

**ANNUAL  
FINANCIAL  
REPORT**

**Knoxville / Knox County**

**Metropolitan Planning Commission**

**June 30, 2005 and 2004**

**KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION  
ANNUAL FINANCIAL REPORT**

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June 30, 2005 and 2004**

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INTRODUCTORY

SECTION

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KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION

LISTING OF COMMISSION MEMBERS  
June 30, 2005

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	<u>Expiration of Term</u>
Nominated by the Mayor of the City of Knoxville	
Ms. Susan Brown, Chairman	2007
Mr. Art Clancy, III	2008
Mr. Herbert Donaldson, Sr.	2008
Mr. Richard Graf	2005
Mr. Mark Jendrek	2005
Mr. Chester Kilgore	2007
Mr. Jack C. Sharp	2007
Nominated by the Knox County Executive	
Mr. Trey Benefield	2006
Mr. Ray Evans	2007
Mr. Philip French	2006
Mr. Stan Johnson	2008
Ms. Robert Lobetti	2008
Mr. C. Randy Massey, Vice Chair	2006
Ms. Mary Parker Slack	2005
Mr. R. Larry Smith	2005

GENERAL PURPOSE  
FINANCIAL STATEMENTS



- ▶ CERTIFIED PUBLIC ACCOUNTANTS
- ▶ BUSINESS ADVISORS
- ▶ TECHNOLOGY CONSULTANTS

## Report of Independent Auditors

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

We have audited the accompanying basic financial statements on the governmental activities of the government-wide financial statements and major governmental fund of Knoxville/Knox County Metropolitan Planning Commission (the "Commission"), as of and for the year ended June 30, 2005, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Knoxville/Knox County Metropolitan Planning Commission as of June 30, 2004, were audited by other auditors whose report dated November 23, 2004, expressed an unqualified opinion on those statements.

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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Knoxville/Knox County Metropolitan Planning Commission as of June 30, 2005, and the respective changes in financial position and the respective budgetary comparison for the General fund 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 21, 2005, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the

The Board of Directors  
Knoxville/Knox County Metropolitan Planning Commission

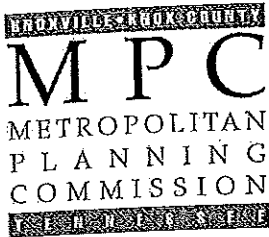
results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis information is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Knoxville/Knox County Metropolitan Planning Commission's basic financial statements. The introductory section and the information listed as supplementary information in the accompanying table of contents are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on them.

*Rodifer Mann & Co, PLLC*

Knoxville, Tennessee  
November 21, 2005



Mark Donaldson, Executive Director  
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400 Main Street  
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## Management's Discussion and Analysis

As management of the Knoxville-Knox County Metropolitan Planning Commission (the MPC), we offer the readers of the MPC's financial statements this narrative overview and analysis of the financial activities of the MPC for the fiscal year ended June 30, 2005 and June 30, 2004. We encourage readers to consider the information presented here in conjunction with the information provided in the financial statements, notes to financial statements and supplementary information when reviewing the MPC's financial activities and condition.

### Financial Highlights

- ▶ The assets of the MPC exceeded its liabilities at the close of the most recent fiscal year by \$500,913 (net assets). Of this amount, \$366,385 (unrestricted net assets) may be used to meet the MPC's ongoing obligations to citizens and creditors.
- ▶ The MPC's total net assets decreased by \$83,669. This decrease is primarily the result of higher personal services expense and other expenses related to equipment purchases.
- ▶ The MPC's total capital assets before depreciation decreased by \$17,250. The decrease is due to trade-in old, high volume Xerox copier and purchase of three new copiers, network server, and backup tape during fiscal year 2005.
- ▶ The MPC's total liabilities increased by \$204,733. The increase is due to increases in accounts payable, retainage payable, accrued payroll and deferred revenue.

### Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the MPC's basic financial statements. The MPC's basic financial statements consist of two components: 1) financial statements comprised of the Comparative Statements of Net Assets and the Comparative Statements of Activities, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Financial Statements.** The Comparative Statements of Net Assets presents information on all of the MPC's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the MPC is improving or deteriorating.

The Comparative Statement of Activities presents information showing how the MPC's net assets changed during the last two fiscal years. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs (full accrual accounting), regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected user service fees, and earned but unused vacation leave).

The financial statements can be found on pages 8 - 14 of this report.



**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 15-20 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the MPC's budgetary compliance and variances from the final amended budget. This supplementary information can be found on pages 21 of this report.

**Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of the MPC's financial position. As of June 30, 2005 the MPC's assets exceeded its liabilities by \$500,913 (net assets). At June 30, 2004, the MPC's net assets totaled \$584,582. The majority of the MPC's net assets reflect its current assets (e.g. cash and cash equivalents, grants receivable, and prepaid items). Current assets (less current liabilities) amount to \$480,640, which is 96 percent of total net assets. All of total net assets are not available for future operational spending as \$134,528, or 27%, are invested in capital assets and are restricted on how they may be used. The remaining balance of unrestricted net assets (\$366,385) may be used to meet the MPC's ongoing obligations to citizens and creditors.

As the following table shows, the MPC reported a decrease in net assets of \$83,669 during the year ended June 30, 2005. This decrease is primarily the result of increased program expenses. For the fiscal year ended June 30, 2005, the MPC's funding (not restricted for specific programs) from the City of Knoxville and Knox County was \$1,417,388; the same level as the previous fiscal year. Fee revenues totaled \$469,690 for fiscal year 2005 compared to \$475,702 for fiscal year 2004, a small decrease of \$6,012. Grant and contract revenues totaled \$951,952 for fiscal year 2005 compared to \$818,779 for fiscal year 2004, an increase of \$133,173. Capital assets decreased by \$8,674 in fiscal year 2005 due to depreciation expense.

**Knoxville-Knox County Metropolitan Planning Commission  
Net Assets**

	FYE June 30, 2005	FYE June 30, 2004
Current and Other Assets	\$ 920,796	\$ 917,489
Capital Assets	<u>134,528</u>	<u>16,771</u>
Total Assets	<u>\$1,055,324</u>	<u>\$ 934,260</u>
Long Term Liabilities Outstanding	\$ 114,255	\$ 114,098
Other Liabilities	<u>440,156</u>	<u>235,580</u>
Total Liabilities	<u>\$ 554,411</u>	<u>\$ 349,678</u>
Net Assets:		
Invested in Capital Assets	\$ 134,528	\$ 16,771
Unrestricted	<u>366,385</u>	<u>567,811</u>
Total Net Assets	<u>\$ 500,913</u>	<u>\$ 584,582</u>

The next table shows the key elements from ongoing operations that contributed to the \$83,669 decrease in net assets during the current fiscal year. The decrease is explained by several issues. Expenses were higher in personal services by over \$150,000 due to a combination of filling vacant positions (Executive Director and Planning Technician), hiring new positions (GIS Assistant Administrator and Assistant Research Associate), reorganizing management, and providing additional contract work to the City and County during fiscal year 2005. In addition, the annual salary increases methodology was changed from anniversary dates to an October date during fiscal year 2005. Also, the prior fiscal year 2004 utilized a one time 90-day delay in annual increases due to budget requirements. Revenues for grants increased over \$100,000 with a corresponding increase in contract service expenses during fiscal year 2005. Other expenses increased by nearly \$56,000 from additions of software, small equipment and capital equipment during fiscal year 2005.

Revenues for fiscal year 2005 was \$3,003,034 compared to \$2,827,290 for fiscal year 2004 or an increase of \$175,744 from additional grants and contract funding. Expenses for fiscal year 2005 was \$3,086,703 compared to \$2,698,825 for fiscal year 2004 or an increase of \$387,878 due to higher personal services costs and acquisitions of data processing and copying equipment. The change in net assets for fiscal year 2005 was (\$83,669) compared to \$128,465 for fiscal year 2004.

**Knoxville-Knox County Metropolitan Planning Commission  
Changes in Net Assets**

	FYE June 30, 2005	FYE June 30, 2004
Revenues:		
Fees and Charges	\$ 469,690	\$ 475,702
Grants and Contracts	951,952	818,779
City & County Funding	1,417,388	1,417,388
In-kind	<u>164,004</u>	<u>115,421</u>
Total Revenues	<u>\$ 3,003,034</u>	<u>\$ 2,827,290</u>
Expenses:		
Salaries and Employee Benefits	\$ 2,209,725	2,051,872
Contracted Services	547,510	422,274
Supplies and Material	136,344	86,432
Depreciation	8,674	9,445
Other Expenses	<u>184,450</u>	<u>128,802</u>
Total Expenditures	<u>\$ 3,086,703</u>	<u>\$ 2,698,825</u>
Increase/ (decrease) in Net Assets	(83,669)	128,465
Net Assets July 1	<u>584,582</u>	<u>456,117</u>
Net Assets June 30	<u>\$ 500,913</u>	<u>\$ 584,582</u>

**Budgetary Highlights**

The Schedule of Revenues and Expenditures and Changes in Fund Balance – Budget to Actual which is found on page 14 of this report, details the original and final budget, actual revenues and expenses, as well as variances from the final budget. The MPC's actual revenues were \$344,410 less than the final budget due primarily from delays in grant related projects. The MPC's actual expenses were \$351,328 less than the final budget due to salary savings from timing of filling vacant positions and from delays in grant related projects.

## **Capital Assets and Debt Administration**

**Capital Assets.** The MPC's investment in capital assets as of June 30, 2005 was \$134,528 (net of accumulated depreciation). This investment in capital assets includes the following purchases during fiscal year 2005: high volume b/w copier for \$65,250 (includes trade-in value for old copier); color copier for \$25,703; large format copier for \$22,449; computer network server for \$7,628; and a backup tape for \$5,401. Since these capital assets were acquired at the end of the fiscal year there is little associated depreciation expense in current year. Depreciation expense was \$8,674 in fiscal year 2005 compared to \$9,445 for fiscal year 2004. The MPC purchased no capital assets in fiscal year 2004.

**Long Term Liabilities.** At the end of the current fiscal year, the MPC's long term liabilities consisted of compensated absences payable of \$114,255 compared to \$114,098 at the end of the fiscal year 2004. There were no capital leases in current or previous fiscal year.

### **Requests for Information**

This financial report is designed to provide a general overview of the Knoxville-Knox County Metropolitan Planning Commission's finances for all of those with an interest in the MPC's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the office of the Executive Director, Knoxville-Knox County Metropolitan Planning Commission, 400 Main Street, Suite 403, City-County Building, Knoxville, Tennessee 37902.

**Knoxville/Knox County Metropolitan Planning Commission**  
**Statements of Net Assets**  
**As of June 30, 2005 and June 30, 2004**

<u>Assets</u>	<u>2005</u>	<u>2004</u>
Cash and Cash Equivalents	\$ 392,627	\$ 498,048
Restricted Cash - TTCDA	6,935	6,935
Accounts Receivable:		
Grants Receivable	490,373	394,920
Other	9,875	1,417
Prepaid Expenses	20,986	16,169
Capital assets, net of accumulated depreciation	134,528	16,771
<b>Total Assets</b>	<u>1,055,324</u>	<u>934,260</u>
 <u>Liabilities</u>		
Accounts Payable	194,200	68,566
Retainage Payable	10,991	-
Accrued Payroll	115,930	88,524
Deferred Revenue	42,073	14,506
Due to Others	6,935	6,935
Compensated Absences:		
Expected to be paid within one year	70,027	57,049
Expected to be paid after one year	114,255	114,098
<b>Total Liabilities</b>	<u>554,411</u>	<u>349,678</u>
 <u>Net Assets</u>		
Invested in capital assets	134,528	16,771
Unrestricted	366,385	567,811
<b>Total Net Assets</b>	<u>\$ 500,913</u>	<u>\$ 584,582</u>

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

**Knoxville/Knox County Metropolitan Planning Commission  
Statements of Activities  
For the Fiscal Years Ended June 30, 2005 and 2004**

	<b>2005</b>	<b>2004</b>
<b><u>Expenses:</u></b>		
General government - planning:		
Personal services	\$ 2,209,725	\$ 2,051,872
Contracted services	547,510	422,274
Materials and supplies	136,344	86,432
Depreciation	8,674	9,445
Other expenses	184,450	128,802
Total program expenses	3,086,703	2,698,825
<b><u>Program revenues:</u></b>		
Charges for services	469,690	475,702
Operating grants and contributions:		
Federal government grants	596,912	446,463
State of Tennessee grants	177,545	184,141
Local grant match	97,011	122,175
City of Knoxville - PNI grant	45,000	66,000
Knox County Contracts - TTCDA & Schools	35,484	0
Net program expense	1,665,061	1,404,344
<b><u>Program revenues:</u></b>		
Grants and contributions not restricted to specific programs:		
City of Knoxville	692,650	692,650
Knox County	724,738	724,738
In-kind contributions	164,004	115,421
Total general revenues	1,581,392	1,532,809
Change in net assets	(83,669)	128,465
<b><u>Net assets:</u></b>		
Beginning of year	584,582	456,117
End of year	\$ 500,913	\$ 584,582

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

**Knoxville/Knox County Metropolitan Planning Commission  
Balance Sheets - General Fund  
As of June 30, 2005 and June 30, 2004**

<u>Assets</u>	<u>2005</u>	<u>2004</u>
Cash and Cash Equivalents	\$ 392,627	\$ 498,048
Restricted Cash - TTCDA	6,935	6,935
Accounts Receivable:		
Grants Receivable	490,373	394,920
Other	9,875	1,417
Prepaid Expenses	20,986	16,169
<b>Total Assets</b>	<b>\$ 920,796</b>	<b>\$ 917,489</b>
 <b><u>Liabilities and Fund Balances</u></b>		
Liabilities:		
Accounts Payable	\$ 194,200	\$ 68,566
Retainage Payable	10,991	-
Accrued Payroll	115,930	88,524
Compensated Absences Payable	70,027	57,049
Deferred Revenue	42,073	14,506
Due to Others	6,935	6,935
<b>Total Liabilities</b>	<b>440,156</b>	<b>235,580</b>
Fund Balances:		
Reserved	222,115	44,601
Undesignated, Unreserved	258,525	637,308
<b>Total Fund Balances</b>	<b>480,640</b>	<b>681,909</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 920,796</b>	<b>\$ 917,489</b>

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

**Knoxville/Knox County Metropolitan Planning Commission  
 Reconciliation of the Balance Sheets to the Statements of Net Assets  
 As of June 30, 2005 and June 30, 2004**

	2005	2004
Amounts reported for governmental activities in the statement of net assets are different because:		
Ending Fund Balance - General Fund	\$ 480,640	\$ 681,909
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds	134,528	16,771
Long-term liabilities, including capital leases and compensated absences, are not due and payable in the current period and therefore are not reported in the funds:		
Capital lease obligations	-	-
Compensated absences	(114,255)	(114,098)
Net Assets of Governmental Activities	\$ 500,913	\$ 584,582

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

**Knoxville/Knox County Metropolitan Planning Commission**  
**Statements of Revenues/Expenditures and Changes in Fund Balance - General Fund**  
**For the Fiscal Years Ended June 30, 2005 and 2004**

	<b>2,005</b>	<b>2004</b>
<b><u>Revenues:</u></b>		
Fees and Charges	\$ 469,690	\$ 475,702
Federal Government Grants	596,912	446,463
State of Tennessee Grants	177,545	184,141
Local Grant Match	97,011	122,175
City of Knoxville- PNI grant	45,000	66,000
City of Knoxville	692,650	692,650
Knox County	724,738	724,738
Knox County - contracts	35,484	0
In-Kind Contributions	164,004	115,421
<b>Total revenues</b>	<b>3,003,034</b>	<b>2,827,290</b>
<b><u>Expenditures:</u></b>		
Salaries and Employee Benefits	2,209,568	2,050,863
Contracted Services	547,510	422,274
Supplies and Materials	136,344	86,432
Other Charges	184,450	133,001
Capital Outlay	126,431	0
<b>Total expenditures</b>	<b>3,204,303</b>	<b>2,692,570</b>
<b>Revenues over (under) expenditures</b>	<b>(201,269)</b>	<b>134,720</b>
<b>Fund Balance, July 1</b>	<b>681,909</b>	<b>547,189</b>
<b>Fund Balance, June 30</b>	<b>\$ 480,640</b>	<b>\$ 681,909</b>

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



**Knoxville/Knox County Metropolitan Planning Commission  
Reconciliation of the Statements of Revenues, Expenditures and  
Changes in Fund Balance to the Statements of Activities  
For the Fiscal Years Ended June 30, 2005 and 2004**

	2,005	2004
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - General Fund	\$ (201,269)	\$ 134,720
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense amounted to \$8,674 and \$9,445 in 2005 and 2004, respectively. Capital outlay amounted to \$126,431 in 2005 and \$0 in 2004.	117,757	(9,445)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the General Fund.	(157)	(1,009)
Repayment of debt principal is reflected as an expenditure in the General Fund, whereas the repayment reduces long-term liabilities in the statement of net assets.	-	4,199
Change in net assets per statement of activities	\$ (83,669)	\$ 128,465

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, 2005**  
(With Comparative Amounts for the Fiscal Year Ended June 30, 2004)

	Orig. Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	2004 Actual
<b>Revenues:</b>					
Fees and Charges	\$ 430,668	\$ 434,168	\$ 469,690	\$ 35,522	\$ 475,702
Federal Government Grants	847,141	906,121	596,912	(309,209)	446,463
State of Tennessee Grants	152,400	180,610	177,545	(3,065)	184,141
Local Grant Match	101,459	140,669	97,011	(43,658)	122,175
City of Knoxville - contract	35,000	45,000	45,000	0	66,000
City of Knoxville	692,650	692,650	692,650	0	692,650
Knox County	724,738	724,738	724,738	0	724,738
Knox County - contracts	49,484	59,484	35,484	(24,000)	
In-Kind Contributions	118,000	164,004	164,004	0	115,421
<b>Total revenues</b>	<b>3,151,540</b>	<b>3,347,444</b>	<b>3,003,034</b>	<b>(344,410)</b>	<b>2,827,290</b>
<b>Expenditures:</b>					
Salaries and Employee Benefits	2,241,950	2,268,334	2,209,568	58,766	2,050,863
Contracted Services	708,050	790,154	547,510	242,644	422,274
Supplies and Materials	107,700	112,696	136,344	(23,648)	43,422
Other Charges	136,600	184,450	184,450	0	133,001
Capital Outlay	77,000	200,154	126,431	73,723	43,010
<b>Total expenditures</b>	<b>3,271,300</b>	<b>3,555,788</b>	<b>3,204,303</b>	<b>351,485</b>	<b>2,692,570</b>
<b>Revenues over (under) expenditures</b>	<b>(119,760)</b>	<b>(208,344)</b>	<b>(201,269)</b>	<b>7,075</b>	<b>134,720</b>
<b>Fund Balance, July 1</b>	<b>681,909</b>	<b>681,909</b>	<b>681,909</b>	-	<b>547,189</b>
<b>Fund Balance, June 30</b>	<b>\$ 562,149</b>	<b>\$ 473,565</b>	<b>\$ 480,640</b>	<b>\$ 7,075</b>	<b>\$ 681,909</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, 2005 and 2004**

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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. NEW FINANCIAL REPORTING MODEL (GASB STATEMENT NO. 34)**

The accompanying financial statements of the Commission have been prepared in conformity with accounting principles as generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). In fiscal year 2004, the Commission implemented GASB Statement No. 34 (*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*). The Statement establishes financial reporting requirements for state and local governments throughout the United States. The standard provides for significant changes in terminology and presentation.

The financial statements include:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Commission's overall financial position and results of operations.
- A Statement of Net Assets instead of a Balance Sheet, where the difference between assets and liabilities that was recently referred to as *equity* is now referred to as *net assets*.
- A Statement of Activities instead of Statement of Revenues, Expenditures and Changes in Fund Balance, again where *equity* is now referred to as *net assets*. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues.

**C. BASIS OF ACCOUNTING AND PRESENTATION**

**1. Basis of Accounting**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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**KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005 and 2004**

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Governmental fund financial statements (i.e., the balance sheet and statement of revenues, expenditures and changes in fund balance for the General Fund) employ 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 of 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.

2. Fund Accounting

The accounts of the Commission are organized, operated and presented on the basis of funds. Funds are independent fiscal and accounting entities with self-balancing sets of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The Commission reports one governmental fund, the General Fund. The General Fund is the Commission's operating fund which accounts for all financial resources.

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.

**D. 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.

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**KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005 and 2004**

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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.

#### **E. 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.

#### **F. 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.

#### **G. COMPARATIVE DATA**

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

#### **H. CAPITAL ASSETS**

Capital assets, which include property and equipment, are reported in the Statement of Net Assets. The Commission defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. 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.

#### **I. FUND EQUITY**

In the fund financial statements (General Fund), 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.

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**KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005 and 2004

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**NOTE 2: CASH AND RESTRICTED CASH**

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, 2005. 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 requests an additional allocation of \$6,000 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, 2005, \$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 \$123,900 and \$104,400, respectively, for the year ended June 30, 2005. 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, 2005.

**KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005 and 2004

**NOTE 4: CAPITAL ASSETS**

The following is a summary of changes in general fixed assets for the year ended June 30, 2005:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Capital assets being depreciated, July 1, 2004				
Furniture and Fixtures	\$ 32,500	\$ -	\$ -	\$ 32,500
Computers and equipment	207,272	126,431	(143,681)	190,022
Vehicles	<u>33,870</u>	<u>-</u>	<u>-</u>	<u>33,870</u>
Total	273,642	126,431	(143,681)	256,392
Less accumulated depreciation	<u>(256,871)</u>	<u>(8,674)</u>	<u>143,681</u>	<u>(121,864)</u>
Total capital assets being depreciated, June 30, 2005	<u>\$ 16,771</u>	<u>\$ 117,757</u>	<u>\$ -</u>	<u>\$ 134,528</u>

The following is a summary of changes in general fixed assets for the year ended June 30, 2004:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Capital assets being depreciated, July 1, 2003				
Furniture and Fixtures	\$ 32,500	\$ -	\$ -	\$ 32,500
Computers and equipment	230,298	-	(23,026)	207,272
Vehicles	<u>46,220</u>	<u>-</u>	<u>(12,350)</u>	<u>33,870</u>
Total	309,018	-	(35,376)	273,642
Less accumulated depreciation	<u>(282,802)</u>	<u>(9,445)</u>	<u>35,376</u>	<u>(256,871)</u>
Total capital assets being depreciated, June 30, 2004	<u>\$ 26,216</u>	<u>\$ (9,445)</u>	<u>\$ -</u>	<u>\$ 16,771</u>

**NOTE 5: 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, 2005, was estimated to be \$118,000, (estimated at \$114,000 for 2004) based on the previous year's actual cost at \$9.60 / foot. The actual cost for the year ending June 30, 2005 was calculated to be \$164,004 based on an increased rate of \$13.59 / foot for the 12,068 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.

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**KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005 and 2004**

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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 is an entity of Knox County Government which has elected to be self-insured for general liability coverage and is subject to the limits of the Tennessee Government Tort Liability Act 29-20-101 ct seg. 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 2005 amounted to \$14,341. 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 five fiscal years.

**NOTE 7: ECONOMIC CONCENTRATION**

The City of Knoxville and Knox County, Tennessee provided funding of \$1,491,872 and \$1,483,388, which was 50% and 52% of the Commission's revenues and in-kind contributions for the year ended June 30, 2005 and 2004, respectively.

**NOTE 8: FUND BALANCE**

The amount that is reported on the combined balance sheet as reserved fund balance at June 30, 2005 is comprised of the following:

	<u>2005</u>	<u>2004</u>
Appropriations	\$ 49,008	\$ 21,441
Prepaid Items	20,986	16,169
Encumbrances	152,121	6,991
Total	<u>\$ 222,115</u>	<u>\$ 44,601</u>

**NOTE 9: RECLASSIFICATIONS**

Certain reclassifications have been made to prior year balances to conform to the current year's financial statement presentation.



SUPPLEMENTARY

SECTION

**Knoxville/Knox County Metropolitan Planning Commission**  
**Schedule of General Fund Expenditures**  
**For the Fiscal Year Ended June 30, 2005**  
(With Comparative Amounts for the Fiscal Year Ended June 30, 2004)

Expenditure Type	Final Budget	Actual	Variance Favorable (Unfavorable)	2004 Actual
Salaries and Employee Benefits	\$ 2,268,334	\$ 2,209,568	\$ 58,766	\$ 2,050,863
Advertising	64,100	47,468	16,632	25,937
Audit Services	10,000	3,000	7,000	8,833
Communications	20,000	20,468	(468)	20,426
Consultants	470,500	278,882	191,618	194,892
Contracts With Other Agencies	15,500	22,833	(7,333)	3,292
Dues and Memberships	7,000	8,160	(1,160)	8,592
Evaluation and Testing	1,000	425	575	45
Freight	500	628	(128)	485
Operating Lease Payments	6,500	4,980	1,520	6,080
Legal Services	37,000	37,834	(834)	36,356
Legal Notices and Recordings	25,500	32,388	(6,888)	32,165
Licenses	2,000	400	1,600	1,395
Maintenance Agreements	34,000	27,765	6,235	30,698
Maintenance and Repair	7,500	3,382	4,118	4,330
Postage	21,000	14,164	6,836	13,763
Printing	25,350	15,684	9,666	9,248
Usage Charges	13,000	8,685	4,315	10,539
Rental	200	265	(65)	-
Travel and Tuition	29,500	19,817	9,683	15,198
Data Processing Supplies	5,000	6,440	(1,440)	5,780
Duplicating Supplies	15,000	7,545	7,455	8,075
Food Supplies	19,250	16,426	2,824	9,376
Gasoline	2,300	2,565	(265)	2,661
Books and Periodicals	7,500	4,179	3,321	5,200
Office Supplies	10,700	8,302	2,398	9,079
Signage	3,500	2,436	1,064	2,964
Tires and Tubes	1,000	173	827	192
Uniforms	300	0	300	95
Software	11,000	17,000	(6,000)	11,603
Small Equipment	107,303	71,559	35,744	31,407
Vehicle and Other Insurance	1,800	1,607	193	750
Trustee Commission	4,247	4,592	(345)	4,897
Workman's Comp	13,000	13,248	(248)	11,832
Space Costs	165,404	165,004	400	115,522
Data Processing Equipment	130,000	126,431	3,569	-
<b>Total Expenditures</b>	<b>\$ 3,555,788</b>	<b>\$ 3,204,303</b>	<b>\$ 351,485</b>	<b>\$ 2,692,570</b>

INTERNAL CONTROL  
AND  
COMPLIANCE SECTION



- ▶ CERTIFIED PUBLIC ACCOUNTANTS
- ▶ BUSINESS ADVISORS
- ▶ TECHNOLOGY CONSULTANTS

Report On Internal Control Over Financial Reporting  
And On Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

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Knoxville, TN 37921

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

We have audited the basic financial statements of the Knoxville/Knox County Metropolitan Planning Commission as of and for the year ended June 30, 2005, and have issued our report thereon dated November 21, 2005. 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.

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 opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

Compliance and Other Matters

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 or other matters that are required to be reported under *Government Auditing Standards*.

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.

A handwritten signature in black ink that reads 'Rodefer Moss &amp; Co, PLLC'.

Knoxville, Tennessee  
November 21, 2005

SINGLE AUDIT

SECTION



**RODEFER MOSS**  
rodefer moss & co, pllc

- ▶ CERTIFIED PUBLIC ACCOUNTANTS
- ▶ BUSINESS ADVISORS
- ▶ TECHNOLOGY CONSULTANTS

Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal  
Control Over Compliance  
In Accordance with *OMB Circular A-133*

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

Compliance

We have audited the compliance of Knoxville/Knox County Metropolitan Planning Commission ( the "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, 2005. 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 Governmental 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, compiled, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

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.

The Board of Directors  
Knoxville/Knox County Metropolitan Planning Commission

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control system that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

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.

*Rodefer Mace & Co, PLLC*

Knoxville, Tennessee  
November 21, 2005

Knoxville/Knox County Metropolitan Planning Commission

Schedule of Findings and Questioned Costs

Year Ended June 30, 2005

I. Summary of Auditor's Results:

- A. An unqualified opinion was issued on the basis financial statements of the Knoxville/Knox County Metropolitan Planning Commission.
- B. The audit of the basic 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 basic 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, 2005 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 qualify as a low risk auditee under Section .530 of Circular No. A-133

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



**Knoxville/Knox County Metropolitan Planning Commission  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2005**

Program Name	State Contract Number	Expenditures	
<b>INDIRECT FEDERAL FINANCIAL ASSISTANCE</b>			
<b>Major Program:</b>			
FHWA	Highway Planning and Construction ( 7-1-04 to 9-30-04)	F&A Contract No. Z-04-019876-00 FHWA Project No. SPR-PL-1(176) BPD Project No. 47953-1068-54 CFDA 20.205	\$ 42,869
FHWA	Highway Planning and Construction ( 10-1-04 to 6-30-05)	F&A Contract No. Z-05-024248-00 FHWA Project No. SPR-PL-1(188) TDOT Project No. 47953-1081-54 CFDA 20.205	262,843
CMAQ	Planning and Analysis of CMAQ Program / Project Greenlight	TDOT Project No. 47-952-1644-54 CM-STP-9109 (21) CFDA 20.205	19,589
Cades Cove Phase II	Regional Transportation Alternatives Study	NPS Cooperative Agreement No. 1443-CA-5460-AO-012 CFDA 20.205	138,903
RTPC	Regional Transportation and Air Quality	SPR 1101 Contract No. GG-05-11547-00	71,113
<b>Total Major Program</b>			<b>\$ 535,317</b>
<b>Non-major Program:</b>			
FTA	Federal Transit Technical Studies Grants (7-1-04 to 9-30-04)	TDOT Project No. 47-901-9640-04 F&A Contract No. GG-04-10691-00 FTA Grant No. TN-80-X012 CFDA 20.505	19,495
FTA	Federal Transit Technical Studies Grants (FTA) (10-1-04 to 6-30-05)	TDOT Project No. 47-901-9664-04 F&A Contract No. GG-05-11646-00 FTA Grant No. TN-80-X013 CFDA 20.505	65,689
PNI	Empowerment Zone (City of Knoxville)	Doc. No. C-05-0007	45,000
Smart Trips	Knoxville Smart Trips Program (CMAQ \$)	Contract No. 040150 PIN No. 104031.00	28,235
Smart Trips	Knoxville Smart Trips Program (TDOT \$)	TDOT Project No. 47-901-9647-04 F&A Contract No. GG-04-10979-00	82,059
TPO Bike	TPO Bike Enhancement Program (CMAQ \$)	PIN No. 040671.00 CM-STP-9109(91) STIP Amendment #LP-29	20,448
RCFC	Regional Clean Fuels Coalition (CMAQ \$)	PIN No. 104038.00 CM-STP-9109(95)	57,726
RCAC	Regional Clean Air Coalition (CMAQ \$)	PIN No. 104032.00	2,136
FTA Special	Federal Transit Section 5303 (CMAQ \$)	TDOT Project No. 47-901-9648-04 F&A Contract No. GG-04-11052.00 FTA Grant No. TN-80-X010	45,062
Urban Tree	TN Department of Agriculture	DGA No. DG-04-01793 Contract No. Z-04-015249-00	14,300
<b>Total Non-major Program</b>			<b>\$ 380,150</b>
<b>Total Indirect Federal Financial Assistance</b>			<b>\$ 915,467</b>

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KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION

Note to the Schedule of Expenditures of Federal and State Awards  
Year Ended June 30, 2005

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***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 basic financial statements.