

KNOXVILLE – KNOX COUNTY
METROPOLITAN PLANNING
COMMISSION

ANNUAL FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2017 and 2016

Prepared By:
Knox County Department of Finance

**KNOXVILLE – KNOX COUNTY METROPOLITAN PLANNING
COMMISSION**

ANNUAL FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2017 and 2016

KNOXVILLE - KNOX COUNTY METROPOLITAN PLANNING COMMISSION

Knoxville, Tennessee

ANNUAL FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2017 and 2016

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KNOXVILLE - KNOX COUNTY METROPOLITAN PLANNING COMMISSION

Knoxville, Tennessee

ANNUAL FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2017 and 2016

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**INTRODUCTORY
SECTION**

KNOXVILLE - KNOX COUNTY METROPOLITAN PLANNING COMMISSION

COMMISSION MEMBERS

June 30, 2017

Nominated by the Mayor of Knoxville:

Mr. Charles Thomas

Ms. Elizabeth Eason

Ms. Gayle Bustin

Rev. Charles F. Lomax, Jr.

Mr. Conrad "Mac" Goodwin

Mr. Patrick Phillips

Ms. Janice L. Tocher, Vice Chair

Nominated by the Knox County Mayor:

Mr. Herb Anders

Mr. Art Clancy, III

Ms. Laura Cole

Mr. Chris Ooten

Ms. Rebecca Longmire, Chairman

Mr. Scott Smith

Mr. Jeffery W. Roth

Mr. Mike Crowder

FINANCIAL SECTION

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



OAK RIDGE OFFICE:
800 OAK RIDGE TURNPIKE – SUITE A404
OAK RIDGE, TENNESSEE 37830
TELEPHONE 865-769-1657

PUGH & COMPANY, P.C.
www.pughcpas.com

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 ("Commission"), as of and for the years ended June 30, 2017 and 2016, the budgetary comparison statement of the general fund, and the related notes to the financial statements, which collectively comprise the Commission'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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major governmental fund of the Knoxville - Knox County Metropolitan Planning Commission as of June 30, 2017 and 2016, and the respective changes in financial position and the budgetary comparison statement 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 4-9 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The introductory section, schedule of general fund expenditures, schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, schedule of expenditures of state financial assistance, and corrective action plan 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 awards and state financial assistance 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 audits 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 awards and state financial assistance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The information included in the introductory and corrective action plan sections as listed in the table of contents have not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2018 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's 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
February 6, 2018



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, 2017, 2016 and 2015. 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 2017

- ❖ The assets of the Commission exceeded its liabilities at the close of the most recent fiscal year by \$1,529,935 (*net position*). Of this amount, \$1,506,323 (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 \$293,773. This increase is primarily the result of increased charges for services, increased federal grants from the U.S. Department of Transportation and increased local government contributions.
- ❖ The Commission's total capital assets increased by \$21,478 primarily due to the purchase of a vehicle during the year.
- ❖ The Commission's total liabilities increased by \$38,525 due to an increase to accounts payable, decrease to accrued payroll, decrease to unearned revenue, an increase to compensated absences and recognition of the sick leave liability.

Financial Highlights for Fiscal Year 2016

- ❖ The assets of the Commission exceeded its liabilities at the close of the most recent fiscal year by \$1,236,162 (*net position*). Of this amount, \$1,234,028 (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 \$310,874. This increase is primarily the result of decreased grant related expenses, increased charges for services, increased local government contributions, and lower operating costs.
- ❖ The Commission's total capital assets changed by \$2,135 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 \$329,832 due primarily to a \$300,000 contribution from the City for a zoning codes study. As of June 30, 2016 this contribution was unearned.

Financial Highlights for Fiscal Year 2015

- ❖ The assets of the Commission exceeded its liabilities at the close of FY 2015 by \$925,288 (*net position*). Of this amount, \$921,019 (unrestricted net position) may be used to meet the Commission's ongoing obligations to citizens and creditors.
- ❖ The Commission's total net position decreased by \$109,904. This decrease is primarily the result of decreased grant related revenue.

- ❖ The Commission's total capital assets changed by \$8,663 for the amount of current year depreciation only since there were no capital assets purchased during the year.
- ❖ The Commission's total liabilities decreased by \$337,575 due to fewer grant related accounts payable.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the Commission's basic financial statements which consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private-sector business. 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 present 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 government-wide financial statements can be found on pages 10-11 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Commission uses one fund, the general fund, which is considered a governmental fund.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliations to facilitate this comparison between governmental funds and governmental activities.

The governmental funds financial statements can be found on pages 12-16 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 17-28 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 29 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, 2017, 2016 and 2015, the Commission's assets exceeded its liabilities by \$1,529,935, \$1,236,162 and \$925,288 (*net position*), respectively. At June 30, 2017, the majority of the Commission's net position reflects its current assets (e.g. cash and cash equivalents, receivables, and prepaid items). These current assets (less current liabilities) equal approximately 103 percent of total net position; however, all net position is not available for future operational spending as \$23,612, or less than two percent, is invested in capital assets. The remaining balance of unrestricted net position \$1,506,323 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 \$293,773 for the current fiscal year ended June 30, 2017. As previously noted this increase is primarily the result of increased charges for services, increased Federal and State grant revenue, and increased local government contributions. The increase of \$21,478 for investment in capital assets is due to the acquisition of a vehicle, less depreciation expense charged during the current fiscal year.

During the fiscal year ended June 30, 2016, the Commission reported an increase in net position of \$310,874. This increase was primarily the result of increased charges for services, decreased program expenses and increased local government contributions. The decrease of \$2,135 in investment in capital assets is due to depreciation expense charged during the 2016 fiscal year.

During the fiscal year ended June 30, 2015, the Commission reported a decrease in net position of \$109,904. This decrease was primarily the result of decreased grant related revenue. The decrease of \$8,663 in investment in capital assets is due to depreciation expense charged during the 2015 fiscal year.

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

	FYE June 30, 2017	FYE June 30, 2016	FYE June 30, 2015
Current and Other Assets	\$ 2,374,993	\$ 2,064,173	\$ 1,421,332
Capital Assets - Net	23,612	2,134	4,269
Total Assets	<u>2,398,605</u>	<u>2,066,307</u>	<u>1,425,601</u>
Non Current Liabilities Outstanding	72,517	34,468	21,642
Current Liabilities	796,153	795,677	478,671
Total Liabilities	<u>868,670</u>	<u>830,145</u>	<u>500,313</u>
Net Position:			
Investment in			
Capital Assets	23,612	2,134	4,269
Unrestricted	1,506,323	1,234,028	921,019
Total Net Position	<u>\$ 1,529,935</u>	<u>\$ 1,236,162</u>	<u>\$ 925,288</u>

The next table shows the key elements from ongoing operations that contributed to the increase in net position of \$293,773 during the current fiscal year. The reasons for this year's increase are increased Federal and State grant revenues, increased contributions from the City and County, and increased charges for services. Program revenues, comprised mainly of grant revenues, increased by \$640,730 or approximately 29% during fiscal year 2017, and program expenses increased by \$750,041 or approximately 21%, a result primarily of increased grant expenditures, personnel costs, and contracted services including vehicles purchased for non-profit organizations.

For fiscal year 2017, total revenues increased by \$732,940. That increase is the combination of an increase in the charges for service totaling \$89,967, increase of federal government grants of \$459,779, increase of \$81,424 in state government grants, increase of local grant match of \$9,560, and an increase in grants and contributions from the City and County of \$92,210 primarily as a result of increased funding from the City of Knoxville.

For fiscal year 2016, total revenues increased by \$133,491. That increase is the combination of an increase in the charges for service totaling \$151,635, decrease of federal government grants of \$118,300, decrease of \$7,252 in state government grants, increase of local grant match of \$684, and an increase in grants and contributions from the City and County of \$106,724 primarily as a result of increased costs of ongoing operations.

For fiscal year 2015, program revenues decreased by \$1,348,738. That decrease is the combination of a decrease in the charges for service totaling \$11,008, decrease of federal government grants of \$1,257,694, decrease of \$84,629 in state government grants, and an increase of local grant match of \$4,593. Grants and contributions from the City and County increased by \$18,148 primarily as a result of deferred revenue from Knox County Schools and corporate contributions.

Total expenses for FY 2017 increased by \$750,041. Supplies and materials increased \$431,551 due to a grant funded program that reimbursed non-profit organizations for van (vehicle) purchases made through MPC. MPC was reimbursed for the purchases by the grant and the vans are not considered to be capital assets with MPC because title to each van was granted to the non-profit agency. Also during FY2017, personnel services

(salaries and benefits) increased \$233,380, contracted services increased \$65,324, other charges increased \$19,387, and depreciation increased \$399.

During FY 2016, total expenses decreased by \$287,287, with the decrease being comprised of lower personnel services and contracted services.

During FY 2015, total expenses decreased by \$1,032,938, with the decrease being comprised of lower personnel services and contracted services for grant subcontractors due to Federal funding disputes in Congress and an overestimation of funds available.

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

	FYE <u>June 30, 2017</u>	FYE <u>June 30, 2016</u>	FYE <u>June 30, 2015</u>
Revenues:			
Charges for Services	\$ 783,033	\$ 693,066	\$ 541,431
Federal and State of Tennessee Grants	2,041,069	1,490,306	1,615,174
City of Knoxville and Knox County	<u>1,768,082</u>	<u>1,675,872</u>	<u>1,569,148</u>
Total Revenues	<u>4,592,184</u>	<u>3,859,244</u>	<u>3,725,753</u>
Expenses:			
Personnel Services	2,768,445	2,535,065	2,616,914
Contracted Services	813,002	747,678	915,240
Supplies and Materials	503,698	72,147	73,483
Other Charges	210,732	191,345	221,357
Depreciation	<u>2,534</u>	<u>2,135</u>	<u>8,663</u>
Total Expenses	<u>4,298,411</u>	<u>3,548,370</u>	<u>3,835,657</u>
Change in Net Position	293,773	310,874	(109,904)
Net Position - Beginning of Year	<u>1,236,162</u>	<u>925,288</u>	<u>1,035,192</u>
Net Position - End of Year	<u>\$ 1,529,935</u>	<u>\$ 1,236,162</u>	<u>\$ 925,288</u>

Budgetary Highlights

The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, which is found on page 16 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 \$151,059 under budget primarily due to decreases in State grants. The Commission’s actual expenses were \$714,693 under budget primarily due to expenditures for personnel services and contracted services being less than budget. The net result is a \$563,634 favorable budget variance. The following table is a summary of the budget and actual results for the current year.

Knoxville-Knox County Metropolitan Planning Commission
Budget vs. Actual

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)	2016 Total
Total Revenues	\$ 4,462,950	\$ 4,743,243	\$ 4,592,184	\$ (151,059)	\$ 3,859,244
Expenditures					
Total Expenditures	4,686,950	4,996,533	4,281,840	714,693	3,533,409
Net Change in Fund Balances	(224,000)	(253,290)	310,344	563,634	325,835
Fund Balances, July 1	1,268,496	1,268,496	1,268,496	-	942,661
Fund Balances, June 30	\$ 1,044,496	\$ 1,015,206	\$ 1,578,840	\$ 563,634	\$ 1,268,496

Capital Assets. The Commission’s investment in capital assets as of June 30, 2017, amounts to \$23,612 (net of accumulated depreciation). Capital assets include furniture and fixtures, computer and office equipment, and vehicles. The Commission’s investment in capital assets increased for the current fiscal year by 1006%, or \$21,478, due to acquisition of a vehicle less depreciation expenses charged during the current fiscal year. As of June 30, 2016, the Commission’s investment in capital assets amounted to \$2,134 (net of accumulated depreciation). For the fiscal year ending June 30, 2016, the Commission’s investment in capital assets decreased 50%, or \$2,135. The fiscal year 2016 decrease was due to depreciation expenses charged during the 2016 fiscal year. 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. Long-term debt consists of compensated absences payable and sick leave liability. Compensated absences payable increased by \$62,722 in 2017 and increased by \$23,711 in 2016. This change is due mainly to the Commission recording a liability for the sick leave payable in excess of one year. 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.

Fiscal Year 2018 Budget

The Commission’s budget adopted for 2018 reflects a budget totaling \$5,520,650, which is a 17.8% increase from 2017. The aforementioned increase in the Commission’s fiscal year 2018 budget is significantly related to funding from the section 5310 federal grants. The additional funding will be used to provide capital equipment for non-profit entities and defines 70% of the adopted budget increase. The additional budget increases are to contractual services for an office remodel and includes appropriations from fund balance of \$505,000.

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.

**KNOXVILLE - KNOX COUNTY METROPOLITAN
PLANNING COMMISSION**

**STATEMENTS OF NET POSITION
June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and Cash Equivalents	\$ 969,298	\$ 905,564
Accounts Receivable:		
Related Parties	526,975	526,250
Grants Receivable	857,544	617,439
Prepaid Items	21,176	14,920
Capital Assets, net of accumulated depreciation	<u>23,612</u>	<u>2,134</u>
 Total Assets	 <u>2,398,605</u>	 <u>2,066,307</u>
LIABILITIES		
Accounts Payable	265,147	154,016
Accrued Payroll	53,247	135,592
Unearned Revenue	247,017	300,000
Due to Others	350	350
Compensated Absences and Sick Leave Liability:		
Expected to be paid within one year	230,392	205,719
Expected to be paid after one year	<u>72,517</u>	<u>34,468</u>
 Total Liabilities	 <u>868,670</u>	 <u>830,145</u>
NET POSITION		
Investment in Capital Assets	23,612	2,134
Unrestricted	<u>1,506,323</u>	<u>1,234,028</u>
 Total Net Position	 <u>\$ 1,529,935</u>	 <u>\$ 1,236,162</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, 2017 and 2016

	2017	2016
Program Revenues:		
Charges for Services	\$ 783,033	\$ 693,066
Operating Grants and Contributions:		
Federal Government Grants	1,789,564	1,329,785
State of Tennessee Grants	226,721	145,297
Local Grant Match	24,784	15,224
	2,824,102	2,183,372
Program Expenses:		
Personnel Services	2,768,445	2,535,065
Contracted Services	813,002	747,678
Supplies and Materials	503,698	72,147
Other Charges	210,732	191,345
Depreciation	2,534	2,135
	4,298,411	3,548,370
Net Program Deficiency of Revenues Under Expenses	(1,474,309)	(1,364,998)
General Revenues:		
Grants and Contributions not Restricted to Specific Programs:		
City of Knoxville	1,053,950	990,250
Knox County	700,000	666,250
Other Revenues	14,132	19,372
	1,768,082	1,675,872
Total General Revenues	1,768,082	1,675,872
Change in Net Position	293,773	310,874
Total Net Position - Beginning of Year	1,236,162	925,288
Total Net Position - End of Year	\$ 1,529,935	\$ 1,236,162

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

**KNOXVILLE - KNOX COUNTY METROPOLITAN
PLANNING COMMISSION**

**BALANCE SHEETS - GENERAL FUND
June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and Cash Equivalents	\$ 969,298	\$ 905,564
Accounts Receivable:		
Related Parties	526,975	526,250
Grants Receivable	857,544	617,439
Prepaid Assets	<u>21,176</u>	<u>14,920</u>
Total Assets	<u>\$ 2,374,993</u>	<u>\$ 2,064,173</u>
LIABILITIES		
Accounts Payable	\$ 265,147	\$ 154,016
Accrued Payroll	53,247	135,592
Unearned Revenue	247,017	300,000
Due to Others	350	350
Compensated Absences Payable - current portion	<u>230,392</u>	<u>205,719</u>
Total Liabilities	<u>796,153</u>	<u>795,677</u>
FUND BALANCES		
Nonspendable	21,176	14,920
Assigned	505,000	224,000
Unassigned	<u>1,052,664</u>	<u>1,029,576</u>
Total Fund Balances	<u>1,578,840</u>	<u>1,268,496</u>
Total Liabilities and Fund Balances	<u>\$ 2,374,993</u>	<u>\$ 2,064,173</u>

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

**KNOXVILLE - KNOX COUNTY METROPOLITAN
PLANNING COMMISSION
RECONCILIATION OF THE BALANCE SHEETS -GENERAL FUND TO
THE STATEMENTS OF NET POSITION
June 30, 2017 and 2016**

	2017	2016
Amounts reported for governmental activities in the statement of net position are different because:		
Ending Fund Balance - General Fund	\$ 1,578,840	\$ 1,268,496
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds:	23,612	2,134
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 and sick leave liability	(72,517)	(34,468)
Net Position of Governmental Activities	\$ 1,529,935	\$ 1,236,162

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, 2017 and 2016**

	2017	2016
Revenues:		
Charges for Services	\$ 783,033	\$ 693,066
Federal Government Grants	1,789,564	1,329,785
State of Tennessee Grants	226,721	145,297
Local Grant Match	24,784	15,224
City of Knoxville	1,053,950	990,250
Knox County	700,000	666,250
Other Revenues	14,132	19,372
	4,592,184	3,859,244
Expenditures:		
Current:		
Personnel Services	2,730,396	2,522,239
Contracted Services	813,002	747,678
Supplies and Materials	503,698	72,147
Other Charges	210,732	191,345
Capital Outlay	24,012	-
	4,281,840	3,533,409
Net Change in Fund Balance	310,344	325,835
Fund Balance, Beginning of Year	1,268,496	942,661
Fund Balance, End of Year	\$ 1,578,840	\$ 1,268,496

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

**KNOXVILLE - KNOX COUNTY METROPOLITAN
PLANNING COMMISSION
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GENERAL FUND TO THE STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2017 and 2016**

	2017	2016
Amounts reported for governmental activities in the statement of activities are different because:		
Net Change in Fund Balance - General Fund	\$ 310,344	\$ 325,835
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. This is the amount by which capital outlay \$24,012 (\$0 in 2016) exceeds depreciation \$2,534 in the current year (\$2,135 in 2016).	21,478	(2,135)
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.	(38,049)	(12,826)
Change in Net Position per Statement of Activities	\$ 293,773	\$ 310,874

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, 2017

(With Comparative Totals for Fiscal Year Ended June 30, 2016)

	Original Budget	Final Budget	Actual	Variance With Final Budget	2016 Actual
Revenues					
Charges for Services	\$ 855,000	\$ 855,000	\$ 783,033	\$ (71,967)	\$ 693,066
Federal Government Grants	1,490,250	1,770,543	1,789,564	19,021	1,329,785
State of Tennessee Grants	344,250	344,250	226,721	(117,529)	145,297
Local Grant Match	-	-	24,784	24,784	15,224
City of Knoxville	1,053,950	1,053,950	1,053,950	-	990,250
Knox County	700,000	700,000	700,000	-	666,250
Other Miscellaneous Revenues	19,500	19,500	14,132	(5,368)	19,372
Total Revenues	<u>4,462,950</u>	<u>4,743,243</u>	<u>4,592,184</u>	<u>(151,059)</u>	<u>3,859,244</u>
Expenditures					
Current:					
Personnel Services	3,109,165	3,088,165	2,730,396	357,769	2,522,239
Contracted Services	1,096,500	1,125,790	813,002	312,788	747,678
Supplies and Materials	223,405	503,698	503,698	-	72,147
Other Charges	227,880	248,880	210,732	38,148	191,345
Capital Outlay	30,000	30,000	24,012	5,988	-
Total Expenditures	<u>4,686,950</u>	<u>4,996,533</u>	<u>4,281,840</u>	<u>714,693</u>	<u>3,533,409</u>
Net Change in Fund Balances	(224,000)	(253,290)	310,344	563,634	325,835
Fund Balances, Beginning of Year	<u>1,268,496</u>	<u>1,268,496</u>	<u>1,268,496</u>	-	<u>942,661</u>
Fund Balances, End of Year	<u>\$ 1,044,496</u>	<u>\$ 1,015,206</u>	<u>\$ 1,578,840</u>	<u>\$ 563,634</u>	<u>\$ 1,268,496</u>

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

**KNOXVILLE - KNOX COUNTY METROPOLITAN
PLANNING COMMISSION**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

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 Government Planning Advisory Committee 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.

**KNOXVILLE - KNOX COUNTY METROPOLITAN
PLANNING COMMISSION**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

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.

**KNOXVILLE - KNOX COUNTY METROPOLITAN
PLANNING COMMISSION**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2. Receivables, Payables, and Unearned Revenue

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. Management does not believe an allowance for doubtful accounts is necessary. Unearned revenue is reported in connection with receivables for revenues that have not yet been earned and are not considered available to liquidate liabilities of the current accounting period.

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. 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.

**KNOXVILLE - KNOX COUNTY METROPOLITAN
PLANNING COMMISSION**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities, and Equity (continued)

4. Capital Assets (continued)

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.

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. Vacation pay is accrued when earned. Commission employees are generally not entitled to pay-out of sick leave at separation of employment. However, for the purpose of rewarding longevity and judicious use of the sick leave benefit, long time Commission employees shall be eligible upon separation to receive a payment for unused accrued sick leave in accordance with the following:

- The employee shall have worked for the Commission for a minimum of 15 years with no less than 1,560 hours of work during those 15 years.
- Employees shall receive payment for unused accumulated sick leave up to a maximum accrual of \$10,000.

**KNOXVILLE - KNOX COUNTY METROPOLITAN
PLANNING COMMISSION**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities, and Equity (continued)

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.

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.

**KNOXVILLE - KNOX COUNTY METROPOLITAN
PLANNING COMMISSION**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities, and Equity (continued)

6. Fund Balance (continued)

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. Reclassifications

Certain items have been reclassified from the prior year to conform to current year presentation.

NOTE 2: BUDGETARY INFORMATION

As required by State Statutes, the Commission adopts an annual budget. The budget proposal is prepared on a basis consistent with accounting principles generally accepted in the United States of America. 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.

The appropriated budget is prepared at the major category level. For the Commission, the legal level of budgetary control, that is, the level at which management cannot overspend funds without a budget amendment approved by the Commission, is the major category level. The major categories are Personnel Services, Contracted Services, Supplies and Materials, Other Charges and Capital Outlay.

**KNOXVILLE - KNOX COUNTY METROPOLITAN
PLANNING COMMISSION**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

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 fact that grants range from being less than a 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.

The Commission reports a total increase or decrease in net position which enables the Commission to determine the funds available for appropriation.

NOTE 3: DEPOSITS AND INVESTMENTS

At June 30, 2017, and June 30, 2016, 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.

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.

NOTE 4: ACCOUNTS RECEIVABLE – RELATED PARTIES

At June 30, 2017, the Commission had accounts receivable from the City of Knoxville of \$526,975 for the third and fourth quarter appropriations.

At June 30, 2016, the Commission had accounts receivable from the City of Knoxville of \$300,000 for a zoning codes study and \$226,250 for their fourth quarter appropriation for a total of \$526,250.

**KNOXVILLE - KNOX COUNTY METROPOLITAN
PLANNING COMMISSION**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated:				
Furniture and fixtures	\$ 32,500	\$ -	\$ -	\$ 32,500
Computer and equipment	16,074	-	-	16,074
Vehicles	36,484	24,012	-	60,496
Total Capital Assets Being Depreciated	<u>85,058</u>	<u>24,012</u>	<u>-</u>	<u>109,070</u>
Less Accumulated Depreciation for:				
Furniture and fixtures	(32,500)	-	-	(32,500)
Computer and equipment	(13,940)	(2,134)	-	(16,074)
Vehicles	(36,484)	(400)	-	(36,884)
Total Accumulated Depreciation	<u>(82,924)</u>	<u>(2,534)</u>	<u>-</u>	<u>(85,458)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 2,134</u>	<u>\$ 21,478</u>	<u>\$ -</u>	<u>\$ 23,612</u>

**KNOXVILLE - KNOX COUNTY METROPOLITAN
PLANNING COMMISSION**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 5: CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated:				
Furniture and fixtures	\$ 32,500	\$ -	\$ -	\$ 32,500
Computer and equipment	23,702	-	(7,628)	16,074
Vehicles	36,484	-	-	36,484
Total Capital Assets Being Depreciated	<u>92,686</u>	<u>-</u>	<u>(7,628)</u>	<u>85,058</u>
Less Accumulated Depreciation for:				
Furniture and fixtures	(32,500)	-	-	(32,500)
Computer and equipment	(19,433)	(2,135)	7,628	(13,940)
Vehicles	(36,484)	-	-	(36,484)
Total Accumulated Depreciation	<u>(88,417)</u>	<u>(2,135)</u>	<u>7,628</u>	<u>(82,924)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 4,269</u>	<u>\$ (2,135)</u>	<u>\$ -</u>	<u>\$ 2,134</u>

**KNOXVILLE - KNOX COUNTY METROPOLITAN
PLANNING COMMISSION**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 6: LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated Absences	\$ 240,187	\$ 234,930	\$ (172,208)	\$ 302,909	\$ 230,392

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated Absences	\$ 216,476	\$ 178,505	\$ (154,794)	\$ 240,187	\$ 205,719

After further review of the sick leave policy regarding terminated and retiring employees, the Commission recorded a liability to accurately depict net position. The sick leave liability is expected to be paid after one year and is calculated based on the retirement requirements for early and longevity retirement. For fiscal year 2017, an additional liability of \$48,157 was included in current year expenses and is included in the compensated absences amounts above.

NOTE 7: RELATED PARTY TRANSACTIONS

Knox County provides office space within the City/County Building to the Commission. The Commission paid for space costs amounting to \$35,318 in fiscal year 2017 and \$58,455 in 2016. Space costs are agreed to each year during budget negotiations. 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 \$87,562. The County charged the Commission \$87,562 for those services in fiscal year 2016.

**KNOXVILLE - KNOX COUNTY METROPOLITAN
PLANNING COMMISSION**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 8: ECONOMIC CONCENTRATION

The City of Knoxville and Knox County, Tennessee provided funding of \$1,753,950 in the current fiscal year and \$1,656,500 in the past fiscal year to the Commission, which amounted to 38 and 43 percent of total revenues for the fiscal years 2017 and 2016, 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 maintains general liability, 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 BALANCES

The amount that is reported on the balance sheets –general fund as nonspendable fund balance at June 30, 2017 and 2016 is comprised of prepaid items. Those amounts totaled \$21,176 and \$14,920 for fiscal years 2017 and 2016, respectively.

The amount that is reported on the balance sheets –general fund as assigned fund balance at June 30, 2017 and 2016, \$505,000 and \$224,000 respectively, is an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget.

NOTE 11: EMPLOYEE RETIREMENT PLANS

The Commission participates in the Knox County defined contribution asset accumulation plan, a single employer plan of Knox County, Tennessee that covers substantially all full time employees of the Commission under the age of 65. The plan is administered by the Knox County Retirement and Pension Board. 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.

**KNOXVILLE - KNOX COUNTY METROPOLITAN
PLANNING COMMISSION**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 11: EMPLOYEE RETIREMENT PLANS (Continued)

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. This contribution is matched dollar-for-dollar by the Commission. Forfeitures are used to assist in funding the Employee Disability Plan. For 2017, the defined contribution plan has 34 active members and the 457 plan has 21 active members. For 2016, the defined contribution plan has 34 active members and the 457 plan has 19 active members.

The Commission also participates in the Knox County Voluntary 457 plan which incorporates voluntary pre-tax contributions by the participant with an employer match based on length of service with the Commission.

During 2017, the Commission made employer contributions of \$123,573 and the employees contributed \$122,947 to the DC Plan. The Commission made employer contributions of \$49,250 and the employees contributed \$93,227 to the 457 Plan.

During 2016, the Commission made employer contributions of \$114,774 and the employees contributed \$117,676 to the DC Plan. The Commission made employer contributions of \$47,123 and the employees contributed \$73,722 to the 457 Plan.

The assets of these plans are held in trust for the benefit of participants and their beneficiaries and are administered and managed by the Knox County Pension and Retirement Board. A description of the plans, financial statements and notes are presented in the *Knox County Comprehensive Annual Financial Report (CAFR)* for the fiscal year ended June 30, 2017.

**SUPPLEMENTARY
INFORMATION**

**KNOXVILLE - KNOX COUNTY METROPOLITAN
PLANNING COMMISSION**

SCHEDULE OF GENERAL FUND EXPENDITURES

For the Year Ended June 30, 2017

(With Comparative Totals for Fiscal Year Ended June 30, 2016)

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)	2016 Actual
Expenditures					
Personnel Services	\$ 3,109,165	\$ 3,088,165	\$ 2,730,396	\$ 357,769	\$ 2,522,239
Legal Services - Attorney	45,000	45,000	45,000	-	42,000
Legal Notices	36,500	36,500	34,117	2,383	31,331
Other Professional Services (Advertisement & Audit Services)	46,800	46,800	24,713	22,087	24,192
Rent, Repair, & Maintenance	77,700	77,700	70,172	7,528	58,970
Advertising	2,000	2,000	316	1,684	-
Communications	36,500	36,500	25,859	10,641	32,465
Other Services (Consulting, Postage, & Printing)	715,000	685,710	520,108	165,602	442,722
Contracts with Other Agencies	97,000	155,580	63,281	92,299	83,893
Travel, Tuition, Dues & Memberships	38,000	38,000	25,591	12,409	31,207
Conference Registration	-	-	3,500	(3,500)	-
Food	22,000	22,000	17,404	4,596	18,279
Utilities & Fuel	2,000	2,000	1,293	707	1,561
Office Supplies & Minor Equipment	70,000	70,000	37,619	32,381	45,898
Vehicle/ Equipment	121,000	401,293	441,727	(40,434)	1,127
Educational Materials	7,000	7,000	1,545	5,455	3,453
Other Materials (signs)	3,405	3,405	4,455	(1,050)	2,727
Capital Outlay	30,000	30,000	24,012	5,988	-
Insurance Related Expenses - Building & Vehicles	30,000	51,000	43,309	7,691	24,566
Workers' Compensation	7,000	7,000	4,310	2,690	6,947
Trustee Commission	8,000	8,000	25,116	(17,116)	13,815
Space Costs	35,318	35,318	35,318	-	58,455
Other Central Service Costs	87,562	87,562	87,562	-	87,562
Other	60,000	60,000	15,117	44,883	-
Total Expenditures	<u>\$ 4,686,950</u>	<u>\$ 4,996,533</u>	<u>\$ 4,281,840</u>	<u>\$ 714,693</u>	<u>\$ 3,533,409</u>

**INTERNAL CONTROL
AND COMPLIANCE SECTION**

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



OAK RIDGE OFFICE:
800 OAK RIDGE TURNPIKE – SUITE A404
OAK RIDGE, TENNESSEE 37830
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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, the major governmental fund, and the budgetary comparison statement of the general fund of the Knoxville - Knox County Metropolitan Planning Commission ("Commission"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated February 6, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001, that we consider to be a significant deficiency.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission'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*.

Knoxville - Knox County Metropolitan Planning Commission's Response to Findings and the Corrective Action Plan

The Commission's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs and the corrective action plan. The Commission's response and corrective action plan were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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
February 6, 2018

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE***

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 ("Commission") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Commission's major federal programs for the year ended June 30, 2017. The Commission'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Commission'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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Commission'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, 2017.



Report on Internal Control Over Compliance

Management of the Commission 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 the Commission'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 the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

A *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 the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
February 6, 2018

KNOXVILLE - KNOX COUNTY METROPOLITAN PLANNING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Metropolitan Planning Commission:				
U.S. Department of the Interior:				
Passed through Tennessee Department of Environment and Conservation:				
Historic Preservation Fund Grants-In-Aid	15.904	EDISON ID 38801	\$	19,120
Total US Department of the Interior				<u>19,120</u>
U.S. Department of Transportation:				
Passed through Tennessee Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	ZMPO008 EDISON ID 38616		550,334
Regional Transportation and Air Quality	20.205	F&A Contract No. GG15-45861-00		8,871
Knoxville Smart Trips Program (Comprehensive)	20.205	Contract No.060150 PIN No. 106867		43,980
Knoxville Smart Trips Program (Ridesharing)	20.205	Contract No.140230 PIN No. 121580.00		110,006
TPO Bike Enhancement Program	20.205	PIN No. 115203 Amendment 1		3,846
Knoxville Smart Trips Car Share Program	20.205	Contract No. 110034 PIN No. 115208.00		635
Total Highway Planning and Construction Cluster				<u>717,672</u>
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	F&A Contract No. GG15-43780-00 EDISON ID: 43780 F&A Contract No. Z-17-PL0003-00		387,774
Total Passed through Tennessee Department of Transportation				<u>1,105,446</u>
Transit Services Programs Cluster:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	Federal Project ID # TN-16-X007-00	\$	280,779
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	Federal Project ID # TN-16-X007-01		367,077
Total Transit Services Programs Cluster				<u>647,856</u>
Total U.S. Department of Transportation				<u>647,856</u>
Total Expenditure of Federal Awards			\$	<u>647,856</u>
				<u>\$ 1,789,564</u>

The accompanying notes are an integral part of this schedule.

KNOXVILLE - KNOX COUNTY METROPOLITAN PLANNING COMMISSION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2017

Program Title	Identifying Number	State Expenditures
Tennessee Department of Transportation:		
Regional Transportation and Air Quality	EDISON ID #45861	\$ 2,218
Federal Transit - Enhanced Mobility	Federal Project ID # TN-16-X007-00 State Contract No. 47-5310-S3-002	176,031
Federal Transit Technical Studies Grant	F&A Contract No. GG15-43780-00 TDOT Project No. 475303-S3-014 FTA Grant No. TN-80-0005-00	23,146
Universal MultiModal Transportation Resources Planning	F&A Contract No. Z-17-PL0003-00 TDOT Project No. 475303-S3-015 FTA Grant No. TN-80-0007-00	25,326
Total Tennessee Department of Transportation		<u>226,721</u>
Total Expenditure of State Financial Assistance		<u>\$ 226,721</u>

The accompanying notes are an integral part of this schedule.

**KNOXVILLE - KNOX COUNTY METROPOLITAN
PLANNING COMMISSION**

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE**

June 30, 2017

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal awards and state financial assistance summarizes the expenditures of the Knoxville-Knox County Metropolitan Planning Commission (the Commission) under federal programs for the year ended June 30, 2017. Because the schedules present only a selected portion of the operations for the Commission, they are not intended to, and do not, present the financial position, changes in net position, or cash flows of the Commission. For purposes of the schedule of expenditures of federal awards, expenditures for federal programs are recognized on the modified 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 financial assistance is also included in this report. This schedule presents all state funded financial assistance, 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 awards and state financial assistance. The Commission has elected not to use the 10% de minimis rate as allowed under the *Uniform Guidance*.

KNOXVILLE - KNOX COUNTY METROPOLITAN PLANNING COMMISSION

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? yes X no

Major federal programs for the Knoxville – Knox County Metropolitan Planning Commission for the fiscal year ended June 30, 2017 are as follows:

<u>Program Name</u>	<u>CFDA#</u>
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505

Dollar threshold used to distinguish between Type A & Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes no

KNOXVILLE - KNOX COUNTY METROPOLITAN PLANNING COMMISSION

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2017

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

2017-001 Accrual of Sick Leave Retirement Liability and Financial Review

Criteria or Specific Requirement - Generally accepted accounting principles (GAAP) requires that expenditures and related liabilities be reported when incurred in the financial statements.

Condition - During the audit, it was noted that an accrual for the Commission's liability for accrued sick leave, which is paid out only at retirement, was not being properly accrued as a liability on the government-wide financial statements. As a result, an audit adjustment was recorded for approximately \$48,000 to increase liabilities and decrease net position to the proper amounts as of June 30, 2017.

Cause and Effect - The communication and coordination between the County Finance Department and Commission related to the year-end close and financial statement preparation and review could be improved. The failure to properly record all expenses and accrue all related liabilities can result in misstatement of the financial statements.

Recommendation - We recommend the following:

- a. Knox County Finance should more closely review the Commission's financial and personnel policies with management annually as part of the financial close process.
- b. The use of a comprehensive governmental financial reporting and disclosure checklist could be useful in conjunction with the review of the year end financial statements.
- c. We recommend that the County and Commission personnel individually and jointly review the year-end financial statements to determine that all applicable entries are recorded at year-end, including any changes or updates to employee-related benefits or policies.

Management's Response - The Commission and the County Finance Department concur with the audit recommendations. We plan to meet on a regular basis to discuss financial related matters and at year end to review and discuss the financial statements.

Section III - Findings Related to Federal Awards

Current Year Audit Findings: None

KNOXVILLE - KNOX COUNTY METROPOLITAN PLANNING COMMISSION

Schedule of Disposition of Prior Year Findings

For the Year Ended June 30, 2017

Financial Statement Findings:

There were no prior year financial statement findings reported.

Federal Award Findings and Questioned Costs:

Prior Year Finding Number	Finding Title	Status/ Current Year Finding Number
2016-001	Timely Calculation of Final Indirect Cost Rate	Corrected



Corrective Action Plan

Finding 2017-001: Accrual of Sick Leave Retirement Liability and Financial Review

Contact Persons Responsible for Implementing the Corrective Actions:

Gerald Green, Executive Director

Jeff Welch, Director, Knoxville Regional Transportation Planning Organization

Perry Benshoof, Controller, Knox County Finance

Corrective Actions Planned:

Knox County Finance will review the Commission's financial and personnel policies with management to ensure the year-end financial statements are accurately presented.

Anticipated Completion Date:

Management will implement the corrective actions during FY 2018.