

**KNOXVILLE – KNOX COUNTY  
METROPOLITAN PLANNING  
COMMISSION**

**FINANCIAL STATEMENTS**

**June 30, 2014 and June 30, 2013**

**Prepared by:  
Knox County Department of Finance**

**KNOXVILLE – KNOX COUNTY  
METROPOLITAN PLANNING COMMISSION**

**FINANCIAL STATEMENTS**

June 30, 2014 and June 30, 2013

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**KNOXVILLE - KNOX COUNTY METROPOLITAN PLANNING COMMISSION**

Knoxville, Tennessee

**FINANCIAL STATEMENTS**  
June 30, 2014 and June 30, 2013

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**KNOXVILLE - KNOX COUNTY METROPOLITAN PLANNING COMMISSION**

Knoxville, Tennessee

**FINANCIAL STATEMENTS**  
June 30, 2014 and June 30, 2013

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**INTRODUCTORY  
SECTION**

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**KNOXVILLE - KNOX COUNTY METROPOLITAN PLANNING COMMISSION**

**COMMISSION MEMBERS**

June 30, 2014

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**Nominated by the Mayor of Knoxville:**

Mr. Bart Carey, Vice Chair

Ms. Elizabeth Eason

Mr. Michael A. Kane

Rev. Charles F. Lomax, Jr.

Mr. Conrad "Mac" Goodwin

Mr. Jack C. Sharp

Ms. Janice L. Tocher

**Nominated by the Knox County Mayor:**

Mr. Herb Anders

Mr. Art Clancy, III

Ms. Laura Cole

Mr. Len Johnson

Ms. Rebecca Longmire, Chairman

Mr. Scott Smith

Mr. Jeffery W. Roth

Mr. Jim Wakefield

**FINANCIAL SECTION**

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PUGH & COMPANY, P.C.  
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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners of the  
Knoxville - Knox County Metropolitan Planning Commission  
Knoxville, Tennessee

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major governmental fund of the Knoxville - Knox County Metropolitan Planning Commission ("MPC"), as of and for the years ended June 30, 2014 and 2013, the budgetary comparison of the general fund, and the related notes to the financial statements, which collectively comprise the MPC's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

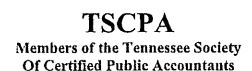
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

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, 2014 and 2013, and the respective changes in financial position and the budgetary comparison of the general fund for the years then ended in accordance with accounting principles generally accepted in the United States of America.





## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise MPC's basic financial statements. The schedule of general fund expenditures, schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (Circular A-133), schedule of expenditures of state awards and introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The information presented in the schedule of general fund expenditures and schedules of expenditures of federal and state awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information presented in the schedule of general fund expenditures and schedules of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The information included in the introductory section as listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2014 on our consideration of MPC'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Knoxville - Knox County Metropolitan Planning Commission's internal control over financial reporting and compliance.

*Pugh & Company, P.C.*

Certified Public Accountants  
Knoxville, Tennessee  
December 22, 2014



## Management's Discussion and Analysis

As management of the Knoxville - Knox County Metropolitan Planning Commission (the Commission), we offer the readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal years ended June 30, 2014 and June 30, 2013. 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 Commission's financial activities and condition.

### Financial Highlights for Fiscal Year 2014

- ❖ The assets of the Commission exceeded its liabilities at the close of the most recent fiscal year by \$1,035,192 (*net position*). Of this amount, \$1,022,260 (unrestricted net position) may be used to meet the Commission's ongoing obligations to citizens and creditors.
- ❖ The Commission's total net position increased by \$187,748. This increase is primarily the result of a combination of higher charges for services and increased grant related revenue.
- ❖ The Commission's total capital assets changed by \$8,656 for the amount of current year depreciation only since there were no capital assets purchased during the year.
- ❖ The Commission's total liabilities increased by \$98,698 due to higher grants related accounts payable, and higher accrued payroll.

### Financial Highlights for Fiscal Year 2013

- ❖ The assets of the Commission exceeded its liabilities at the close of the most recent fiscal year by \$847,444 (*net position*). Of this amount, \$825,856 (unrestricted net position) may be used to meet the Commission's ongoing obligations to citizens and creditors.
- ❖ The Commission's total net position increased by \$186,591. This increase is primarily the result of a combination of higher charges for services and lower contracted services costs.
- ❖ The Commission's total capital assets changed by \$9,459 for the amount of the annual depreciation expense only since there were no capital assets purchased during the year.
- ❖ The Commission's total liabilities decreased by \$230,749 due to lower grants related accounts payable.

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

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

The comparative Statements of Activities presents information showing how the Commission's net position changed during the last two fiscal years. All changes in net position 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 9-15 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 16-27 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the Commission's budgetary compliance and variances from the final amended budget. This supplementary information can be found on page 28 of this report.

## **Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of the Commission's financial position. As of June 30, 2014, and 2013 the Commission's assets exceeded its liabilities by \$1,035,192 and \$847,444 (*net position*), respectively. At June 30, 2014, the majority of the Commission's net position reflects its current assets (e.g. cash and cash equivalents, grants receivable, and prepaid items). These current assets (less current liabilities) equal 105 percent of total net position; however, all net position is not available for future operational spending as \$12,932, or one percent, is invested in capital assets. The remaining balance of unrestricted net position \$1,022,260 may be used to meet the Commission's ongoing obligations to citizens and creditors.

As the following table shows, the Commission reported an increase in net position of \$187,748 for the current fiscal year ended June 30, 2014. As previously noted this increase is primarily the result of higher charges for services and increased grant related revenue. The decrease of \$8,656 in investment in capital assets is primarily due to depreciation expense charged during the current fiscal year of \$8,656.

During the fiscal year ended June 30, 2013, the Commission reported an increase in net position of \$186,591. This increase was primarily the result of higher charges for services and lower operating costs. The decrease of \$9,459 in investment in capital assets results chiefly from depreciation and amortization expense charged during the prior fiscal year totaling \$9,459.

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

	FYE June 30, 2014	FYE June 30, 2013	FYE June 30, 2012
Current and Other Assets	\$ 1,860,148	\$ 1,565,046	\$ 1,599,745
Capital Assets	12,932	21,588	31,047
Total Assets	<u>1,873,080</u>	<u>1,586,634</u>	<u>1,630,792</u>
Non Current Liabilities Outstanding	67,410	74,464	68,486
Current Liabilities	770,478	664,726	901,453
Total Liabilities	<u>837,888</u>	<u>739,190</u>	<u>969,939</u>
Net Position:			
Investment in			
Capital Assets	12,932	21,588	31,047
Unrestricted	1,022,260	825,856	629,806
Total Net Position	<u>\$ 1,035,192</u>	<u>\$ 847,444</u>	<u>\$ 660,853</u>

The next table shows the key elements from ongoing operations that contributed to the increase in net position of \$187,748 during the current fiscal year. This increase compares to the fiscal year 2013 increase of \$186,591. The reasons for this year's increase are similar to last year's increase. Program revenues, comprised mainly of grant revenues, increased by \$261,137 or approximately 8% during fiscal year 2014, and program expenses increased by \$359,980 or 8%, a result primarily of increased personnel costs and contracted services. Also, General Revenues increased by \$100,000 or 7%, the result of revenue from Knox County's increased appropriation.

For fiscal year 2014 Revenues increased by \$361,137. That increase is the combination of an increase in the charges for service totaling \$65,744, increase of federal government grants \$186,432, increase of \$3,167 in state government grants, increase of local grant match of \$5,794, and General Revenues increased by \$100,000 primarily as a result of increased funding from Knox County.

Total expenses for FY 2014 increased by \$359,980, with the increase being comprised of an increase of \$179,592 in personnel services (this includes salaries and employee benefits), increased costs of contracted services totaling \$121,266, an increase in supplies and materials totaling \$64,757, a decrease in other charges totaling \$4,832, and a lower depreciation expense. The difference in depreciation from the current fiscal year and the previous fiscal year amounted to \$803. During FY 2013, total expenses decreased by \$260,857, with the decrease being comprised of lower contracted services for grant subcontractors.

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

	FYE <u>June 30, 2014</u>	FYE <u>June 30, 2013</u>	FYE <u>June 30, 2012</u>
<b>Revenues:</b>			
Charges for Services	\$ 552,439	\$ 486,695	\$ 439,467
Federal and State of Tennessee Grants	2,952,904	2,757,511	2,948,495
City of Knoxville and Knox County	<u>1,551,000</u>	<u>1,451,000</u>	<u>1,545,000</u>
<b>Total Revenues</b>	<u>5,056,343</u>	<u>4,695,206</u>	<u>4,932,962</u>
<b>Expenses:</b>			
Personnel Services	2,830,416	2,650,824	2,603,407
Contracted Services	1,708,471	1,587,205	1,875,668
Supplies and Materials	128,043	63,286	84,810
Other Charges	193,009	197,841	195,851
Depreciation and Amortization	<u>8,656</u>	<u>9,459</u>	<u>9,736</u>
<b>Total Expenses</b>	<u>4,868,595</u>	<u>4,508,615</u>	<u>4,769,472</u>
<b>Change in Net Position</b>	187,748	186,591	163,490
<b>Net Position - Beginning of Year</b>	<u>847,444</u>	<u>660,853</u>	<u>497,363</u>
<b>Net Position - End of Year</b>	<u>\$ 1,035,192</u>	<u>\$ 847,444</u>	<u>\$ 660,853</u>

## **Budgetary Highlights**

The Statement of Revenues / Expenditures and Changes in Fund Balance – Budget to Actual – General Fund, which is found on page 15 of this report, details the original and final budget, actual revenues and expenses, as well as the variances from the final budget. The Commission’s actual revenues were \$431,567 under budget primarily due from delays in grant and contract related projects. The Commission’s actual expenses were \$1,231,068 under budget primarily due from delays in grant related projects. The net result is a \$799,501 favorable budget variance.

## **Capital Assets and Debt Administration**

**Capital Assets.** The Commission’s investment in capital assets as of June 30, 2014, amounts to \$12,932 (net of accumulated depreciation). Capital assets include furniture and fixtures, computer and office equipment, and vehicles. The Commission’s investment in capital assets decreased for the current fiscal year by 40%, or \$8,656, due chiefly to a decrease in investment in capital assets due to depreciation expense charged during the current fiscal year of \$8,656. As of June 30, 2013, the Commission’s investment in capital assets amounted to \$21,588 (net of accumulated depreciation). For the fiscal year ending June 30, 2013, the Commission’s investment in capital assets decreased 30%, or \$9,459. The fiscal year 2013 decrease resulted chiefly from a decrease in investment in capital assets due to depreciation expense charged during the 2013 fiscal year totaling \$9,459. For a detailed schedule of the Commission’s capital assets, see Note 5: Capital Assets on pages 24 and 25 in the Notes to the Financial Statements.

**Long-term Debt.** Compensated absences payable decreased by a net of \$24,323 in FY 2014, and increased by a net of \$12,178 in FY 2013. For a detailed schedule of the Commission’s long term debt, see Note 6: Long Term Liabilities on page 26 in the Notes to the Financial Statements.

## **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 Commission’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.

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**KNOXVILLE - KNOX COUNTY METROPOLITAN  
PLANNING COMMISSION**

**STATEMENTS OF NET POSITION  
June 30, 2014 and June 30, 2013**

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	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 953,787	\$ 589,983
Accounts Receivable:		
Grants Receivable (net of doubtful accounts)	894,483	970,334
Prepaid Items	11,878	4,729
Capital Assets, net of accumulated depreciation	<u>12,932</u>	<u>21,588</u>
Total Assets	<u>1,873,080</u>	<u>1,586,634</u>
<b>LIABILITIES</b>		
Accounts Payable	464,788	372,912
Accrued Payroll	132,852	103,360
Unearned Revenue	7,500	5,847
Due to Others	300	300
Compensated Absences:		
Expected to be paid within one year	165,038	182,307
Expected to be paid after one year	<u>67,410</u>	<u>74,464</u>
Total Liabilities	<u>837,888</u>	<u>739,190</u>
<b>NET POSITION</b>		
Investment in Capital Assets	12,932	21,588
Unrestricted	<u>1,022,260</u>	<u>825,856</u>
Total Net Position	<u>\$ 1,035,192</u>	<u>\$ 847,444</u>

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

**KNOXVILLE - KNOX COUNTY METROPOLITAN  
PLANNING COMMISSION**

**STATEMENTS OF ACTIVITIES**

**For the Years Ended June 30, 2014 and June 30, 2013**

	<b>2014</b>	<b>2013</b>
<b>Program Revenues:</b>		
Charges for Services	\$ 552,439	\$ 486,695
Operating Grants and Contributions:		
Federal Government Grants	2,705,779	2,519,347
State of Tennessee Grants	237,178	234,011
Local Grant Match (other than MPC)	9,947	4,153
Total Program Revenues	3,505,343	3,244,206
<b>Program Expenses:</b>		
Personnel Services	2,830,416	2,650,824
Contracted Services	1,708,471	1,587,205
Supplies and Materials	128,043	63,286
Other Charges	193,009	197,841
Depreciation and Amortization	8,656	9,459
Total Program Expenses	4,868,595	4,508,615
Net Program Deficiency of Revenues Under Expenses	(1,363,252)	(1,264,409)
<b>General Revenues:</b>		
Grants and Contributions not Restricted to Specific Programs:		
City of Knoxville	905,000	905,000
Knox County	646,000	546,000
Total General Revenues	1,551,000	1,451,000
Change in Net Position	187,748	186,591
Total Net Position - Beginning of Year	847,444	660,853
Total Net Position - End of Year	\$ 1,035,192	\$ 847,444

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



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**KNOXVILLE - KNOX COUNTY METROPOLITAN  
PLANNING COMMISSION**

**BALANCE SHEETS - GENERAL FUND  
June 30, 2014 and June 30, 2013**

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	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 953,787	\$ 589,983
Accounts Receivable:		
Grants Receivable (net of doubtful accounts)	894,483	970,334
Prepaid Assets	<u>11,878</u>	<u>4,729</u>
Total Assets	<u>1,860,148</u>	<u>1,565,046</u>
<b>LIABILITIES</b>		
Accounts Payable	464,788	372,912
Accrued Payroll	132,852	103,360
Unearned Revenue	7,500	5,847
Due to Others	300	300
Compensated Absences Payable - current year	<u>165,038</u>	<u>182,307</u>
Total Liabilities	<u>770,478</u>	<u>664,726</u>
<b>FUND BALANCES</b>		
Nonspendable	11,878	4,729
Unassigned	<u>1,077,792</u>	<u>895,591</u>
Total Fund Balances	<u>\$ 1,089,670</u>	<u>\$ 900,320</u>

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

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**KNOXVILLE - KNOX COUNTY METROPOLITAN  
PLANNING COMMISSION  
RECONCILIATION OF THE BALANCE SHEETS -GENERAL FUND TO  
THE STATEMENTS OF NET POSITION  
June 30, 2014 and June 30, 2013**

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	<b>2014</b>	<b>2013</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Ending Fund Balance - General Fund	\$ 1,089,670	\$ 900,320
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds	12,932	21,588
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	(67,410)	(74,464)
Net Position of Governmental Activities	\$ 1,035,192	\$ 847,444

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

**KNOXVILLE - KNOX COUNTY METROPOLITAN  
PLANNING COMMISSION**

**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN  
IN FUND BALANCE - GENERAL FUND  
For the Years Ended June 30, 2014 and June 30, 2013**

	2014	2013
<b>Revenues:</b>		
Charges for Services	\$ 552,439	\$ 486,695
Federal Government Grants	2,705,779	2,519,347
State of Tennessee Grants	237,178	234,011
Local Grant Match (other than MPC)	9,947	4,153
City of Knoxville	905,000	905,000
Knox County	646,000	546,000
 Total Revenues	 5,056,343	 4,695,206
<b>Expenditures:</b>		
Personnel Services	2,837,470	2,644,846
Contracted Services	1,708,471	1,587,205
Supplies and Materials	128,043	63,286
Other Charges	193,009	197,841
 Total Expenditures	 4,866,993	 4,493,178
 Net Change in Fund Balance	 189,350	 202,028
 Fund Balance, July 1	 900,320	 698,292
 Fund Balance, June 30	 \$ 1,089,670	 \$ 900,320

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

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**KNOXVILLE - KNOX COUNTY METROPOLITAN  
PLANNING COMMISSION  
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - GENERAL FUND TO THE STATEMENTS OF ACTIVITIES  
June 30, 2014 and June 30, 2013**

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	2014	2013
Amounts reported for governmental activities in the statement of activities are different because:		
Net Change in Fund Balance - General Fund	\$ 189,350	\$ 202,028
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense amounted to \$8,656 in 2014 and \$9,459 in 2013. Capital outlay amounted to \$0 in 2014 and 2013.	(8,656)	(9,459)
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.	7,054	(5,978)
Change in Net Position per Statement of Activities	\$ 187,748	\$ 186,591

*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 -  
BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended June 30, 2014**

(With Comparative Totals for Fiscal Year Ended June 30, 2013)

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)	2013 Total
<b>Revenues</b>					
Charges for Services	\$ 469,360	\$ 532,510	\$ 552,439	\$ 19,929	\$ 459,664
Federal Government Grants	3,175,000	3,175,000	2,705,779	(469,221)	2,519,347
State of Tennessee Grants	254,000	254,000	237,178	(16,822)	234,011
Local Grant Match - (other than MPC)	-	-	9,947	9,947	4,153
City of Knoxville	905,000	905,000	905,000	-	905,000
Knox County	646,000	646,000	646,000	-	546,000
Other miscellaneous contracts	-	(24,600)	-	24,600	27,031
Total Revenues	<u>5,449,360</u>	<u>5,487,910</u>	<u>5,056,343</u>	<u>(431,567)</u>	<u>4,695,206</u>
<b>Expenditures</b>					
Personnel Services	2,934,360	2,934,360	2,837,470	96,890	2,644,846
Contracted Services	2,162,689	2,789,288	1,708,471	1,080,817	1,587,205
Supplies and Materials	139,000	162,102	128,043	34,059	63,286
Other Charges	200,311	212,311	193,009	19,302	197,841
Capital Outlay	13,000	-	-	-	-
Total Expenditures	<u>5,449,360</u>	<u>6,098,061</u>	<u>4,866,993</u>	<u>1,231,068</u>	<u>4,493,178</u>
<b>Net Change in Fund Balances</b>	<b>\$ -</b>	<b>\$ (610,151)</b>	<b>\$ 189,350</b>	<b>\$ 799,501</b>	<b>\$ 202,028</b>
Fund Balances, July 1	<u>900,320</u>	<u>900,320</u>	<u>900,320</u>	<u>-</u>	<u>698,292</u>
Fund Balances, June 30	<u>\$ 900,320</u>	<u>\$ 290,169</u>	<u>\$ 1,089,670</u>	<u>\$ 799,501</u>	<u>\$ 900,320</u>

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

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**KNOXVILLE - KNOX COUNTY METROPOLITAN  
PLANNING COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014 and June 30, 2013

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Knoxville - Knox County Metropolitan Planning Commission (the Commission) was formed in 1956. The Commission 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 Commission.

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

**B. Basis of Accounting**

The government-wide financial statements (i.e., the statements of net position and the statements 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 employ the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they are "measurable and available". "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Commission considers revenue generated from charges for service (i.e. fees) available if they are collected within 60 days after the fiscal year end. All other revenues are considered available if collected within one year after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, as under accrual accounting, except for compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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**KNOXVILLE - KNOX COUNTY METROPOLITAN  
PLANNING COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014 and June 30, 2013

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Accounting (continued)**

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 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.

1. 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 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.

2. Sources of Revenue

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

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**KNOXVILLE - KNOX COUNTY METROPOLITAN  
PLANNING COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014 and June 30, 2013

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Accounting (continued)**

**3. Pronouncements**

During the fiscal year ended June 30, 2013, the Commission implemented GASB Statement No. 62 "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*", which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance, included in certain FASB and AICPA pronouncements issued prior to November 30, 1989, which does not conflict with or contradict GASB pronouncements.

During the fiscal year ended June 30, 2013, the Commission implemented GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*", which establishes guidance for reporting the statements of net position and statements of revenues, expenses, and changes in net position.

**C. Assets, Liabilities, and Equity**

**1. Deposits and Investments**

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. The Commission's cash, cash equivalents and investments 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 reported at fair value. Short-term investments, however, are reported at cost, which approximates fair value. 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 the securities must be at least 105 percent of the average daily balance of the Commission's deposits.



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**KNOXVILLE - KNOX COUNTY METROPOLITAN  
PLANNING COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014 and June 30, 2013

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Assets, Liabilities, and Equity (continued)**

2. Receivables and Payables

All trade and subsidy receivables and payables are recognized when incurred and recorded at full value. Any amounts later determined to be uncollectible are written off when that determination is made. Any necessary allowance for doubtful accounts would not be material.

3. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items when paid, and expensed in the applicable future accounting period.

4. Capital Assets

Capital assets, which include property and equipment, are defined as assets with an initial, individual cost of more than \$5,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property and equipment are depreciated using the straight-line method over the following estimated useful lives of the assets:

<u>Assets</u>	<u>Years</u>
Furniture and Fixtures	5
Computers and Equipment	5-10
Vehicles	5

Maintenance and repairs are charged to operations as incurred; major renewals and betterments are capitalized. When capital assets are sold, the related costs and accumulated depreciation are removed from the respective accounts, and any gain or loss is charged or credited to operations.

Capital assets considered construction in progress are stated at cost and are depreciated using the straight-line method over their estimated useful lives when placed into service.

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**KNOXVILLE - KNOX COUNTY METROPOLITAN  
PLANNING COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014 and June 30, 2013

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Assets, Liabilities, and Equity (continued)**

5. Compensated Absences Payable

It is the Commission's policy to permit employees to accumulate earned but unused vacation and sick pay benefits based on years of service. There is no liability for unpaid accumulated sick leave since it is the Commission's policy that, upon separation or retirement, employees do not receive any payment for unused sick time. Vacation pay is accrued when earned.

6. Fund Balance

In the governmental fund financial statements, fund balance is reported in classifications that comprise a hierarchy based primarily on the extent to which the Commission is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. The classifications are as follows:

Nonspendable fund balance includes amounts that cannot be spent because they are (a) not in spendable form, or (b) legally or contractually required to be maintained intact (e.g. endowments). Fund balance not in spendable form includes items not expected to be converted to cash (e.g. prepaid items).

Restricted fund balance includes amounts that are restricted for specific purposes. These amounts result from constraints placed on the use of resources (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, which for the Knoxville-Knox County Metropolitan Planning Commission is the Commission's Board. Amounts are reported as committed pursuant to approvals voted by the Commission's legislative branch, which have also been approved the Commission's Director, the executive branch.

Assigned fund balance consists of amounts constrained by the Commission's intent to be used for specific purposes, but are neither restricted nor committed. Assignments may be made upon the authority of the Commission's Director.

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**KNOXVILLE - KNOX COUNTY METROPOLITAN  
PLANNING COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014 and June 30, 2013

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Assets, Liabilities, and Equity (continued)**

Unassigned fund balance is the residual balance in the general fund (i.e. fund balance that is not nonspendable, nor restricted, nor committed, nor assigned). When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted amounts are expended first, and then unrestricted funds are used. When expenditures are incurred utilizing unrestricted funds, unassigned amounts are expended first, then assigned amounts, then committed amounts.

Net position in government-wide financial statements is classified as investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law.

**7. Estimates**

The preparation of financial statements in accordance 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 may differ from these estimates.

**8. 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.

**NOTE 2: BUDGETARY INFORMATION**

As required by State Statutes, the Commission adopts an annual budget. The budget proposal is prepared using the modified accrual basis of accounting. The Commission's budget is presented to its Executive Committee for review and approval then forwarded to the full Commission for vote and legal adoption. The appropriated budget is approved at a summary level and emphasis is also placed on complying with the grant budget, terms and conditions on a grant by grant basis. These terms and conditions usually specify the period during which costs may be incurred and outline budget restrictions or allowances.

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**KNOXVILLE - KNOX COUNTY METROPOLITAN  
PLANNING COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014 and June 30, 2013

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**NOTE 2: BUDGETARY INFORMATION (Continued)**

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 due to the grants range from being less than twelve month period to multiple years. 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, and revised expenditure needs.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded 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 nonspendable fund balances since they do not constitute expenditures or liabilities.

Encumbrances represent commitments related to unperformed contracts for goods or services. Outstanding encumbrances are reappropriated in the subsequent year. There were not any encumbrances committed at June 30, 2014, nor 2013 respectively.

**NOTE 3: DEPOSITS AND INVESTMENTS**

At June 30, 2014, and June 30, 2013, the bank collateral pool administered by the Treasurer of the State of Tennessee covered the Commission's cash and cash equivalents, which were pooled and managed by the Trustee of Knox County. 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 be equal to 105 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.

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**KNOXVILLE - KNOX COUNTY METROPOLITAN  
PLANNING COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014 and June 30, 2013

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**NOTE 4: EMPLOYEE RETIREMENT PLANS**

The Commission has a defined contribution plan (asset accumulation plan) that covers substantially all full time employees of the Commission under the age of 65. The plan is administered by USI Consulting Group. Plan benefits depend solely on amounts contributed to the plan plus investment earnings. Participation begins on the first day of employment and all eligible employees not participating in another County, or state retirement plan are required to participate. Employees vest in the employer contributions at 20% per year after one year of service and are 100% vested after five years. All employees who work at least 18.5 hours a week are required to contribute a minimum of 6% of compensation.

On July 1, 2007, the Commission incorporated both a 401(a) Plan and a 457(b) Plan in the Defined Contribution Plan for Commission participants. Commission's Voluntary 457 plan incorporates voluntary pre-tax contributions by the participant with an employer match based on length of service with the Commission. Two other 457 plans, Security Benefits and Nationwide, also allow similar employee contributions and employer match.

During the year, the Commission made total employer contributions of \$189,909 and the Commission's employees contributed a total amount of \$189,909 to the DC Plan and 457 Plan. During 2013, the Commission contributed a total amount of \$197,166 and the Commission's employees contributed a total amount of \$174,754 to the DC Plan and 457 Plan.

**KNOXVILLE - KNOX COUNTY METROPOLITAN  
PLANNING COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014 and June 30, 2013

**NOTE 5: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning			Ending
	Balance	Increases	Decreases	Balance
Capital Assets Being Depreciated:				
Furniture and fixtures	\$ 32,500	\$ -	\$ -	\$ 32,500
Computer and equipment	125,244	-	-	125,244
Vehicles	36,484	-	-	36,484
Total Capital Assets Being Depreciated	194,228	-	-	194,228
Less Accumulated Depreciation for:				
Furniture and fixtures	(32,500)	-	-	(32,500)
Computer and equipment	(103,654)	(8,656)	-	(112,310)
Vehicles	(36,486)	-	-	(36,486)
Total Accumulated Depreciation	(172,640)	(8,656)	-	(181,296)
Total Capital Assets Being Depreciated, Net	\$ 21,588	\$ (8,656)	\$ -	\$ 12,932

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**KNOXVILLE - KNOX COUNTY METROPOLITAN  
PLANNING COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014 and June 30, 2013

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**NOTE 5: CAPITAL ASSETS (Continued)**

Capital asset activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated:				
Furniture and fixtures	\$ 32,500	\$ -	\$ -	\$ 32,500
Computer and equipment	150,947	-	(25,703)	125,244
Vehicles	49,923	-	(13,439)	36,484
Total Capital Assets Being Depreciated	233,370	-	(39,142)	194,228
Less Accumulated Depreciation for:				
Furniture and fixtures	(32,500)	-	-	(32,500)
Computer and equipment	(120,701)	(8,656)	25,703	(103,654)
Vehicles	(49,122)	(803)	13,439	(36,486)
Total Accumulated Depreciation	(202,323)	(9,459)	39,142	(172,640)
Total Capital Assets Being Depreciated, Net	<u>\$ 31,047</u>	<u>\$ (9,459)</u>	<u>\$ -</u>	<u>\$ 21,588</u>

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**KNOXVILLE - KNOX COUNTY METROPOLITAN  
PLANNING COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2014 and June 30, 2013

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**NOTE 6: LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated Absences	\$ 256,771	\$ 191,289	\$ (215,612)	\$ 232,448	\$ 165,038

Long-term liability activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated Absences	\$ 244,593	\$ 177,916	\$ (165,738)	\$ 256,771	\$ 182,307

**NOTE 7: CONTRIBUTED SERVICES**

Knox County provides office space within the City/County Building to the Commission. The total square footage of space provided is 12,098. The rate per square foot is \$9.85. The Commission paid for space costs amounting to \$119,200 in fiscal year 2014 and 2013 respectively. Knox County provides various administrative and internal service functions to the Commission. During the current fiscal year, the total charged by the County to the Commission for those services was \$47,562. The County charged the Commission \$65,053 for those services in fiscal year 2013.



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**KNOXVILLE - KNOX COUNTY METROPOLITAN  
PLANNING COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014 and June 30, 2013

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**NOTE 8: ECONOMIC CONCENTRATION**

The City of Knoxville and Knox County, Tennessee provided funding of \$1,551,000 in the current fiscal year and \$1,451,000 in the past fiscal year to the Commission, which amounted to 31 percent of total revenues for the fiscal years 2014 and 2013, respectively.

**NOTE 9: RISK MANAGEMENT**

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has been considered 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. Because the TML pool has excess aggregate and individual claim loss insurance coverage, management considers any related risk to be insignificant. The Commission has had no significant reduction in insurance coverage over the last three years. There have been no settlements in excess of insurance coverage over the last three years.

**NOTE 10: FUND BALANCE**

The amount that is reported on the balance sheets –general fund as nonspendable fund balance at June 30, 2014 and 2013 is comprised of prepaid items. Those amounts totaled \$11,878 and \$4,729 for fiscal years 2014 and 2013, respectively.

**SUPPLEMENTARY  
INFORMATION**

**KNOXVILLE - KNOX COUNTY METROPOLITAN  
PLANNING COMMISSION**

**SCHEDULE OF GENERAL FUND EXPENDITURES  
For the Year Ended June 30, 2014  
(With Comparative Totals for Fiscal Year Ended June 30, 2013)**

Expenditure Type	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)	2013 Actual
Personnel Services	\$ 2,934,360	\$ 2,934,360	\$ 2,837,470	\$ 96,890	\$ 2,644,846
Legal Services - Attorney	40,000	40,000	40,000	-	40,000
Legal Notices	27,300	30,656	29,654	1,002	25,099
Other Professional Services (Advertisement & Audit Services)	50,689	58,324	62,902	(4,578)	31,303
Rent, Repair, & Maintenance	48,000	50,372	51,813	(1,441)	45,410
Communications	35,200	35,200	31,746	3,454	26,391
Other Services (Consulting, Postage, & Printing)	1,818,500	2,421,895	1,389,059	1,032,836	1,351,905
Contracts with Other Agencies	88,500	93,341	52,199	41,142	37,607
Travel, Tuition, Dues & Memberships	54,500	59,500	51,100	8,400	29,490
Food	28,000	28,102	19,363	8,739	14,865
Utilities & Fuel	3,500	3,500	3,003	497	2,749
Office Supplies & Minor Equipment	97,500	120,500	97,333	23,167	38,659
Vehicle/ Equipment - Repair, Maintenance Supplies	1,000	1,000	-	1,000	261
Educational Materials	6,200	6,200	5,624	576	5,062
Other Materials (signs)	2,800	2,800	2,718	82	1,690
Capital Outlay	13,000	-	-	-	-
Insurance Related Expenses - Building & Vehicles	1,700	13,700	14,609	(909)	865
Workers' Compensation	9,100	9,100	5,984	3,116	7,869
Trustee Commission	5,000	5,000	5,654	(654)	4,850
Space Costs	119,200	119,200	119,200	-	119,200
Other Central Service Costs	65,311	65,311	47,562	17,749	65,057
<b>Total Expenditures</b>	<b>\$ 5,449,360</b>	<b>\$ 6,098,061</b>	<b>\$ 4,866,993</b>	<b>\$ 1,231,068</b>	<b>\$ 4,493,178</b>

See accompanying Independent Auditors' Report.

**INTERNAL CONTROL  
AND COMPLIANCE SECTION**

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TELEPHONE 865-769-1657

INDEPENDENT AUDITOR'S 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

Board of Commissioners of the  
Knoxville - Knox County Metropolitan Planning Commission  
Knoxville, Tennessee

We have audited, in accordance with the 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, the financial statements of the governmental activities and the major governmental fund of the Knoxville - Knox County Metropolitan Planning Commission ("MPC"), as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the MPC's basic financial statements, and have issued our report thereon dated December 22, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered MPC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MPC's internal control. Accordingly, we do not express an opinion on the effectiveness of MPC's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether MPC's financial statements are free from 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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Pugh & Company, P.C.*

Certified Public Accountants  
Knoxville, Tennessee  
December 22, 2014

**SINGLE AUDIT SECTION**

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Commissioners of the  
Knoxville - Knox County Metropolitan Planning Commission  
Knoxville, Tennessee

**Report on Compliance for Each Major Federal Program**

We have audited Knoxville - Knox County Metropolitan Planning Commission's ("MPC") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of MPC's major federal programs for the year ended June 30, 2014. MPC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of MPC's major federal programs based on our audit of the types of compliance requirements referred to above. 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 MPC'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 on compliance for each major federal program. However, our audit does not provide a legal determination of MPC's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Knoxville - Knox County Metropolitan Planning Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.



## Report on Internal Control Over Compliance

Management of MPC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered MPC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 MPC's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Pugh & Company, P.C.*

Certified Public Accountants  
Knoxville, Tennessee  
December 22, 2014

**KNOXVILLE - KNOX COUNTY METROPOLITAN PLANNING COMMISSION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2014**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
<b>Major Program:</b>			
<i>U.S. Department of Housing and Urban Development</i>			
PlanET / Sustainable Communities Grant (pass through City of Knoxville)	14.703	Doc. No. C-11-0226	\$ 1,331,439
<b>Total U.S. Department of Housing and Urban Development</b>			<u>1,331,439</u>
<b>Non-Major Programs:</b>			
<i>U.S. Department of the Interior-National Park Service</i>			
<b>Pass through the State of Tennessee Department of Environment and Conservation</b>			
Tennessee Historical Commission	15.904	EDISON ID 38801	<u>3,600</u>
<b>Total passed through the Tennessee Department of Environment and Conservation</b>			<u>3,600</u>
<b>Total US Department of the Interior-National Park Service</b>			<u>3,600</u>
<b>Major Program:</b>			
<i>U.S. Department of Transportation - CFDA 20.205 (pass through TDOT)</i>			
Highway Planning and Construction	20.205	F&A Contract No. GG12-37123-01	124,012
Highway Planning and Construction	20.205	ZMPO008 EDISON ID 38616	405,176
Regional Transportation and Air Quality	20.205	F&A Contract No. GG10-30211-01	37,196
Knoxville Smart Trips Program	20.205	Contract No.060150 PIN No. 106867	194,231
TPO Bike Enhancement Program	20.205	PIN No. 115203 CM-STP-9109(145)	7,529
Knoxville Smart Trips Car Share Program	20.205	Contract No. 110034 PIN No. 115208.00	47,642
<b>Total U.S. Department of Transportation CFDA 20.205</b>			<u>815,786</u>
<b>Non-Major Programs:</b>			
<i>U.S. Department of Transportation - CFDA cluster 20.513, 20.516 and 20.521</i>			
Federal Transit - Enhanced Mobility	20.513	Federal Project ID # TN-16-X007-00	23,612
Federal Transit - Job Access Reverse Commute	20.516	Federal Project ID # TN-37-X082-00	6,225
Federal Transit - Job Access Reverse Commute	20.516	Federal Project ID # TN-37-X082-01	69,168
Federal Transit - Job Access Reverse Commute	20.516	Federal Project ID # TN-37-X082-02	205,181
Federal Transit - New Freedom	20.521	Federal Project ID # TN-57-X010-01	145,766
Federal Transit - New Freedom	20.521	Federal Project ID # TN-57-X010-02	8,975
<b>Total U.S. Department of Transportation-CFDA cluster 20.513, 20.516 &amp; 20.521</b>			<u>458,927</u>

See the accompanying notes to the Schedule of Expenditures of Federal and State Awards.

KNOXVILLE - KNOX COUNTY METROPOLITAN PLANNING COMMISSION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS *continued*  
 For the Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
<b>Non-Major Programs:</b>			
<i>U.S. Department of Transportation - (pass through TDOT)</i>			
Federal Transit Technical Studies Grant	20.505	F&A Contract No. GG11-36515-00 TDOT Project No. 475303-S3-012 FTA Grant No. TN-80-0004-00	\$ 25,418
Federal Transit Technical Studies Grant	20.505	F&A Contract No. GG13-34403-00 TDOT Project No. 475303-S3-013 FTA Grant No. TN-80-0004-02	79,925
<b>Total U.S. Department of Transportation-CFDA 20.505</b>			<u>105,343</u>
<b>Total U.S. Department of Transportation</b>			<u>1,380,056</u>
<b>Total Expenditure of Federal Awards</b>			<u>\$ 2,715,095</u>

See the accompanying notes to the Schedule of Expenditures of Federal and State Awards.

**KNOXVILLE - KNOX COUNTY METROPOLITAN PLANNING COMMISSION**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**For the Year Ended June 30, 2014**

Program Title	Identifying Number	State Expenditures
<b>Tennessee Department of Transportation:</b>		
Regional Transportation and Air Quality	SPR 2010-32 Amendment 2	\$ 9,299
Federal Transit - Job Access Reverse Commute	Federal Project ID # N-37-X082-01 State Contract No. 47-5316-S3-008	17,667
Federal Transit - Job Access Reverse Commute	Federal Project ID # N-37-X082-02 State Contract No. 47-5316-S3-009	102,591
Federal Transit - New Freedom	Federal Project ID # TN-57-X010-01 State Contract No. 47-5317-S3-004	65,182
Federal Transit - New Freedom	Federal Project ID # TN-57-X010-02 State Contract No. 47-5317-S3-005	4,488
Federal Transit - Enhanced Mobility	Federal Project ID # TN-16-X007-00 State Contract No. 47-5310-S3-002	11,806
Federal Transit Technical Studies Grant	F&A Contract No. GG11-36515-00 TDOT Project No. 475303-S3-012 FTA Grant No. TN-80-0004-00	3,631
Federal Transit Technical Studies Grant	F&A Contract No. GG13-34403-00 TDOT Project No. 475303-S3-013 FTA Grant No. TN-80-0004-02	11,418
<b>Total Tennessee Department of Transportation</b>		<b>226,082</b>
<b>Total Expenditure of State Awards</b>		<b>\$ 226,082</b>

See the accompanying notes to the Schedule of Expenditures of Federal and State Awards.

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**KNOXVILLE - KNOX COUNTY METROPOLITAN PLANNING COMMISSION**

Knoxville, Tennessee

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE  
AWARDS  
June 30, 2014**

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**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal and state awards summarizes the expenditures of the Knoxville-Knox County Metropolitan Planning Commission (the Commission) under federal programs for the year ended June 30, 2014. Because the schedule presents only a selected portion of the operations for the Commission, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Commission. For purposes of the schedule of expenditures of federal awards, expenditures for federal programs are recognized on the accrual basis of accounting.

Federal awards include all grants, contracts, and similar agreements entered into directly between the Commission and agencies and departments of the federal government, and all subawards to the Commission by nonfederal organizations pursuant to federal grants, contracts, and similar agreements.

In compliance with Tennessee state law, the accompanying schedule of expenditures of state awards is also included in this report. This schedule presents all state funded financial awards, as defined by the State's Comptroller's Office, and is prepared and presented in a manner consistent with the schedule of expenditures of federal awards.

**NOTE 2 – INDIRECT COSTS**

Many of the Commission's federally funded programs allow indirect costs to be charged and include them as a line item in the grant budget. However, if the grant budget does not specifically provide for indirect costs to be charged, none of the indirect costs are reported as costs to the grantor nor are the costs included or presented in the schedule of expenditures of federal and state awards.



**KNOXVILLE - KNOX COUNTY METROPOLITAN PLANNING COMMISSION**

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2014**

**Section II - Findings Related to the Audit of the Financial Statements**

**Current Year Audit Findings:**

None.

**Section III - Findings Related to Federal Awards**

**Current Year Audit Findings:**

None.

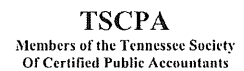
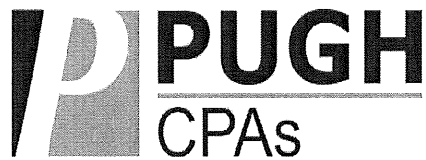




**KNOXVILLE - KNOX COUNTY METROPOLITAN PLANNING COMMISSION**

**REPORT TO THE BOARD OF COMMISSIONERS**

**December 22, 2014**





**KNOXVILLE OFFICE:**  
315 NORTH CEDAR BLUFF ROAD – SUITE 200  
KNOXVILLE, TENNESSEE 37923  
TELEPHONE 865-769-0660



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**OAK RIDGE OFFICE:**  
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OAK RIDGE, TENNESSEE 37830  
TELEPHONE 865-769-1657

December 22, 2014

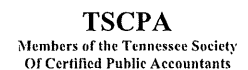
Board of Commissioners  
Knoxville - Knox County Metropolitan Planning Commission  
Knoxville, Tennessee

We are pleased to present this report related to our audit of the basic financial statements of Knoxville - Knox County Metropolitan Planning Commission ("MPC") for the year ended June 30, 2014. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for MPC's financial and compliance reporting process.

This report is intended solely for the information and use of the Board of Commissioners and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to Knoxville - Knox County Metropolitan Planning Commission.

*Pugh & Company, P.C.*

Certified Public Accountants  
Knoxville, Tennessee

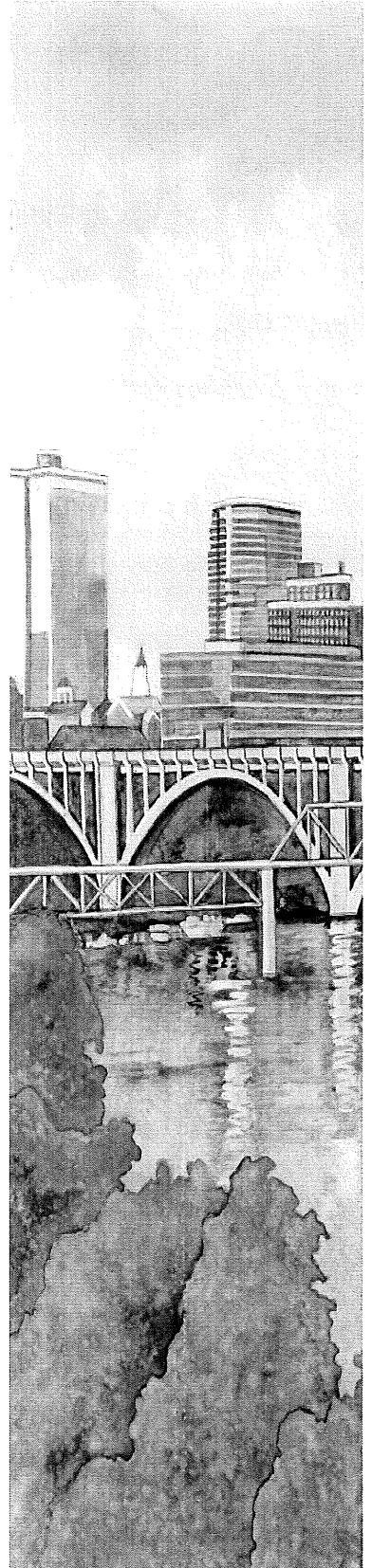


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## Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
<b>Our Responsibilities With Regard to the Financial Statement Audit</b>	Our responsibilities under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> , issued by the Comptroller General of the United States, have been described to you in our arrangement letter dated May 15, 2014.
<b>Overview of the Planned Scope and Timing of the Financial Statement Audit</b>	We have separately met with management and governance during the planning stage regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement.
<b>Accounting Policies and Practices</b>	<b>Preferability of Accounting Policies and Practices</b> Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice. <b>Adoption of, or Change in, Accounting Policies</b> Management has the ultimate responsibility for the appropriateness of the accounting policies used by MPC. MPC did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period
	<b>Significant or Unusual Transactions</b> We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.
	<b>Management's Judgments and Accounting Estimates</b> Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Exhibit A - Summary of Significant Accounting Estimates.
<b>Audit Adjustments</b>	There were no audit adjustments made to the original trial balance presented to us to begin our audit.
<b>Uncorrected Misstatements</b>	Uncorrected misstatements are summarized in the attached Exhibit B - Summary of Uncorrected Misstatements.





Area	Comments
<b>Disagreements With Management</b>	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the basic financial statements.
<b>Consultations With Other Accountants</b>	We are not aware of any consultations management had with other audit firms about accounting or auditing matters during the course of our audit.
<b>Significant Issues Discussed With Management</b>	No significant issues arising from the audit were discussed with or were the subject of correspondence with management.
<b>Significant Difficulties Encountered in Performing the Audit</b>	We did not encounter any significant difficulties in dealing with management during the audit.
<b>Internal Control Matters</b>	There were no significant deficiencies or material weaknesses reported in the internal control and compliance section of the audit report.
<b>Material Written Communications Between Management and Our Firm</b>	A draft copy of the representation letter to be provided to us by management is attached as Exhibit C.



**Knoxville - Knox County Metropolitan Planning Commission**

**EXHIBIT A - Summary of Significant Accounting Estimates**

**Year Ended June 30, 2014**

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the MPC's June 30, 2014, financial statements.

<b>Estimate</b>	<b>Accounting Policy</b>	<b>Management's Estimation Process</b>	<b>Basis for Our Conclusions on Reasonableness of Estimate</b>
<b>Depreciation of Capital Assets</b>	Depreciation is calculated using the straight-line method.	Estimated depreciable lives are based upon prior experience and use of the asset.	We have reviewed the estimated useful lives used by management and compared them to industry standards for similar assets.



**Knoxville - Knox County Metropolitan Planning Commission**

**EXHIBIT B - Summary of Uncorrected Misstatements**

**Year Ended June 30, 2014**

During the course of our audit, we accumulated uncorrected misstatements that were determined by management to be immaterial, both individually and in the aggregate, to the financial position and results of operations and to the related basic financial statement disclosures. Following is a summary of those differences.

Description	Effect-Increase (Decrease)				
	Assets	Liabilities	Equity	Revenue	Expense
Unrecorded liability and related grant receivable	\$36,748	\$36,748	\$0	\$36,748	\$36,748
Income Statement Effect				\$36,748	\$36,748
Balance Sheet Effect	\$36,748	\$36,748	\$0		





Jeff Welch &lt;jeff.welch@knoxmpc.org&gt;

---

**Re: Pugh "Summary of Uncorrected Misstatements"**

---

Jason Lay &lt;Jason.Lay@knoxcounty.org&gt;

Thu, Jan 15, 2015 at 4:04 PM

To: Susan Corlew &lt;Susan.Corlew@knoxcounty.org&gt;, Jeff Welch &lt;jeff.welch@knoxtrans.org&gt;

Susan and Jeff,

I spoke with Ted Hotz from Pugh CPAs about the "Summary of Uncorrected Misstatements" this afternoon. He said the particular transaction was a timing difference with what he thought was a "transportation invoice not being recorded in the right year". He is going to verify but I mentioned could it be a CAC invoice and he believed so. He said since it was recorded in the next fiscal year there was no impact to the financial statements, therefore, there was no need to adjust or correct the entry in FY14.

I hope that helps!

Jason

---

**From:** Susan Corlew  
**Sent:** Wednesday, January 14, 2015 3:32 PM  
**To:** Jeff Welch  
**Cc:** Jason Lay  
**Subject:** Re: Pugh "Summary of Uncorrected Misstatements"

[Quoted text hidden]







Suite 403  
City – County Building  
400 Main Street  
Knoxville, Tennessee 37902  
Office: (865) 215-2500  
Fax: (865) 215-2068

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December 22, 2014

Pugh & Company, P.C.  
315 N. Cedar Bluff Road  
Suite 200  
Knoxville, Tennessee 37923-4548

This representation letter is provided in connection with your audit of the basic financial statements of Knoxville - Knox County Metropolitan Planning Commission ("MPC") as of and for the year ended June 30, 2014, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

We confirm to the best of our knowledge and belief, as of the date of this letter:

***Financial Statements***

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated May 15, 2014, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions, including those with Knox County and the City of Knoxville, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. We are not aware of any pending or threatened litigation, claims, or assessments that are required to be accrued or disclosed in the financial statements in accordance with Statement of Financial Accounting Standards No.5 and/or GASB Statement No. 10 and we have not consulted a lawyer concerning litigation claims or assessments.
9. We have no direct or indirect, legal or moral obligation for any debt of any organization, public or private that is not disclosed in the financial statement.

10. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are subject to the requirements of the Single Audit Act and OMB Circular No. A-133, because we have received, expended, or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
11. We have informed you of any uncorrected misstatements.
12. We believe that the effects of the uncorrected misstatements aggregated by you are immaterial, both individually and in the aggregate to the government activities of the basic financial statements. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

***Information Provided***

13. We have provided you with:
  - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit;
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
14. All transactions have been recorded in the accounting records and are reflected in the financial statements.
15. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
16. We have no knowledge of allegations of fraud or suspected fraud, affecting the entity's financial statements involving:
  - a. Management.
  - b. Employees who have significant roles in the internal control.
  - c. Others where the fraud could have a material effect on the financial statements.
17. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements received in communications from employees, former employees, analysts, regulators, short sellers, or others.
18. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements.
19. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
20. We have disclosed to you the identity of the entity's related parties and all the related-party relationships and transactions of which we are aware.
21. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Entity's ability to record, process, summarize, and report financial data.
22. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

***Supplementary Information***

23. With respect to supplementary information presented in relation to the financial statements as a whole:
- a. We acknowledge our responsibility for the presentation of such information.
  - b. We believe such information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
  - d. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
24. With respect to Management's Discussion and Analysis presented as required by Governmental Accounting Standards Board to supplement the basic financial statements:
- a. We acknowledge our responsibility for the presentation of such required supplementary information.
  - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
25. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

***Compliance Considerations***

In connection with your audit, conducted in accordance with Government Auditing Standards, we confirm that management:

26. Is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the auditee.
27. Has identified and disclosed to the auditor all instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
28. Has identified and disclosed to the auditor all instances, that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
29. Has identified and disclosed to the auditor all instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
30. Has a process to track the status of audit findings and recommendations.


31. Has identified for the auditor previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

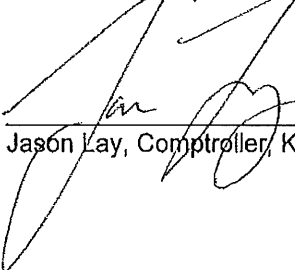
In connection with your audit of federal awards conducted in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, we confirm:

32. Management is responsible for complying, and has complied, with the requirements of Circular A-133.
33. Management is responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of its federal programs.
34. Management is responsible for establishing and maintaining, and has established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on its federal programs.
35. Management has prepared the schedule of expenditures of federal awards in accordance with Circular A-133 and has included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
36. Management has identified and disclosed to the auditor the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
37. Management has made available all contracts and grant agreements (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.
38. Management has identified and disclosed to the auditor all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards.
39. Management believes that the auditee has complied with the direct and material compliance requirements.
40. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
41. Management has provided to the auditor its interpretations of any compliance requirements that are subject to varying interpretations.
42. Management has disclosed to the auditor any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
43. Management has disclosed to the auditor the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
44. Management is responsible for taking corrective action on audit findings of the compliance audit.

45. Management has provided the auditor with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
46. Management has disclosed the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.
47. Management has disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by the auditor's report or stating that there were no such known instances.
48. Management has disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the date as of which compliance is audited.
49. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
50. The copies of federal program financial reports provided to the auditor are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
51. Management has monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of Circular A-133.
52. Management has charged costs to federal awards in accordance with applicable cost principles.
53. Management has accurately completed the appropriate sections of the data collection form.
54. If applicable, management has disclosed all contracts or other agreements with service organizations.
55. If applicable, management has disclosed to the auditor all communications from service organizations relating to noncompliance at those organizations.

Knoxville – Knox County Metropolitan Planning Commission:

  
\_\_\_\_\_  
Mark Donaldson, Executive Director

  
\_\_\_\_\_  
Jason Lay, Comptroller, Knox County Finance Department

