u>	<u>CFDA#</u>
Highway Planning and Construction	20.205

- H. The threshold for determining type A and B programs for the Knoxville/ Knox County Metropolitan Planning Commission is \$300,000.
- I. The Knoxville/ Knox County Metropolitan Planning Commission did not qualify as a low risk auditee under Section .530 of Circular No. A-133.

KNOXVILLE / KNOX COUNTY METROPOLITAN PLANNING COMMISSION

Schedule of Findings and Questioned Costs
Year Ended June 30, 2002

II. Findings related to the audit of the financial statements of the Knoxville / Knox County Metropolitan Planning Commission:

None

III. Findings and questioned costs related to the audit of Federal awards:

None

IV. Status of Prior Year Findings:

Finding 01-1

A physical inventory was not taken within the two year time period as required for fixed assets obtained with federal funds for fiscal year ended June 30, 2001.

Status

The Commission conducted a physical inventory of fixed assets during the fiscal year ended June 30, 2002 as part of its implementation plan for GASB Statement No. 34.

**Knoxville/Knox County Metropolitan Planning Commission
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2002**

Program Name	State Contract Number	Expenditures
<u>INDIRECT FEDERAL FINANCIAL ASSISTANCE</u>		
Major Program:		
Highway Planning and Construction (FHWA)	* FHWA Project No. SPR-PL-1(39) TDOT Project No. 47953-1035-54 CFDA 20.205	\$ 292,153
Highway Planning and Construction (FHWA)	* F&A Contract No. Z-01-000787-00 FHWA Project No. SPR-PL-1(38) TDOT Project No. 47953-1026-54 CFDA 20.205	70,764
Planning and Analysis of CMAQ Program / Project Greenlight (CMAQ)	* TDOT Project No. 47-952-1644-54 CM-STP-9109 (21) CFDA 20.205	15,205
Regional Transportation Alternatives Study (RTAC)	FHWA Agreement No. DTFH71-99-X-00017 CFDA 20.205	94,940
Regional Transportation Alternatives Study (Cades Cove)	NPS Cooperative Agreement No. 1443-CA-5460-AO-012 CFDA 20.205	205,537
Total Major Program		\$ 678,599
Non-major Program:		
Federal Transit Technical Studies Grants (FTA)	* TDOT Project No. 47-901-9627-04 F&A Contract No. GG-02-09432-00 FTA Grant No. TN-80-X009 CFDA 20.505	52,430
Federal Transit Technical Studies Grants (FTA)	* TDOT Project No. 47-901-9619-04 F&A Contract No. GG-01-09003-00 FTA Grant No. TN-80-X009 CFDA 20.505	14,803
Tennessee Historical Commission	Contract No. GG-01-08793-00 RFS No. 327-04-046 CFDA 15.904	10,514
KAT Action Plan 2010	Contract No. GG-02-09278-00 Project No. 47-901-9623-04 CFDA 20.ukn	97,079
KAT Action Plan 2010	CM-STP-9109(71) Project No. 3003 CFDA 20.ukn	66,633
Total Non-major Program		\$ 241,459
Total Indirect Federal Financial Assistance		\$ 920,058

* Starred grants listed above are grants from the U.S. Department of Transportation passed through the TN Department of Transportation.

KNOXVILLE/ KNOX COUNTY METROPOLITAN PLANNING COMMISSION

Note to the Schedule of Expenditures of Federal Awards
For the year ended June 30, 2002

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Knoxville/ Knox County Metropolitan Planning Commission and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.