

**ANNUAL
FINANCIAL
REPORT**

RETURN TO MPA LIBRARY

Knoxville / Knox County

Metropolitan Planning Commission

June 30, 2006 and 2005

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

**TABLE OF CONTENTS
June 30, 2006 and 2005**

	<u>Page</u>
<u>Introductory Section</u>	
Commission Members	1
 <u>Basic Financial Statements</u>	
Report of Independent Auditors	2-3
Management's Discussion and Analysis	4-7
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statements of Net Assets.....	8
Statements of Activities.....	9
Fund Financial Statements:	
Balance Sheets – General Fund.....	10
Reconciliation of the Balance Sheets to the Statements of Net Assets.....	11
Statements of Revenues, Expenditures and Changes in Fund Balance – General Fund.....	12
Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balance to the Statements of Activities.....	13
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	14
Notes to the Financial Statements.....	15-20
 <u>Supplementary Section</u>	
Schedule of General Fund Expenditures	21
 <u>Internal Control and Compliance Section</u>	
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	22
 <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	23-24
Schedule of Findings and Questioned Costs.....	25
Schedule of Expenditures of Federal Awards	26
Notes to Schedules of Expenditures of Federal Awards	27

PROPERTY OF THE U.S. GOVERNMENT

INTRODUCTORY
SECTION

KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION

LISTING OF COMMISSION MEMBERS

June 30, 2006

Nominated by the Mayor of Knoxville

Expiration of Term

Ms. Susan Brown	2007
Mr. Art Clancy, III	2008
Mr. Herbert Donaldson, Sr.	2008
Mr. Richard Graf	2009
Ms. Kimberly K. Henry	2009
Mr. Chester Kilgore	2007
Mr. Jack C. Sharp	2007

Nominated by the Knox County Mayor

Mr. Robert Anders	2009
Mr. Trey Benefield	2006
Mr. Ray Evans, Vice-Chair	2007
Mr. Philip French	2006
Mr. Stan Johnson	2008
Mr. Robert Lobetti	2008
Mr. C. Randy Massey, Chairman	2006
Ms. Mary Parker Slack	2009

GENERAL PURPOSE
FINANCIAL STATEMENTS



RODEFER MOSS
rodefer moss & co, pllc

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

1729 Midpark Road
Suite C-200
Knoxville, TN 37921

865-583-0091 phone
865-583-0560 fax

www.rodefermoss.com

Report of Independent Auditors

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 years ended June 30, 2006 and 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.

We conducted our audits 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 audits provide a reasonable basis for our opinions.

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, 2006 and 2005, and the respective changes in financial position and the respective budgetary comparison for the General fund for the years 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 8, 2006, 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 supplementary information listed in the table of contents, including the schedule of expenditures of federal and state awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements of Knoxville/Knox County Metropolitan Planning Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Rodefer Moss & Co, PLLC

Knoxville, Tennessee
December 8, 2006

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, 2006 and June 30, 2005. 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 \$536,414 (net assets). Of this amount, \$425,956 (unrestricted net assets) may be used to meet the MPC's ongoing obligations to citizens and creditors.
- ▶ The MPC's total net assets increased by \$35,501. This increase is primarily the result of higher fee receipts and additional grant and contract funding.
- ▶ The MPC's total capital assets changed only by the amount of current year depreciation expense of \$24,070.
- ▶ The MPC's total liabilities decreased by \$125,163 due to lower accounts 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 which consist of two components: 1) financial statements comprised of the Comparative Statements of Net Assets; 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 grant and contract reimbursements, 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, 2006 the MPC's assets exceeded its liabilities by \$536,414 (net assets). At June 30, 2005, the MPC's net assets totaled \$500,913. The majority of the MPC's net assets reflect its current assets (e.g. cash and cash equivalents, grants receivable, and prepaid items). These current assets (less current liabilities) amount to 100 percent of total net assets, however all are not available for future operational spending as \$110,458, or 21 percent, are invested in capital assets and are restricted on how they may be used. The remaining balance of unrestricted net assets (\$425,956) may be used to meet the MPC's ongoing obligations to citizens and creditors.

As the following table shows, the MPC reported an increase in net assets of \$35,501 during the year ended June 30, 2006. This increase is primarily due to a combination of timing, higher fee receipts, higher grant and local funding, and lower current liabilities.

Fee revenues totaled \$571,763 for fiscal year 2006 compared to \$469,690 for the previous year, a 22 percent increase of over \$100,000. Grant and contract reimbursements totaled \$1,295,886 for fiscal year 2006 compared to \$951,952 for the previous year, a 36 percent increase of over \$340,000. Local funding (not restricted for specific programs) from the city of Knoxville and Knox county totaled \$1,462,288 compared to \$1,417,388, a three percent increase of approximately \$45,000. MPC made no capital purchases in fiscal year 2006 compared to \$126,431 for the previous year. Total assets equaled \$965,662 in fiscal year 2006 compared to \$1,055,324 for the previous year, a decrease of almost \$90,000. Total liabilities equaled \$429,248 in fiscal year 2006 compared to \$554,411 for the prior year, a decrease of approximately \$125,000. The net effect is an increase to net assets of \$35,501.

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

	FYE June 30, 2006	FYE June 30, 2005
Current and Other Assets	\$ 855,204	\$ 920,796
Capital Assets	<u>110,458</u>	<u>134,528</u>
Total Assets	<u>\$ 965,662</u>	<u>1,055,324</u>
Long Term Liabilities Outstanding	\$ 115,628	\$ 114,255
Other Liabilities	<u>313,620</u>	<u>440,156</u>
Total Liabilities	<u>\$ 429,248</u>	<u>\$ 554,411</u>
Net Assets:		
Invested in Capital Assets	\$ 110,458	\$ 134,528
Unrestricted	<u>425,956</u>	<u>366,385</u>
Total Net Assets	<u>\$ 536,414</u>	<u>\$ 500,913</u>

The next table shows the key elements from ongoing operations that contributed to the \$35,501 increase in net assets during the current fiscal year. As mentioned previously, the increase is explained by several issues including higher fee receipts (partly attributable to a rate increase), higher funding from the City (a three percent increase over previous year), and higher grant and contract revenues (additional funding contracts to cover the work program).

Revenues for fiscal year 2006 were \$3,505,784 compared to \$3,003,034 for the previous year or an increase of \$502,750. The source of this increase is from over \$100,000 higher fee receipts, \$45,000 higher funding from the City of Knoxville, and over \$340,000 higher revenues from additional grants and contract funding. Expenses for fiscal year 2006 were \$3,470,283 compared to \$3,086,703 for fiscal year 2005 or an increase of \$383,580 due to higher personal services costs and grant related expenses. The change in net assets for fiscal year 2006 was an increase of \$35,501 compared to a decrease of (\$83,669) for fiscal year 2005.

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

	FYE June 30, 2006	FYE June 30, 2005
Revenues:		
Fees and Charges	\$ 571,763	\$ 469,690
Grants and Contracts	1,295,886	951,952
City & County Funding	1,462,288	1,417,388
In-kind	<u>175,847</u>	<u>164,004</u>
Total Revenues	<u>\$ 3,505,784</u>	<u>\$ 3,003,034</u>
Expenses:		
Salaries and Employee Benefits	\$ 2,445,802	2,209,725
Contracted Services	673,027	547,510
Supplies and Material	128,328	136,344
Depreciation	24,070	8,674
Other Expenses	<u>199,056</u>	<u>184,450</u>
Total Expenditures	<u>\$ 3,470,283</u>	<u>\$ 3,086,703</u>
Increase/ (decrease) in Net Assets	35,501	(83,669)
Net Assets July 1	<u>500,913</u>	<u>584,582</u>
Net Assets June 30	<u>\$ 536,414</u>	<u>\$ 500,913</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 \$225,276 less than the final budget due primarily from delays in grant related projects. The MPC's actual expenses were \$361,220 less than the final budget due to salary savings and from delays in grant related projects. The net result is a \$135,944 favorable budget variance.

Capital Assets and Debt Administration

Capital Assets. The MPC's investment in capital assets as of June 30, 2006 was \$110,458 (net of accumulated depreciation). There were no purchases of capital assets in 2006. Depreciation expense was \$24,070 in fiscal year 2006 compared to \$8,674 for fiscal year 2005.

The MPC purchased three copiers, a computer network server and backup tape in fiscal year 2005.

Long Term Liabilities. At the end of the current fiscal year, the MPC's long term liabilities consisted of compensated absences payable of \$115,628 compared to \$114,255 at the end of the fiscal year 2005. 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, 2006 and June 30, 2005

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Cash and Cash Equivalents	\$ 363,741	\$ 392,627
Restricted Cash - TTCDA	6,935	6,935
Accounts Receivable:		
Grants Receivable (net of doubtful accts)	434,585	490,373
Other	39,572	9,875
Prepaid Expenses	10,371	20,986
Capital assets, net of accumulated depreciation	110,458	134,528
Total Assets	965,662	1,055,324
<u>Liabilities</u>		
Accounts Payable	124,205	194,200
Retainage Payable	38,896	10,991
Accrued Payroll	45,809	115,930
Deferred Revenue	10,547	42,073
Due to Others	6,935	6,935
Compensated Absences:		
Expected to be paid within one year	87,228	70,027
Expected to be paid after one year	115,628	114,255
Total Liabilities	429,248	554,411
<u>Net Assets</u>		
Invested in capital assets	110,458	134,528
Unrestricted	425,956	366,385
Total Net Assets	\$ 536,414	\$ 500,913

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, 2006 and 2005**

	2006	2005
<u>Expenses:</u>		
General government - planning:		
Personal services	\$ 2,445,802	\$ 2,209,725
Contracted services	673,027	547,510
Materials and supplies	128,328	136,344
Depreciation	24,070	8,674
Other expenses	199,056	184,450
Total program expenses	3,470,283	3,086,703
<u>Program revenues:</u>		
Charges for services	571,763	469,690
Operating grants and contributions:		
Federal government grants	1,070,294	596,912
State of Tennessee grants	76,706	177,545
Local grant match (other than MPC)	18,886	97,011
City of Knoxville - contracts	54,000	45,000
Knox County- contracts	76,000	35,484
Net program expense	1,602,634	1,665,061
<u>Program revenues:</u>		
Grants and contributions not restricted to specific programs:		
City of Knoxville	737,550	692,650
Knox County	724,738	724,738
In-kind contributions	175,847	164,004
Total general revenues	1,638,135	1,581,392
Change in net assets	35,501	(83,669)
<u>Net assets:</u>		
Beginning of year	500,913	584,582
End of year	\$ 536,414	\$ 500,913

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, 2006 and June 30, 2005

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Cash and Cash Equivalents	\$ 363,741	\$ 392,627
Restricted Cash - TTCDA	6,935	6,935
Accounts Receivable:		
Grants Receivable (net of allowance for doubtful accts)	434,585	490,373
Other	39,572	9,875
Prepaid Expenses	10,371	20,986
 Total Assets	\$ 855,204	\$ 920,796
 <u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts Payable	\$ 124,205	\$ 194,200
Retainage Payable	38,896	10,991
Accrued Payroll	45,809	115,930
Compensated Absences Payable	87,228	70,027
Deferred Revenue	10,547	42,073
Due to Others	6,935	6,935
 Total Liabilities	313,620	440,156
 Fund Balances:		
Reserved	27,852	222,115
Undesignated, Unreserved	513,732	258,525
Total Fund Balances	541,584	480,640
 Total Liabilities and Fund Balances	\$ 855,204	\$ 920,796

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, 2006 and June 30, 2005**

	2006	2005
Amounts reported for governmental activities in the statement of net assets are different because:		
Ending Fund Balance - General Fund	\$ 541,584	\$ 480,640
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds	110,458	134,528
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	(115,628)	(114,255)
Net Assets of Governmental Activities	\$ 536,414	\$ 500,913

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, 2006 and 2005

	<u>2,006</u>	<u>2,005</u>
Revenues:		
Fees and Charges	\$ 571,763	\$ 469,690
Federal Government Grants	1,070,294	596,912
State of Tennessee Grants	76,706	177,545
Local Grant Match (other than MPC)	18,886	97,011
City of Knoxville- contracts	54,000	45,000
City of Knoxville	737,550	692,650
Knox County	724,738	724,738
Knox County - contracts	76,000	35,484
In-Kind Contributions	175,847	164,004
Total revenues	<u>3,505,784</u>	<u>3,003,034</u>
Expenditures:		
Salaries and Employee Benefits	2,444,429	2,209,568
Contracted Services	673,027	547,510
Supplies and Materials	128,328	136,344
Other Charges	199,056	184,450
Capital Outlay	0	126,431
Total expenditures	<u>3,444,840</u>	<u>3,204,303</u>
Revenues over (under) expenditures	60,944	(201,269)
Fund Balance, July 1	480,640	681,909
Fund Balance, June 30	<u>\$ 541,584</u>	<u>\$ 480,640</u>

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, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
Net change in fund balances - General Fund	\$ 60,944	\$ (201,269)
<p>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 \$24,070 and \$8,674 in 2006 and 2005, respectively. Capital outlay amounted to \$0 in 2006 and \$126,431 in 2005.</p>	(24,070)	117,757
<p>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.</p>	(1,373)	(157)
	<u> </u>	<u> </u>
Change in net assets per statement of activities	\$ <u>35,501</u>	\$ <u>(83,669)</u>

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, 2006
(With Comparative Amounts for the Fiscal Year Ended June 30, 2005)

	Orig. Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	2005 Actual
Revenues:					
Fees and Charges	\$ 463,714	\$ 527,551	\$ 571,763	\$ 44,212	\$ 469,690
Federal Government Grants	1,241,122	1,275,241	1,070,294	(204,947)	596,912
State of Tennessee Grants	90,828	84,883	76,706	(8,177)	177,545
Local Grant Match - other than MPC	8,050	21,150	18,886	(2,264)	97,011
City of Knoxville - contracts (1)	40,000	108,100	54,000	(54,100)	45,000
City of Knoxville	748,062	737,550	737,550	0	692,650
Knox County	782,717	724,738	724,738	0	724,738
Knox County - contracts (2)	51,000	76,000	76,000	0	35,484
In-Kind Contributions	125,000	175,847	175,847	0	164,004
Total revenues	3,550,493	3,731,060	3,505,784	(225,276)	3,003,034
Expenditures:					
Salaries and Employee Benefits	2,542,435	2,524,066	2,444,429	79,637	2,209,568
Contracted Services	812,958	898,447	673,027	225,420	547,510
Supplies and Materials	72,300	160,900	128,328	32,572	136,344
Other Charges	147,800	217,647	199,056	18,591	184,450
Capital Outlay	100,000	5,000	0	5,000	126,431
Total expenditures	3,675,493	3,806,060	3,444,840	361,220	3,204,303
Revenues over (under) expenditures	(125,000)	(75,000)	60,944	135,944	(201,269)
Fund Balance, July 1	480,640	480,640	480,640		681,909
Fund Balance, June 30	\$ 355,640	\$ 405,640	\$ 541,584	\$ 135,944	\$ 480,640

Notes

(1) City contracts: PNI \$45,000 + Parks \$9,000 = \$54,000 actual

(2) County contracts: TTCDA plan \$30,000 + TTCDA \$6,000 + Parks \$25,000 + Schools \$15,000 = \$76,000 actual

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

KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005

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 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.

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 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 non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as general fund expenditures or fund liabilities.

KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005

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.

C. BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

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

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

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

KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005

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 selected sections of the accompanying supplementary information to provide an understanding of changes in the Commission's financial position and operations.

G. 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.

H. FUND BALANCE

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.

I. 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, 2006 and 2005

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, 2006. 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, 2006, \$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 percent (the first 6 percent is before tax and the other 9 percent is after tax) of their gross wages and the Commission will match these contributions up to 6 percent of gross wages. All employees who work at least 18 hours a week are required to contribute a minimum of 6 percent 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 \$142,632 and \$115,871, respectively, for the year ended June 30, 2006. 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, 2006.

KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005

NOTE 4: CAPITAL ASSETS

The following is a summary of changes in general fixed assets for the year ended June 30, 2006:

	Beginning Balance	Additions	Deductions	Ending Balance
Capital assets being depreciated, July 1, 2005				
Furniture and fixtures	\$ 32,500	\$ -	\$ -	\$ 32,500
Computers and equipment	190,022	-	-	190,022
Vehicles	33,870	-	-	33,870
Total	256,392	-	-	256,392
Less accumulated depreciation	(121,864)	(24,070)	-	(145,934)
Total capital assets being depreciated, June 30, 2006	\$ <u>134,528</u>	\$ <u>(24,070)</u>	\$ <u>-</u>	\$ <u>110,458</u>

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

	Beginning Balance	Additions	Deductions	Ending Balance
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	33,870	-	-	33,870
Total	273,642	126,431	(143,681)	256,392
Less accumulated depreciation	(256,871)	(8,674)	143,681	(121,864)
Total capital assets being depreciated, June 30, 2005	\$ <u>16,771</u>	\$ <u>117,757</u>	\$ <u>-</u>	\$ <u>134,528</u>

NOTE 5: IN-KIND AND CONTRIBUTED SERVICE

The City of Knoxville and Knox County provide office 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, 2006, was estimated to be \$169,000, based on the 2005 actual cost of \$164,004 calculated at the rate of \$13.59 / foot. The actual cost for the year ending June 30, 2006 was \$175,847 based on an increased rate of \$14.57 / foot for the total 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.

KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2006 and 2005

NOTE 6: 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 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 fiscal year ended June 30, 2006 amounted to \$15,204 as compared to \$14,341 for 2005. 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 \$1,592,288, or 45 percent of the Commission's revenues and in-kind contributions for the fiscal year ended June 30, 2006 as compared to \$1,491,872, or 50 percent for 2005.

NOTE 8: FUND BALANCE

The amount that is reported on the combined balance sheet as reserved fund balance at June 30, 2006 and 2005 is comprised of the following:

	<u>2006</u>	<u>2005</u>
Appropriations	\$ 17,482	\$ 49,008
Prepaid Items	10,371	20,986
Encumbrances	0	152,121
Total	\$ 27,852	\$ 222,115

SUPPLEMENTARY

SECTION

Knoxville/Knox County Metropolitan Planning Commission
Schedule of General Fund Expenditures
For the Fiscal Year Ended June 30, 2006
(With Comparative Amounts for the Fiscal Year Ended June 30, 2005)

Expenditure Type	Final Budget	Actual	Variance Favorable (Unfavorable)	2005 Actual
Salaries and Employee Benefits	\$ 2,524,066	\$ 2,444,429	\$ 79,637	\$ 2,209,568
Legal Services & Legal Notices	84,567	86,114	(1,547)	70,222
Other Professional Services (Adv. & Audit Svcs.)	76,000	45,770	30,230	50,468
Rent,Repair, & Maintenance (Op.Lease, Usage, rental)	58,500	41,231	17,269	45,077
Communications	21,000	20,058	942	20,468
Other Services (Consultant,Freight,Postage,& Printing)	618,839	430,040	188,799	309,358
Contracts with other Agencies	5,458	15,876	(10,418)	22,833
Travel, Tuition, Dues and memberships	46,000	33,936	12,064	28,802
Food	20,500	16,464	4,036	16,426
Utilities & Fuel	3,000	4,121	(1,121)	2,565
Office Supplies & Minor Equipment	133,183	100,751	32,432	110,846
Vehicle/Equip -Repair,Maintenance supplies	1,000	438	562	173
Educational materials	7,000	4,618	2,382	4,179
Other materials (signs & uniforms)	3,300	1,936	1,364	2,436
Capital outlay (vehicles, equipment over \$5,000)	5,000	0	5,000	126,431
Insurance Related expenses (vehicle & bldg.contents)	1,900	919	981	1,321
Workers' Compensation Insurance	14,500	15,672	(1,172)	13,248
Commission Trustee Fees	6,000	5,811	189	4,592
Space Cost	175,847	175,847	0	165,004
Other insurance (corporate surety bond)	400	809	(409)	286
Total Expenditures	\$ 3,806,060	\$ 3,444,840	\$ 361,220	\$ 3,204,303

INTERNAL CONTROL
AND
COMPLIANCE SECTION



RODEFER MOSS
rodefer moss & co, pllc

- ▶ 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*

1729 Midpark Road
Suite C-200
Knoxville, TN 37921

865-583-0091 phone
865-583-0560 fax

www.rodefermoss.com

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, 2006, and have issued our report thereon dated December 8, 2006. 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.

Knoxville, Tennessee
December 8, 2006

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*

1729 Midpark Road
Suite C-200
Knoxville, TN 37921

865-583-0091 phone
865-583-0560 fax

www.rodefermoss.com

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, 2006. 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, 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, 2006.

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 Mow & Co, PLLC

Knoxville, Tennessee
December 8, 2006

KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2006

I. Summary of Auditor's Results:

- A. An unqualified opinion was issued on the basis of 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 programs 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 programs.
- G. The major federal program for the Knoxville/Knox County Metropolitan Planning Commission for the fiscal year ended June 30, 2006 is as follows:

Program Name	CFDA#
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 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, 2006**

Program Name	State Contract Number	CFDA #	Expenditures
INDIRECT FEDERAL FINANCIAL ASSISTANCE			
Major Program:			
Highway Planning and Construction	F&A Contract No. Z-05-024248-00 FHWA Project No. SPR-PL-1(188) TDOT Project No. 47953-1081-54	20.205	\$ 78,771
Highway Planning and Construction	F&A Contract No. Z-06-030934-00 FHWA Project No. SPR-PL-1(203) BPD Project No. 47953-1093-54	20.205	339,754
Regional Transportation Alternatives Study	NPS Cooperative Agreement No. 1443-CA-5460-AO-012	15.904	304,764
Regional Transportation and Air Quality	SPR 1101 Contract No. GG-05-11547-00	20.205	111,695
Total Major Program			\$ 834,984
Non-major Program:			
Federal Transit Technical Studies Grants	TDOT Project No. 47-901-9664-04 F&A Contract No. GG-05-11646-00 FTA Grant No. TN-80-X013	20.505	20,322
Federal Transit Technical Studies Grants (FTA)	TDOT Project No. 47-5303-53-003 F&A Contract No. GG-06-12266-00 FTA Grant No. TN-80-X014	20.505	70,945
Empowerment Zone (City of Knoxville)	Doc. No. C-06-0043	14.244	45,000
Knoxville Smart Trips Program	Contract No. 050027 PIN No. 104031.00	20.205	29,007
Knoxville Smart Trips Program	Contract No. 050028 PIN No. 104031.00	20.205	28,181
Knoxville Smart Trips Program	TDOT Project No. 47CTAP-S3-002 F&A Contract No. GG-06-12185-00	20.205	42,068
Knoxville Smart Trips Program	Contract No. 050159 PIN No. 106867	20.205	34,893
Knoxville Smart Trips Program	Contract No. 050161 PIN No. 106869	20.205	22,246
TPO Bike Enhancement Program	PIN No. 040671.00 CM-STP-9109(91) STIP Amendment #LP-29	20.205	15,833
TPO Bike Enhancement Program	PIN No. 106877.00 CM-STP-9109(108)	20.205	1,253
Regional Clean Fuels Coalition	PIN No. 104038.00 CM-STP-9109(95)	20.205	2,274
Regional Clean Fuels Coalition	PIN No. 106868.00 Contract No. 050160, ETCFC	20.205	40,698
Regional Clean Air Coalition	PIN No. 104032.00	20.205	7,630
Federal Transit Section 5303	TDOT Project No. 47-5303-S3-004 F&A Contract No. GG-12-346-00 FTA Grant No. TN-80-X012	20.500	6,604
I Walk / Ftn.City Pedestrian Plan	SPR 1404 Contract No. GG-06-12347-00	20.205	8,946
Total Non-major Program			\$ 375,900
Total Indirect Federal Financial Assistance			\$ 1,210,884

KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION

Note to the Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2006

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.