

Knoxville  
Knox County  
Metropolitan  
Planning  
Commission

# Annual Financial Report

June 30, 2003

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T E N N E S S E E

KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION  
ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS  
June 30, 2003

	<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 and State Awards .....	17-18

INTRODUCTORY

SECTION

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KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION

LISTING OF COMMISSION MEMBERS (UNAUDITED)  
June 30, 2003

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	<b>Expiration of <u>Term</u></b>
<b>Nominated by the Mayor of the City of Knoxville</b>	
Ms. Susan Brown, Chairman	2007
Mr. Herbert Donaldson, Sr.	2004
Mr. Richard Graf, Vice Chair	2005
Mr. Mark Jendrek	2005
Ms. Jean Teague	2003
Ms. Patsy Vittetoe	2003
Mr. David Wolf	2004
 <b>Nominated by the Mayor of Knox County</b>	
Mr. Trey Benefield	2006
Mr. Ray Evans	2007
Ms. Mamosa Foster	2004
Mr. Philip French	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, 2003, 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, 2003, 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 December 15, 2003, 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  
December 15, 2003

**Knoxville/Knox County Metropolitan Planning Commission  
 Combined Balance Sheet - All Fund Types and Account Groups  
 June 30, 2003  
 (With Comparative Totals for June 30, 2002)**

<u>Assets</u>	Governmental Fund	Account Groups		Totals (Memorandum Only)	
	General	General Fixed Assets	General Long-Term Debt	2003	2002
Cash and Cash Equivalents	\$ 370,617	\$ -	\$ -	\$ 370,617	\$ 351,226
Restricted Cash - TTCDA	6,935	-	-	6,935	6,935
Accounts Receivable:					
Grants Receivable	436,358	-	-	436,358	472,975
Other	82	-	-	82	2,108
Property, Plant and Equipment	-	309,018	-	309,018	299,834
Prepaid Expenses	15,928	-	-	15,928	12,168
Amount to be Provided for Retirement of Capital Lease	-	-	4,199	4,199	8,314
<b>Total Assets</b>	<b>\$ 829,920</b>	<b>\$ 309,018</b>	<b>\$ 4,199</b>	<b>\$ 1,143,137</b>	<b>\$ 1,153,560</b>
<b><u>Liabilities and Fund Equity</u></b>					
Liabilities:					
Accounts Payable	\$ 137,231	\$ -	\$ -	\$ 137,231	\$ 166,805
Retainage Payable	54,286	-	-	54,286	19,575
Accrued Payroll	7,098	-	-	7,098	76,959
Compensated Absences Payable	169,634	-	-	169,634	157,016
Deferred Revenue	20,636	-	-	20,636	34,186
Capital Lease Obligation	-	-	4,199	4,199	8,314
Due to Others	6,935	-	-	6,935	6,935
<b>Total Liabilities</b>	<b>395,820</b>	<b>-</b>	<b>4,199</b>	<b>400,019</b>	<b>469,790</b>
Fund Equity and Other Credits:					
Investment in General Fixed Assets	-	309,018	-	309,018	299,834
Fund Balances:					
Reserved	43,815	-	-	43,815	53,698
Undesignated, Unreserved	390,285	-	-	390,285	330,238
<b>Total Equity and Other Credits</b>	<b>434,100</b>	<b>309,018</b>	<b>-</b>	<b>743,118</b>	<b>683,770</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 829,920</b>	<b>\$ 309,018</b>	<b>\$ 4,199</b>	<b>\$ 1,143,137</b>	<b>\$ 1,153,560</b>

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, 2003**  
(With Comparative Amounts for the Fiscal Year Ended June 30, 2002)

	Budget	Actual	Variance Favorable (Unfavorable)	2002 Actual
<b>Revenues:</b>				
Fees and Charges	\$ 391,550	\$ 377,370	\$ (14,180)	\$ 351,003
Federal Government Grants	318,400	320,028	1,628	742,232
State of Tennessee Grants	511,400	505,451	(5,949)	10,514
RTAS Project Grants	-	-	-	99,180
Local Grant Match	98,200	91,874	(6,326)	116,370
City of Knoxville	751,100	751,100	-	730,100
Knox County	741,325	741,325	-	709,660
In-Kind Contributions	105,000	114,415	9,415	105,242
<b>Total revenues</b>	<b>2,916,975</b>	<b>2,901,563</b>	<b>(15,412)</b>	<b>2,864,301</b>
<b>Expenditures:</b>				
Salaries and Employee Benefits	2,058,072	1,972,545	85,527	1,927,162
Contracted Services	665,750	657,570	8,180	739,112
Supplies and Materials	59,650	51,117	8,533	67,675
Other Charges	126,003	129,663	(3,660)	120,507
Capital Outlay	42,500	40,504	1,996	31,615
<b>Total expenditures</b>	<b>2,951,975</b>	<b>2,851,399</b>	<b>100,576</b>	<b>2,886,071</b>
<b>Revenues over (under) expenditures</b>	<b>(35,000)</b>	<b>50,164</b>	<b>85,164</b>	<b>(21,770)</b>
<b>Fund Balance, July 1</b>	<b>383,936</b>	<b>383,936</b>	-	<b>405,706</b>
<b>Fund Balance, June 30</b>	<b>\$ 348,936</b>	<b>\$ 434,100</b>	<b>\$ 85,164</b>	<b>\$ 383,936</b>

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



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**KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2003

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**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 Mayor 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:

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KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003

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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.

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**KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2003

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**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. An unqualified opinion was issued on our audit report dated November 25, 2002 for the year ended June 30, 2002.

**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 accounting principles generally accepted in the United States of America. 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, 2003

**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, 2003. 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, 2003, \$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 401(a)**

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% (the first 6% is before tax and the other 9% is after tax) 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 \$98,000 and \$94,000, respectively, for the year ended June 30, 2003. 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, 2003.

**NOTE 4: GENERAL FIXED ASSETS**

The following is a summary of changes in general fixed assets for the year ended June 30, 2003:

	Furniture & Fixtures	Computers & Equipment	Vehicles	Totals
General Fixed Assets July 1, 2002	\$32,500	\$221,114	\$46,220	\$299,834
Additions	-	13,843	-	13,843
Deletions	-	(9,285)	-	(9,285)
General Fixed Assets June 30, 2003	\$32,500	\$225,672	\$46,220	\$304,392

Assets held under capital lease had a carrying value of \$4,199 at June 30, 2003.

**KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2003

**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 \$415.

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

	Balance July 1, 2002	Additions	Payments/ Reductions	Balance June 30, 2003
Amount to be provided for capitalized leases	<u>\$8,314</u>	<u>\$ --</u>	<u>\$(4,115)</u>	<u>\$4,199</u>
Long-term debt payable – Capitalized lease obligation	<u>\$8,314</u>	<u>\$ --</u>	<u>\$(4,115)</u>	<u>\$4,199</u>

Future minimum lease payments are summarized as follows:

Fiscal Year Ending June 30:	Principal	Interest	Totals
2004	\$4,199	\$245	\$4,444

**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, 2003, was estimated to be \$105,000, based on the previous year's actual cost at \$8.72 / foot. The actual cost for the year ending June 30, 2003 was calculated to be \$114,000 based on an increased rate of \$9.48 / 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 2003 amounted to \$10,567. 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.

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KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003

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**NOTE 8: ECONOMIC CONCENTRATION**

The City of Knoxville and Knox County, Tennessee provided funding of \$1,492,425, which was 51% of the Commission's revenues and in-kind contributions for the year ended June 30, 2003.

**NOTE 9: FUND BALANCE**

The amount that is reported on the combined balance sheet as reserved fund balance at June 30, 2003 is comprised of the following:

Appropriations	\$27,571
Prepaid Items	15,928
Encumbrances	316
Total	<u>\$43,815</u>

SUPPLEMENTARY

SECTION

**Knoxville/Knox County Metropolitan Planning Commission**  
**Schedule of General Fund Expenditures (Unaudited)**  
**For the Fiscal Year Ended June 30, 2003**  
(With Comparative Amounts for the Fiscal Year Ended June 30, 2002)

<u>Expenditure Type</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2002 Actual</u>
Salaries and Employee Benefits	\$ 2,058,072	\$ 1,972,545	\$ 85,527	\$ 1,927,162
Advertising	5,150	2,473	2,677	489
Audit Services	10,500	9,925	575	7,570
Communications	18,000	18,712	(712)	21,331
Consultants	421,500	440,358	(18,858)	528,329
Contracts With Other Agencies	5,500	6,614	(1,114)	3,980
Dues and Memberships	8,200	6,792	1,408	6,689
Evaluation and Testing	2,000	1,085	915	680
Freight	800	130	670	714
Operating Lease Payments	5,500	6,357	(857)	4,499
Legal Services	34,850	34,850	-	34,000
Legal Notices and Recordings	29,000	28,763	237	23,070
Licenses	2,000	1,395	605	995
Maintenance Agreements	35,000	32,400	2,600	31,776
Maintenance and Repair	7,000	3,673	3,327	6,127
Postage	18,500	16,785	1,715	17,909
Printing	23,300	16,950	6,350	16,395
Usage Charges	15,000	12,000	3,000	12,780
Rental	200	-	200	145
Travel and Tuition	23,750	18,308	5,442	21,634
Data Processing Supplies	8,000	4,415	3,585	7,993
Duplicating Supplies	13,000	14,033	(1,033)	9,667
Equipment Parts - Light	-	184	(184)	21
Food Supplies	13,500	11,453	2,047	9,344
Gasoline	2,600	2,141	459	2,213
Books and Periodicals	6,250	5,456	794	6,071
Office Supplies	10,000	9,157	843	10,200
Signage	5,000	3,367	1,633	4,471
Tires and Tubes	1,000	757	243	179
Uniforms	300	155	145	971
Software	6,000	2,441	3,559	4,149
Small Equipment	36,500	38,063	(1,563)	12,396
Vehicle and Other Insurance	3,500	(387)	3,887	1,563
Trustee Commission	3,500	3,776	(276)	3,461
Workman's Comp	10,000	10,567	(567)	9,888
Space Costs	109,003	115,706	(6,703)	105,595
Data Processing Equipment	-	-	-	31,615
<b>Total Expenditures</b>	<b>\$ 2,951,975</b>	<b>\$ 2,851,399</b>	<b>\$ 100,576</b>	<b>\$ 2,886,071</b>



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, 2003, and have issued our report thereon dated December 15, 2003. 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  
December 15, 2003

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, 2003. 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, 2003.

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, 2003, and have issued our report thereon dated December 15, 2003. 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, Bebaert & Holland, L.L.P.*

Knoxville, Tennessee  
December 15, 2003

*KNOXVILLE/ KNOX COUNTY METROPOLITAN PLANNING COMMISSION*

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2003

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 program disclosed no material weaknesses in internal controls over its major program.
- 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, 2003 is as follows:

<u>Program Name</u>	<u>CFDA#</u>
U.S. Department of Transportation: 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, 2003

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:

None

**Knoxville/Knox County Metropolitan Planning Commission  
Schedule of Expenditures of Federal and State Awards  
For the Fiscal Year Ended June 30, 2003**

Program Name	Federal Agency	State Contract Number	CFDA #	Expenditures
<b>Major Federal Program:</b>				
Highway Planning and Construction (FHWA)	U.S. Department of Transportation	F&A Contract No. Z-03-014500-00 FHWA Project No. SPR-PL-1(169) BPD Project No. 47953-1051-54	20.205	\$ 295,663
Highway Planning and Construction (FHWA)	U.S. Department of Transportation	F&A Contract No. Z-02-008458-00 FHWA Project No. SPR-PL-1(39) TDOT Project No. 47953-1035-54	20.205	66,867
Planning and Analysis of CMAQ Program / Project Greenlight	U.S. Department of Transportation	TDOT Project No. 47-952-1644-54 CM-STP-9109 (21)	20.205	8,521
Regional Transportation Alternatives Study (Cades Cove)	U.S. Department of the Interior	TDOT Project No. 78-900-9666-04 Contract No. GG-01-08977-00	20.205	152,295
Knoxville Smart Trips Program	U.S. Department of Transportation	LP Project No. 4024 CM-STP-9109(88)	20.205	2,097
Knoxville Smart Trips Program	U.S. Department of Transportation	TDOT Project No. 47-901-9632-04 F&A Contract No. GG-03-09743-00	20.205	8,389
<b>Total Major Program</b>				<b>533,832</b>
<b>Non-major Federal Programs:</b>				
Federal Transit Technical Studies Grants (FTA)	U.S. Department of Transportation	TDOT Project No. 47-901-9631-04 F&A Contract No. GG-03-09959-00 FTA Grant No. TN-80-X009	20.505	60,568
Federal Transit Technical Studies Grants (FTA)	U.S. Department of Transportation	TDOT Project No. 47-901-9627-04 F&A Contract No. GG-02-09432-00 FTA Grant No. TN-80-X009	20.505	4,689
Regional Transportation Alternatives Study (Cades Cove)	U.S. Department of the Interior	NPS Cooperative Agreement No. 1443-CA-5460-AO-012	15.904	184,485
Gateway Communities	U.S. Department of the Interior	NPS Cooperative Agreement #CA-5460-A1-009	15.904	38,271
Tennessee Historical Commission	U.S. Department of the Interior	Contract No. GG-01-08793-00 RFS No. 327-04-046	15.904	5,575
Empowerment Zone PNI	U.S. Department of Housing and Urban Development	Doc. No. C-03-0311	14.244	22,000
<b>Total Non-major Programs</b>				<b>315,588</b>
<b>State Grants:</b>				
KAT Action Plan 2010	state program	Contract No. GG-02-09278-00 Project No. 47-901-9623-04	n/a	15,842
KAT Action Plan 2010	state program	CM-STP-9109(71) Project No. 3003	n/a	63,367
<b>Total State Grants</b>				<b>79,209</b>
<b>Total Federal and State Financial Assistance</b>				<b>\$ 928,629</b>



**KNOXVILLE/ KNOX COUNTY METROPOLITAN PLANNING COMMISSION**

Note to the Schedule of Expenditures of Federal and State Awards  
For the year ended June 30, 2003

***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.