

**ANNUAL
FINANCIAL
REPORT**

Knoxville / Knox County

Metropolitan Planning Commission

June 30, 2007 and 2006

KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION
ANNUAL FINANCIAL REPORT

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INTRODUCTORY

SECTION

KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION

LISTING OF COMMISSION MEMBERS
June 30, 2007

Nominated by the Mayor of Knoxville

Expiration of Term

Ms. Susan Brown	2007
Mr. Bart Carey	2011
Mr. Art Clancy, III	2008
Mr. Herbert Donaldson, Sr.	2008
Mr. Richard Graf	2009
Ms. Kimberly K. Henry	2009
Mr. Jack C. Sharp	2007

Nominated by the Knox County Mayor

Mr. Robert Anders	2009
Mr. Trey Benefield	2010
Mr. Ray Evans, Vice-Chair	2007
Mr. Stan Johnson	2008
Mr. Robert Lobetti	2008
Ms. Rebecca Longmire	2010
Mr. C. Randy Massey, Chairman	2010
Ms. Mary Parker Slack	2009

GENERAL PURPOSE
FINANCIAL STATEMENTS



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

Report of Independent Auditors

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

608 Mabry Hood Road
Knoxville, TN 37932

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We have audited the accompanying financial statements of the governmental activities of the government-wide financial statements and major governmental fund of the Knoxville/Knox County Metropolitan Planning Commission (the "Commission"), as of and for the years ended June 30, 2007 and 2006, 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 opinions on these financial statements based on our audits.

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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major governmental fund of the Knoxville/Knox County Metropolitan Planning Commission as of June 30, 2007 and 2006, and the respective changes in financial position and the respective budgetary comparison for the major governmental fund for the year then ended 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 January 2, 2008, on our consideration of the Commission's internal control over financial reporting and on 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 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.

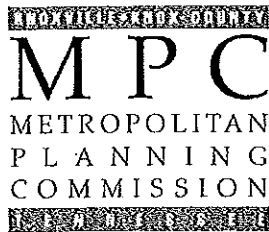
The management's discussion and analysis information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding 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 opinions 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 are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S.

Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Knoxville/Knox County Metropolitan Planning Commission. The schedule of expenditures of federal awards 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
January 2, 2008



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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, 2007 and June 30, 2006. 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 \$559,112 (net assets). Of this amount, \$469,666 (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 \$22,698. This increase is primarily the result of higher fee receipts and additional grant and contract funding.
- ▶ The MPC's total capital assets changed by \$21,012 for the amount of current year depreciation expense and retirement of obsolete equipment.
- ▶ The MPC's total liabilities decreased by \$91,960 due to lower accounts payable 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 page 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, 2007 the MPC's assets exceeded its liabilities by \$559,112 (net assets). At June 30, 2006, the MPC's net assets totaled \$536,414. 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) exceed 100 percent of total net assets, however all are not available for future operational spending as \$89,446, or 16 percent, are invested in capital assets and are restricted on how they may be used. The remaining balance of unrestricted net assets (\$469,666) 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 \$22,698 during the year ended June 30, 2007. This increase is primarily due to a combination of higher fee receipts, higher grant and contract funding, and lower current liabilities.

Fee revenues totaled \$581,100 for fiscal year 2007 compared to \$571,763 for the previous year, a two percent increase. Grant and contract reimbursements totaled \$1,470,395 for fiscal year 2007 compared to \$1,295,886 for the previous year, a 14 percent increase of almost \$175,000. Local funding (not restricted for specific programs) from the City of Knoxville and Knox County totaled \$1,438,168 in 2007, compared to \$1,462,288 in 2006, a two percent decrease of approximately \$24,000. MPC made no capital purchases in fiscal year 2007 or the previous year. Total assets equaled \$896,400 in fiscal year 2007 compared to \$965,662 for the previous year, a decrease of \$69,262. Total liabilities equaled \$337,288 in fiscal year 2007 compared to \$429,248 for the prior year, a decrease of \$91,960. The net effect is an increase to net assets of \$22,698.

Knoxville-Knox County Metropolitan Planning Commission Net Assets

	FYE June 30, 2007	FYE June 30, 2006
Current and Other Assets	\$ 806,954	\$ 855,204
Capital Assets	<u>89,446</u>	<u>110,458</u>
Total Assets	<u>\$ 896,400</u>	<u>965,662</u>
Long Term Liabilities Outstanding	\$ 111,780	\$ 115,628
Other Liabilities	<u>225,508</u>	<u>313,620</u>
Total Liabilities	<u>\$ 337,288</u>	<u>\$ 429,248</u>
Net Assets:		
Invested in Capital Assets	\$ 89,446	\$ 110,458
Unrestricted	<u>469,666</u>	<u>425,956</u>
Total Net Assets	<u>\$ 559,112</u>	<u>\$ 536,414</u>

The next table shows the key elements from ongoing operations that contributed to the \$22,698 increase in net assets during the current fiscal year. As mentioned previously, the increase is explained by several issues including fee receipts being two percent higher than last year, funding from the city and county for contract work being 33 percent higher than previous year, and grant revenues being 11 percent higher than previous year.

Revenues for fiscal year 2007 were \$3,608,827 compared to \$3,505,784 for the previous year or an increase of \$103,043. The source of this increase is from over \$9,000 higher fee receipts, over \$42,000 higher funding from the city and county for contract work, and over \$132,000 higher revenues from additional grant funding. Expenses for fiscal year 2007 were \$3,586,129 compared to \$3,470,283 for fiscal year 2006 or an increase of \$115,846 due to higher personal services costs and grant related expenses. The change in net assets for fiscal year 2007 was an increase of \$22,698 compared to an increase of \$35,501 for fiscal year 2006.

Knoxville-Knox County Metropolitan Planning Commission Changes in Net Assets

	FYE June 30, 2007	FYE June 30, 2006
Revenues:		
Fees and Charges	\$ 581,100	\$ 571,763
Grants and Contracts	1,470,395	1,295,886
City & County Funding	1,438,168	1,462,288
In-kind	119,164	175,847
Total Revenues	<u>\$ 3,608,827</u>	<u>\$ 3,505,784</u>
Expenses:		
Salaries and Employee Benefits	\$ 2,565,194	2,445,802
Contracted Services	799,639	673,027
Supplies and Material	61,121	128,328
Depreciation	21,012	24,070
Other Expenses	139,163	199,056
Total Expenditures	<u>\$ 3,586,129</u>	<u>\$ 3,470,283</u>
Increase/ (decrease) in Net Assets	22,698	35,501
Net Assets July 1	536,414	500,913
Net Assets June 30	<u>\$ 559,112</u>	<u>\$ 536,414</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 \$617,802 less than the final budget due primarily from delays in grant related projects. The MPC's actual expenses were \$671,898 less than the final budget due to salary savings and from delays in grant related projects. The net result is a \$54,096 favorable budget variance.

Capital Assets and Debt Administration

Capital Assets. The MPC's investment in capital assets as of June 30, 2007 was \$89,446 (net of accumulated depreciation). There were no purchases of capital assets in 2007 or the prior year. Depreciation expense for fiscal year 2007 was \$21,012 (which includes retirement of a fully depreciated equipment having a cost of \$7,688) compared to \$24,070 for fiscal year 2006.

Long Term Liabilities. At the end of the current fiscal year, the MPC's long term liabilities consisted of compensated absences payable of \$111,780 compared to \$115,628 at the end of the fiscal year 2006. There were no capital leases in the 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, 2007 and June 30, 2006

<u>Assets</u>	<u>2007</u>	<u>2006</u>
Cash and Cash Equivalents	\$ 64,520	\$ 363,741
Restricted Cash - TTCDA	6,935	6,935
Accounts Receivable:		
Grants Receivable (net of doubtful accts)	675,035	434,585
Other	50,562	39,572
Prepaid Expenses	9,902	10,371
Capital assets, net of accumulated depreciation	89,446	110,458
Total Assets	<u>896,400</u>	<u>965,662</u>
 <u>Liabilities</u>		
Accounts Payable	24,109	124,205
Retainage Payable	46,150	38,896
Accrued Payroll	45,033	45,809
Deferred Revenue	100	10,547
Due to Others	6,935	6,935
Compensated Absences:		
Expected to be paid within one year	103,181	87,228
Expected to be paid after one year	111,780	115,628
Total Liabilities	<u>337,288</u>	<u>429,248</u>
 <u>Net Assets</u>		
Invested in capital assets	89,446	110,458
Unrestricted	469,666	425,956
Total Net Assets	<u>\$ 559,112</u>	<u>\$ 536,414</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, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<u>Program revenues:</u>		
Charges for services	581,100	571,763
Operating grants and contributions:		
Federal government grants	1,185,541	1,070,294
State of Tennessee grants	74,130	76,706
Local grant match (other than MPC)	38,255	18,886
City of Knoxville - contracts	65,000	54,000
Knox County- contracts	107,469	76,000
Total program revenues	<u>2,051,495</u>	<u>1,867,649</u>
<u>Program Expenses:</u>		
General government - planning:		
Personal services	\$ 2,565,194	\$ 2,445,802
Contracted services	799,639	673,027
Materials and supplies	61,121	128,328
Depreciation	21,012	24,070
Other expenses	139,163	199,056
Total program expenses	<u>3,586,129</u>	<u>3,470,283</u>
Net program Deficiency of revenues under expenses	<u>(1,534,634)</u>	<u>(1,602,634)</u>
<u>General revenues:</u>		
Grants and contributions not restricted to specific programs:		
City of Knoxville	713,430	737,550
Knox County	724,738	724,738
In-kind contributions	119,164	175,847
Total general revenues	<u>1,557,332</u>	<u>1,638,135</u>
Change in net assets	22,698	35,501
<u>Net assets:</u>		
Beginning of year	<u>536,414</u>	<u>500,913</u>
End of year	<u>\$ 559,112</u>	<u>\$ 536,414</u>

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, 2007 and June 30, 2006

<u>Assets</u>	<u>2007</u>	<u>2006</u>
Cash and Cash Equivalents	\$ 64,520	\$ 363,741
Restricted Cash - TTCDA	6,935	6,935
Accounts Receivable:		
Grants Receivable (net of allowance for doubtful accts)	675,035	434,585
Other	50,562	39,572
Prepaid Expenses	9,902	10,371
 Total Assets	\$ 806,954	\$ 855,204
<u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts Payable	\$ 24,109	\$ 124,205
Retainage Payable	46,150	38,896
Accrued Payroll	45,033	45,809
Compensated Absences Payable - current year	103,181	87,228
Deferred Revenue	100	10,547
Due to Others	6,935	6,935
 Total Liabilities	225,508	313,620
 Fund Balances:		
Reserved	168,816	27,852
Undesignated, Unreserved	412,630	513,732
Total Fund Balances	581,446	541,584
 Total Liabilities and Fund Balances	\$ 806,954	\$ 855,204

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, 2007 and June 30, 2006**

	<u>2007</u>	<u>2006</u>
Amounts reported for governmental activities in the statement of net assets are different because:		
Ending Fund Balance - General Fund	\$ 581,446	\$ 541,584
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds	89,446	110,458
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences	<u>(111,780)</u>	<u>(115,628)</u>
Net Assets of Governmental Activities	\$ <u>559,112</u>	\$ <u>536,414</u>

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, 2007 and 2006**

	2007	2006
<u>Revenues:</u>		
Fees and Charges	\$ 581,100	\$ 571,763
Federal Government Grants	1,185,541	1,070,294
State of Tennessee Grants	74,130	76,706
Local Grant Match (other than MPC)	38,255	18,886
City of Knoxville- contracts	65,000	54,000
City of Knoxville	713,430	737,550
Knox County	724,738	724,738
Knox County - contracts	107,469	76,000
In-Kind Contributions	119,164	175,847
Total revenues	3,608,827	3,505,784
<u>Expenditures:</u>		
Salaries and Employee Benefits	2,569,042	2,444,429
Contracted Services	799,639	673,027
Supplies and Materials	61,121	128,328
Other Charges	139,163	199,056
Total expenditures	3,568,965	3,444,840
Revenues over (under) expenditures	39,862	60,944
Fund Balance, July 1	541,584	480,640
Fund Balance, June 30	\$ 581,446	\$ 541,584

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, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - General Fund	\$ 39,862	\$ 60,944
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 \$21,012 and \$24,070 in 2007 and 2006, respectively. Capital outlay amounted to \$0 in both 2007 and 2006.	(21,012)	(24,070)
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.	3,848	(1,373)
Change in net assets per statement of activities	\$ <u>22,698</u>	\$ <u>35,501</u>

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

Knoxville/Knox County Metropolitan Planning Commission
Schedule of Revenues/Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2007
(With Comparative Amounts for the Fiscal Year Ended June 30, 2006)

	Original Budget	Final Budget	2007 Actual	Variance Favorable (Unfavorable)	2006 Actual
Revenues:					
Fees and Charges	\$ 525,727	\$ 527,227	\$ 581,100	\$ 53,873	\$ 571,763
Federal Government Grants	1,454,900	1,689,834	1,185,541	(504,293)	1,070,294
State of Tennessee Grants	82,100	138,900	74,130	(64,770)	76,706
Local Grant Match - other than MPC	18,500	25,600	38,255	12,655	18,886
City of Knoxville - contracts (1)	66,000	71,000	65,000	(6,000)	54,000
City of Knoxville	760,000	713,430	713,430	0	737,550
Knox County	780,000	724,738	724,738	0	724,738
Knox County - contracts (2)	28,000	160,900	107,469	(53,431)	76,000
In-Kind Contributions	175,000	175,000	119,164	(55,836)	175,847
Total revenues	3,890,227	4,226,629	3,608,827	(617,802)	3,505,784
Expenditures:					
Salaries and Employee Benefits	2,666,336	2,666,336	2,569,042	97,294	2,444,429
Contracted Services	949,740	1,262,509	799,639	462,870	673,027
Supplies and Materials	89,151	99,651	61,121	38,530	128,328
Other Charges	200,000	200,000	139,163	60,837	199,056
Capital Outlay	25,000	12,367	0	12,367	0
Total expenditures	3,930,227	4,240,863	3,568,965	671,898	3,444,840
Revenues over (under) expenditures	(40,000)	(14,234)	39,862	54,096	60,944
Fund Balance, July 1	541,584	541,584	541,584	-	480,640
Fund Balance, June 30	\$ 501,584	\$ 527,350	\$ 581,446	\$ 54,096	\$ 541,584

Notes

- (1) City contracts: PNI \$50,000 + Stormwater \$15,000 = \$65,000 actual
(2) County contracts: TTCDA \$6,000 + Parks \$17,000 + Schools \$84,469 = \$107,469 actual

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

KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

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 using the 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, 2007 and 2006

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, 2007 and 2006

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. DEPOSITS AND INVESTMENTS

The Commission considers all highly liquid cash and investments with a maturity of three months or less from the date of acquisition to be cash or cash equivalents. The Commission's cash and cash equivalents are pooled and managed by the Trustee of Knox county. State statutes authorize the Commission to invest in obligations of the federal government, State of Tennessee, U.S. governmental agencies, the State of Tennessee Local Government Investment Pool, certificates of deposit and repurchase agreements. All investments are stated at cost or amortized cost.

Tennessee Code Annotated Section 5-8-201 requires financial institutions to secure the Commission's deposits by pledging governmental securities as collateral. The market value of pledged securities must equal at least 105 percent of the average daily balance of deposits.

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 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.

KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

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.

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, 2007. 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, 2007, \$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 \$147,150 and \$123,032, respectively, for the year ended June 30, 2007. Employee and employer contributions were approximately \$142,632 and \$115,871, respectively, for the year ended June 30, 2006. 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, 2007.

KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 4: CAPITAL ASSETS

The following is a summary of changes in general fixed assets for the year ended June 30, 2007:

	Beginning Balance	Additions	Deductions	Ending Balance
Capital assets being depreciated				
Furniture and fixtures	\$ 32,500	\$ -	\$ -	\$ 32,500
Computers and equipment	190,022	-	(7,688)	182,334
Vehicles	33,870	-	-	33,870
Total capital assets, at cost	<u>256,392</u>	<u>-</u>	<u>(7,688)</u>	<u>248,704</u>
Less accumulated depreciation				
Furniture and fixtures	(32,500)	-	-	(32,500)
Computers and equipment	(79,564)	(21,012)	7,688	(92,888)
Vehicles	(33,870)	-	-	(33,870)
Total	<u>(145,934)</u>	<u>(21,012)</u>	<u>7,688</u>	<u>(159,258)</u>
Total capital assets being depreciated, net	<u>\$ 110,458</u>	<u>\$ (21,012)</u>	<u>\$ -</u>	<u>\$ 89,446</u>

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				
Furniture and fixtures	\$ 32,500	\$ -	\$ -	\$ 32,500
Computers and equipment	190,022	-	-	190,022
Vehicles	33,870	-	-	33,870
Total capital assets, at cost	<u>256,392</u>	<u>-</u>	<u>-</u>	<u>256,392</u>
Less accumulated depreciation				
Furniture and fixtures	(32,500)	-	-	(32,500)
Computers and equipment	(56,516)	(23,048)	-	(79,564)
Vehicles	(32,848)	(1,022)	-	(33,870)
Total	<u>(121,864)</u>	<u>(24,070)</u>	<u>-</u>	<u>(145,934)</u>
Total capital assets being depreciated, net	<u>\$ 134,528</u>	<u>\$ (24,070)</u>	<u>\$ -</u>	<u>\$ 110,458</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, 2007, was estimated to be \$175,000, based on the 2006 actual cost of \$175,847 calculated at the rate of \$14.50 / foot. The actual cost for the year ending June 30, 2007 was \$119,164 based on a decreased rate of \$9.87 / 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, 2007 and 2006

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, 2007 amounted to \$14,123 as compared to \$15,204 for 2006. 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 \$1,610,637, or 45 percent of the Commission's revenues and in-kind contributions for the fiscal year ended June 30, 2007 as compared to \$1,592,288, which was also 45 percent for 2006.

NOTE 8: FUND BALANCE

The amount that is reported on the combined balance sheet as reserved fund balance at June 30, 2007 and 2006 is comprised of the following:

	<u>2007</u>	<u>2006</u>
Appropriations	\$ 6,935	\$ 17,482
Prepaid Items	9,902	10,371
Encumbrances	151,979	0
Total	<u>\$ 168,816</u>	<u>\$ 27,852</u>

SUPPLEMENTARY
SECTION

Knoxville/Knox County Metropolitan Planning Commission
Schedule of General Fund Expenditures
For the Fiscal Year Ended June 30, 2007
(With Comparative Amounts for the Fiscal Year Ended June 30, 2006)

Expenditure Type	2007 Final Budget	2007 Actual	Variance Favorable (Unfavorable)	2006 Actual
Salaries and Employee Benefits	\$ 2,666,336	\$ 2,569,042	\$ 97,294	\$ 2,444,429
Legal Services & Legal Notices	80,000	77,934	2,066	86,114
Other Professional Services (Adv. & Audit Srvs.)	153,834	118,502	35,332	45,770
Rent,Repair, & Maintenance (Op.Lease, Usage, rental)	51,000	39,381	11,619	41,231
Communications	25,000	25,172	(172)	20,058
Other Services (Consultant,Freight,Postage,& Printing)	871,782	502,009	369,773	430,040
Contracts with other Agencies	21,893	3,826	18,067	15,876
Travel, Tuition, Dues and memberships	59,000	32,815	26,185	33,936
Food	24,151	14,107	10,044	16,464
Utilities & Fuel	3,500	3,815	(315)	4,121
Office Supplies & Minor Equipment	65,000	33,697	31,303	100,751
Vehicle/Equip -Repair,Maintenance supplies	500	529	(29)	438
Educational materials	3,800	6,003	(2,203)	4,618
Other materials (signs & uniforms)	2,700	2,970	(270)	1,936
Capital outlay (vehicles, equipment over \$5,000)	12,367	0	12,367	0
Insurance Related expenses (vehicle & bldg.contents)	1,900	601	1,299	919
Workers' Compensation Insurance	16,100	13,522	2,578	15,672
Commission Trustee Fees	6,000	5,876	124	5,811
Space Cost	175,000	119,164	55,836	175,847
Other insurance (corporate surety bond)	1,000	0	1,000	809
Total Expenditures	\$ 4,240,863	\$ 3,568,965	\$ 671,898	\$ 3,444,840

INTERNAL CONTROL
AND
COMPLIANCE SECTION



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

We have audited the financial statements of the governmental activities of the government-wide financial statements and major governmental fund of the Knoxville/Knox County Metropolitan Planning Commission (the "Commission"), as of and for the year ended June 30, 2007, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated January 2, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Commission's financial statements that is more than inconsequential will not be prevented or detected by the Commission's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Commission's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Knoxville/Knox County Metropolitan Planning Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

We noted certain matters that we reported to management of the Commission, in a separate letter dated January 2, 2008.

This report is intended solely for the information and use of management, the board of directors, and 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 Moss & Co, PLLC

Knoxville, Tennessee
January 2, 2008

SINGLE AUDIT

SECTION



RODEFER MOSS
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Report On Compliance With Requirements
Applicable to Each Major Program and on Internal Control
Over Compliance in Accordance with *OMB Circular A-133*

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

Compliance

We have audited the compliance of the Knoxville/Knox County Metropolitan Planning Commission (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 of its major federal program for the year ended June 30, 2007. 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 programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

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

In our opinion, the 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, 2007.

Internal Control Over Compliance

The management of the Knoxville/Knox County Metropolitan Planning Commissions is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board of directors, management and 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Rodefer Mow & Co, PLLC

Knoxville, Tennessee
January 2, 2008

KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2007

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, 2007 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 qualified 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, 2007

Program Name	State Contract Number	CFDA #	Expenditures
INDIRECT FEDERAL FINANCIAL ASSISTANCE			
Major Program:			
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 \$	90,593
Highway Planning and Construction	F&A Contract No. Z-07-036297-00 FHWA Project No. SPR-PL-1(210) BPD Project No. 47954-1002-54	20.205	340,640
Regional Transportation Alternatives Study	NPS Cooperative Agreement No. 1443-CA-5460-AO-012	15.904	83,311
Regional Transportation and Air Quality	SPR 1101 Contract No. GG-05-11547-00	20.205	205,632
Cumberland Ave Corridor Study	SPR0704/Cumberland Ave (US 11/70) Study Contract No. GG-06-12280-00 RFS No. 440.00-607	20.205	125,000
Cumberland Ave Corridor Study	CM-STP-1(208) Contract No. 060027 PIN No. 107029	20.205	160,000
Total Major Program			\$ 1,005,176
Non-major Program:			
Federal Transit Technical Studies Grants	TDOT Project No. 47-5303-53-003 F&A Contract No. GG-06-12266-00 FTA Grant No. TN-80-X014	20.505	4,727
Federal Transit Technical Studies Grants (FTA)	TDOT Project No. 47-5303-53-F-007 F&A Contract No. GG-07-20628-00 FTA Grant No. TN-80-0001-01	20.505	51,507
Empowerment Zone (City of Knoxville)	Doc. No. C-07-0126	14.244	50,000
Knoxville Smart Trips Program	Contract No. 050159 PIN No. 106867	20.205	20,107
Knoxville Smart Trips Program	Contract No. 050161 PIN No. 106869	20.205	39,564
Knoxville Smart Trips Program	Contract No. 060150 PIN No. 106869	20.205	67,660
TPO Bike Enhancement Program	PIN No. 106877.00 CM-STP-9109(108)	20.205	2,096
Regional Clean Fuels Coalition	PIN No. 106868.00 Contract No. 050160, ETCFC	20.205	19,301
Regional Clean Air Coalition	PIN No. 104032.00	20.205	52,476
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	15,810
Total Non-major Program			\$ 323,248
Total Indirect Federal Financial Assistance			\$ 1,328,424

KNOXVILLE/KNOX COUNTY METROPOLITAN PLANNING COMMISSION

Note to the Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2007

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.