

KNOXVILLE – KNOX COUNTY
METROPOLITAN PLANNING
COMMISSION

ANNUAL FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2018 and 2017

Prepared By:
Knox County Department of Finance

**KNOXVILLE – KNOX COUNTY METROPOLITAN PLANNING
COMMISSION**

ANNUAL FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2018 and 2017

KNOXVILLE - KNOX COUNTY METROPOLITAN PLANNING COMMISSION

Knoxville, Tennessee

ANNUAL FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2018 and 2017

CONTENTS

**Page
Number**

Introductory Section

Commission Members 1

Financial Section

Independent Auditor’s Report 2-3
Management’s Discussion and Analysis 4-9
Basic Financial Statements:
 Government-Wide Financial Statements:
 Statements of Net Position..... 10
 Statements of Activities 11
 Fund Financial Statements:
 Balance Sheets – General Fund 12
 Reconciliation of the Balance Sheets - General Fund
 to the Statements of Net Position 13
 Statements of Revenues, Expenditures,
 and Changes in Fund Balance – General Fund 14
 Reconciliation of the Statements of Revenues, Expenditures, and
 and Changes in Fund Balance – General Fund to the Statements
 of Activities 15
 Statement of Revenues, Expenditures, and Changes in
 Fund Balance – Budget and Actual – General Fund..... 16
 Notes to the Financial Statements..... 17-28

Supplementary Information

Schedule of General Fund Expenditures 29
Schedule of Expenditures of Federal Awards 30
Schedule of Expenditures of State Financial Assistance..... 31
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance. 32

KNOXVILLE - KNOX COUNTY METROPOLITAN PLANNING COMMISSION

Knoxville, Tennessee

ANNUAL FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2018 and 2017

CONTENTS (continued)

	<u>Page Number</u>
Internal Control and Compliance Section / Single Audit Section	
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 <i>Government Auditing Standards</i>	33-34
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	35-36
Schedule of Findings and Questioned Costs	37
Schedule of Disposition of Prior Year Findings	38

**INTRODUCTORY
SECTION**

KNOXVILLE - KNOX COUNTY METROPOLITAN PLANNING COMMISSION

COMMISSION MEMBERS

June 30, 2018

Representing the City 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

Representing Knox County:

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



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315 NORTH CEDAR BLUFF ROAD, SUITE 200
KNOXVILLE, TENNESSEE 37923
TELEPHONE 865-769-0660
FAX 865-769-1660
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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 (the general fund) of the Knoxville - Knox County Metropolitan Planning Commission ("Commission") as of and for the years ended June 30, 2018 and 2017, 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, 2018 and 2017, 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.



An independently owned member
RSM US Alliance



TSCPA
Members of the Tennessee Society
Of Certified Public Accountants

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 and supplementary information section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The information presented in the supplementary information section, as listed in the table of contents, including the schedules of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal 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 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 supplementary information section 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 audits 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 31, 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 solely 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
December 31, 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, 2018, 2017 and 2016. 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 2018

- ❖ The assets of the Commission exceeded its liabilities at the close of the most recent fiscal year by \$1,670,569 (*net position*). Of this amount, \$1,610,707 (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 \$140,634. This increase is primarily the result of increased local government contributions.
- ❖ The Commission's accounts receivable decreased by \$772,478 due to appropriation payments from the City of Knoxville received prior to year-end and fewer federal grants.
- ❖ The Commission's net capital assets increased by \$36,250 primarily due to MPC's office renovations during the year.
- ❖ The Commission's total liabilities increased by \$100,044 primarily due to an increase in accounts payable and compensated absences.

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 net 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 net 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.

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.

Supplementary 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, and schedules of expenditures of federal and state awards. This supplementary information can be found on pages 29-32 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, 2018, 2017 and 2016, the Commission's assets exceeded its liabilities by \$1,670,569, \$1,529,935 and \$1,236,162, respectively. At June 30, 2018, 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 104 percent of total net position; however, all net position is not available for future operational spending as \$59,862, or less than four percent, is invested in capital assets. The remaining balance of unrestricted net position \$1,610,707 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 \$140,634 for the current fiscal year ended June 30, 2018. As previously noted this increase is primarily the result of increased charges for services and increased local government contributions. The increase of \$36,250 for investment in capital assets is due to the work in progress of the Commission's office renovations charged during the current fiscal year.

During the fiscal year ended June 30, 2017, the Commission reported an increase in net position of \$293,773. This increase was 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 2017 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.

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

	FYE June 30, 2018	FYE June 30, 2017	FYE June 30, 2016
Current and Other Assets	\$ 2,579,421	\$ 2,374,993	\$ 2,064,173
Capital Assets - Net	59,862	23,612	2,134
Total Assets	<u>2,639,283</u>	<u>2,398,605</u>	<u>2,066,307</u>
Non Current Liabilities Outstanding	129,934	72,517	34,468
Current Liabilities	838,780	796,153	795,677
Total Liabilities	<u>968,714</u>	<u>868,670</u>	<u>830,145</u>
Net Position:			
Investment in			
Capital Assets	59,862	23,612	2,134
Unrestricted	1,610,707	1,506,323	1,234,028
Total Net Position	<u>\$ 1,670,569</u>	<u>\$ 1,529,935</u>	<u>\$ 1,236,162</u>

The next table shows the key elements from ongoing operations that contributed to the increase in net position of \$140,634 during the current fiscal year. The reasons for this year's increase are increased charges for services revenue and increased contributions from the City and County. Program revenues, comprised mainly of grant revenues, decreased by \$249,494 or approximately 9% during fiscal year 2018, and program expenses remained steady.

For fiscal year 2018, total revenues decreased by \$150,224. That decrease is primarily due to a decrease of federal government grants of \$175,848 (primarily in the transit services programs), a decrease of \$75,609 in state government grants (primarily in the Tennessee Department of Transportation grants), and an increase in grants and contributions from the City and County of \$94,700.

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.

Total expenses for FY 2018 increased by \$2,915. The increase included an increase in personnel services (salaries and benefits) of \$132,623 (the average wage rate increase was 4.8%) and a decrease in supplies and materials by \$171,231 due to fewer grant funded programs.

During FY 2017, total expenses 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.

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

	FYE <u>June 30, 2018</u>	FYE <u>June 30, 2017</u>	FYE <u>June 30, 2016</u>
Revenues:			
Charges for Services	\$ 795,386	\$ 783,033	\$ 693,066
Federal and State of Tennessee Grants	1,779,222	2,041,069	1,490,306
City of Knoxville and Knox County	<u>1,867,352</u>	<u>1,768,082</u>	<u>1,675,872</u>
Total Revenues	<u>4,441,960</u>	<u>4,592,184</u>	<u>3,859,244</u>
Expenses:			
Personnel Services	2,901,068	2,768,445	2,535,065
Contracted Services	837,175	813,002	747,678
Supplies and Materials	332,467	503,698	72,147
Other Charges	225,814	210,732	191,345
Depreciation	<u>4,802</u>	<u>2,534</u>	<u>2,135</u>
Total Expenses	<u>4,301,326</u>	<u>4,298,411</u>	<u>3,548,370</u>
Change in Net Position	140,634	293,773	310,874
Net Position - Beginning of Year	<u>1,529,935</u>	<u>1,236,162</u>	<u>925,288</u>
Net Position - End of Year	<u>\$ 1,670,569</u>	<u>\$ 1,529,935</u>	<u>\$ 1,236,162</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 \$1,043,190 under budget primarily due to decreases in federal grants. The Commission’s actual expenses were \$1,797,437 under budget primarily due to expenditures in each category being less than budget. The net result is a \$754,247 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
June 30, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)	2017 Total
Total Revenues	\$ 5,013,150	\$ 5,485,150	\$ 4,441,960	\$ (1,043,190)	\$ 4,592,184
Expenditures					
Total Expenditures	5,520,650	6,077,596	4,280,159	1,797,437	4,281,840
Net Change in Fund Balances	(507,500)	(592,446)	161,801	754,247	310,344
Fund Balances, July 1	1,578,840	1,578,840	1,578,840	-	1,268,496
Fund Balances, June 30	\$ 1,071,340	\$ 986,394	\$ 1,740,641	\$ 754,247	\$ 1,578,840

Capital Assets. The Commission’s investment in capital assets as of June 30, 2018, amounts to \$59,862 (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 154%, or \$36,250, due to office renovation expenses charged during the current fiscal year. As of June 30, 2017, the Commission’s investment in capital assets amounted to \$23,612 (net of accumulated depreciation) due to the acquisition of a vehicle. For the fiscal year ending June 30, 2016, the Commission’s investment in capital assets amounted to \$2,134. 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. Long-term debt increased by \$77,441 in 2018, increased by \$62,722 in 2017 and increased by \$23,711 in 2016. These increases are due mainly to the Commission recording an increase to the liability for the sick leave payable in excess of one year. For a detailed schedule of the Commission’s long term debt, see Note 7: Long Term Liabilities on page 26 in the Notes to the Financial Statements.

Fiscal Year 2019 Budget

The Commission’s budget adopted for 2019 reflects budgeted total expenditures of \$6,210,358, which is a 12.5% increase from 2018 original budget. The increase in the Commission’s fiscal year 2019 budget is primarily related to funding from the Federal Transportation Administration grants. The additional budget increases are primarily related to grant related expenditures which amount to \$618,600.

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, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,943,042	\$ 969,298
Accounts Receivable:		
Related Parties	4,921	526,975
Grants Receivable	607,120	857,544
Prepaid Items	24,338	21,176
Capital Assets, net of accumulated depreciation	<u>59,862</u>	<u>23,612</u>
 Total Assets	 <u>2,639,283</u>	 <u>2,398,605</u>
LIABILITIES		
Accounts Payable	397,323	265,147
Accrued Payroll	55,748	53,247
Unearned Revenue	134,943	247,017
Due to Others	350	350
Compensated Absences and Sick Leave Liability:		
Expected to be paid within one year	250,416	230,392
Expected to be paid after one year	<u>129,934</u>	<u>72,517</u>
 Total Liabilities	 <u>968,714</u>	 <u>868,670</u>
NET POSITION		
Investment in Capital Assets	59,862	23,612
Unrestricted	<u>1,610,707</u>	<u>1,506,323</u>
 Total Net Position	 <u>\$ 1,670,569</u>	 <u>\$ 1,529,935</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, 2018 and 2017

	2018	2017
Program Revenues:		
Charges for Services	\$ 795,386	\$ 783,033
Operating Grants and Contributions:		
Federal Government Grants	1,613,716	1,789,564
State of Tennessee Grants	151,112	226,721
Local Grants	14,394	24,784
Total Program Revenues	2,574,608	2,824,102
Program Expenses:		
Personnel Services	2,901,068	2,768,445
Contracted Services	837,175	813,002
Supplies and Materials	332,467	503,698
Other Charges	225,814	210,732
Depreciation	4,802	2,534
Total Program Expenses	4,301,326	4,298,411
Net Program Deficiency of Revenues Under Expenses	(1,726,718)	(1,474,309)
General Revenues:		
Grants and Contributions not Restricted to Specific Programs:		
City of Knoxville	1,106,650	1,053,950
Knox County	742,000	700,000
Other Revenues	18,702	14,132
Total General Revenues	1,867,352	1,768,082
Change in Net Position	140,634	293,773
Total Net Position - Beginning of Year	1,529,935	1,236,162
Total Net Position - End of Year	\$ 1,670,569	\$ 1,529,935

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

**KNOXVILLE - KNOX COUNTY METROPOLITAN
PLANNING COMMISSION**

**BALANCE SHEETS - GENERAL FUND
June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,943,042	\$ 969,298
Accounts Receivable:		
Related Parties	4,921	526,975
Grants Receivable	607,120	857,544
Prepaid Items	24,338	21,176
	<hr/>	<hr/>
Total Assets	\$ 2,579,421	\$ 2,374,993
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES		
Accounts Payable	\$ 397,323	\$ 265,147
Accrued Payroll	55,748	53,247
Unearned Revenue	134,943	247,017
Due to Others	350	350
Compensated Absences Payable	250,416	230,392
	<hr/>	<hr/>
Total Liabilities	838,780	796,153
	<hr/>	<hr/>
FUND BALANCES		
Nonspendable	24,338	21,176
Assigned	660,000	505,000
Unassigned	1,056,303	1,052,664
	<hr/>	<hr/>
Total Fund Balances	1,740,641	1,578,840
	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 2,579,421	\$ 2,374,993
	<hr/> <hr/>	<hr/> <hr/>

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, 2018 and 2017**

	2018	2017
Amounts reported for governmental activities in the statements of net position are different because:		
Ending Fund Balance - General Fund	\$ 1,740,641	\$ 1,578,840
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds:	59,862	23,612
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	(129,934)	(72,517)
Net Position of Governmental Activities	\$ 1,670,569	\$ 1,529,935

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, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Revenues:		
Charges for Services	\$ 795,386	\$ 783,033
Federal Government Grants	1,613,716	1,789,564
State of Tennessee Grants	151,112	226,721
Local Grants	14,394	24,784
City of Knoxville	1,106,650	1,053,950
Knox County	742,000	700,000
Other Revenues	18,702	14,132
Total Revenues	<u>4,441,960</u>	<u>4,592,184</u>
Expenditures:		
Current:		
Personnel Services	2,843,651	2,730,396
Contracted Services	837,175	813,002
Supplies and Materials	332,467	503,698
Other Charges	225,814	210,732
Capital Outlay	41,052	24,012
Total Expenditures	<u>4,280,159</u>	<u>4,281,840</u>
Net Change in Fund Balance	161,801	310,344
Fund Balance, Beginning of Year	<u>1,578,840</u>	<u>1,268,496</u>
Fund Balance, End of Year	<u>\$ 1,740,641</u>	<u>\$ 1,578,840</u>

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

**KNOXVILLE - KNOX COUNTY METROPOLITAN
PLANNING COMMISSION
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GENERAL FUND TO THE STATEMENTS OF ACTIVITES
For the Years Ended June 30, 2018 and 2017**

	2018	2017
Amounts reported for governmental activities in the statements of activities are different because:		
Net Change in Fund Balance - General Fund	\$ 161,801	\$ 310,344
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 \$41,052 (\$24,012 in 2017) exceeds depreciation \$4,802 in the current year (\$2,534 in 2017).	36,250	21,478
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.	(57,417)	(38,049)
Change in Net Position per Statements of Activities	\$ 140,634	\$ 293,773

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, 2018

(With Comparative Totals for Fiscal Year Ended June 30, 2017)

	Original Budget	Final Budget	Actual	Variance With Final Budget	2017 Actual
Revenues					
Charges for Services	\$ 822,000	\$ 822,000	\$ 795,386	\$ (26,614)	\$ 783,033
Federal Government Grants	2,283,000	2,614,000	1,613,716	(1,000,284)	1,789,564
State of Tennessee Grants	40,000	40,000	151,112	111,112	226,721
Local Grants	-	141,000	14,394	(126,606)	24,784
City of Knoxville	1,106,650	1,106,650	1,106,650	-	1,053,950
Knox County	742,000	742,000	742,000	-	700,000
Other Revenues	19,500	19,500	18,702	(798)	14,132
Total Revenues	<u>5,013,150</u>	<u>5,485,150</u>	<u>4,441,960</u>	<u>(1,043,190)</u>	<u>4,592,184</u>
Expenditures					
Current:					
Personnel Services	2,967,020	2,967,020	2,843,651	123,369	2,730,396
Contracted Services	1,239,752	1,731,557	837,175	894,382	813,002
Supplies and Materials	606,398	606,539	332,467	274,072	503,698
Other Charges	247,480	312,480	225,814	86,666	210,732
Capital Outlay	460,000	460,000	41,052	418,948	24,012
Total Expenditures	<u>5,520,650</u>	<u>6,077,596</u>	<u>4,280,159</u>	<u>1,797,437</u>	<u>4,281,840</u>
Net Change in Fund Balances	(507,500)	(592,446)	161,801	754,247	310,344
Fund Balances, Beginning of Year	<u>1,578,840</u>	<u>1,578,840</u>	<u>1,578,840</u>	<u>-</u>	<u>1,268,496</u>
Fund Balances, End of Year	<u>\$ 1,071,340</u>	<u>\$ 986,394</u>	<u>\$ 1,740,641</u>	<u>\$ 754,247</u>	<u>\$ 1,578,840</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, 2018 and 2017

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, 2018 and 2017

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.

3. Classification of Expenditures by Function

All expenditures made by the Commission fall under the functional classification of general government since they are for the purpose of planning.

**KNOXVILLE - KNOX COUNTY METROPOLITAN
PLANNING COMMISSION**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

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 \$10,000. 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, 2018 and 2017

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 reported as 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.
- 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, 2018 and 2017

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 by the Commission's Director (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, 2018 and 2017

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, 2018 and 2017

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, 2018, and June 30, 2017, 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, 2018, the Commission had accounts receivable from the City of Knoxville of \$4,921 for a local grant match for the Chapman Highway Corridor Study.

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

**KNOXVILLE - KNOX COUNTY METROPOLITAN
PLANNING COMMISSION**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ -	\$ 41,052	\$ -	\$ 41,052
Total Capital Assets Not Being Depreciated	<u>-</u>	<u>41,052</u>	<u>-</u>	<u>41,052</u>
Capital Assets Being Depreciated:				
Furniture and fixtures	32,500	-	-	32,500
Computer and equipment	16,074	-	-	16,074
Vehicles	60,496	-	(20,431)	40,065
Total Capital Assets Being Depreciated	<u>109,070</u>	<u>-</u>	<u>(20,431)</u>	<u>88,639</u>
Less Accumulated Depreciation for:				
Furniture and fixtures	(32,500)	-	-	(32,500)
Computer and equipment	(16,074)	-	-	(16,074)
Vehicles	(36,884)	(4,802)	20,431	(21,255)
Total Accumulated Depreciation	<u>(85,458)</u>	<u>(4,802)</u>	<u>20,431</u>	<u>(69,829)</u>
Total Capital Assets Being Depreciated, Net	<u>23,612</u>	<u>(4,802)</u>	<u>-</u>	<u>18,810</u>
Total Capital Assets, Net	<u>\$ 23,612</u>	<u>\$ 36,250</u>	<u>\$ -</u>	<u>\$ 59,862</u>

**KNOXVILLE - KNOX COUNTY METROPOLITAN
PLANNING COMMISSION**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 5: CAPITAL ASSETS (Continued)

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, 2018 and 2017

NOTE 6: CONSTRUCTION IN PROGRESS/COMMITMENTS

Construction in progress activity for the year ended June 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Office Renovations	<u>\$ -</u>	<u>\$ 41,052</u>	<u>\$ -</u>	<u>\$ 41,052</u>

The office renovations are expected to be completed during FY 2019. Total outstanding contractual commitments as of June 30, 2018 are \$438,511. There was no construction in progress as of June 30, 2017.

NOTE 7: LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	<u>\$ 302,909</u>	<u>\$ 244,128</u>	<u>\$ (166,687)</u>	<u>\$ 380,350</u>	<u>\$ 250,416</u>

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

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

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 prior year expenses to record the initial amount of the sick leave liability, and is included in the compensated absences amounts above.

**KNOXVILLE - KNOX COUNTY METROPOLITAN
PLANNING COMMISSION**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 8: 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 2018 and \$35,318 in 2017. Space costs are agreed to each year during budget negotiations. Knox County provides various administrative and internal service functions to the Commission. The total charged by the County to the Commission for those services was \$87,562 in both fiscal years 2018 and 2017, respectively.

NOTE 9: ECONOMIC CONCENTRATION

The City of Knoxville and Knox County, Tennessee provided funding of \$1,848,650 in the current fiscal year and \$1,753,950 in the past fiscal year to the Commission, which amounted to 42 and 38 percent of total revenues for the fiscal years 2018 and 2017, respectively.

NOTE 10: 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 11: FUND BALANCES

The amount that is reported on the balance sheets –general fund as nonspendable fund balance at June 30, 2018 and 2017 is comprised of prepaid items. Those amounts totaled \$24,338 and \$21,176, respectively.

The amount that is reported on the balance sheets –general fund as assigned fund balance at June 30, 2018 and 2017, \$660,000 and \$505,000 respectively, is an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget for office remodeling.

**KNOXVILLE - KNOX COUNTY METROPOLITAN
PLANNING COMMISSION**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 12: EMPLOYEE RETIREMENT PLANS

The Commission participates in the Knox County defined contribution asset accumulation plan (the DC Plan), a single employer plan of Knox County, Tennessee that covers substantially all full time employees of the Commission. 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.

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 Knox County Employee Disability Plan. For 2018, the defined contribution plan has 35 active members and the 457 plan has 22 active members. For 2017, the defined contribution plan has 34 active members and the 457 plan has 21 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 2018, the Commission made employer contributions of \$129,126 and the employees contributed \$129,018 to the DC Plan. The Commission made employer contributions of \$57,612 and the employees contributed \$110,185 to the 457 Plan.

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.

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 Retirement and Pension 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, 2018.

**SUPPLEMENTARY
INFORMATION**

**KNOXVILLE - KNOX COUNTY METROPOLITAN
PLANNING COMMISSION**

**SCHEDULE OF GENERAL FUND EXPENDITURES
For the Year Ended June 30, 2018**

(With Comparative Totals for Fiscal Year Ended June 30, 2017)

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)	2017 Actual
Expenditures					
Personnel Services	\$ 2,967,020	\$ 2,967,020	\$ 2,843,651	\$ 123,369	\$ 2,730,396
Legal Services - Attorney	46,250	46,250	46,250	-	45,000
Legal Notices	15,500	15,500	275	15,225	34,117
Other Professional Services (Advertisement & Audit Services)	48,600	253,600	25,030	228,570	24,713
Rent, Repair, & Maintenance	80,900	80,900	71,508	9,392	70,172
Advertising	24,000	24,000	37,619	(13,619)	316
Communications	32,900	32,900	20,067	12,833	25,859
Other Services (Consulting, Postage & Printing)	815,102	980,102	447,030	533,072	520,108
Contracts with Other Agencies	121,000	242,805	158,216	84,589	63,281
Travel, Tuition, Dues & Memberships	54,000	54,000	20,913	33,087	25,591
Conference Registration	-	-	8,848	(8,848)	3,500
Food	20,000	20,141	13,077	7,064	17,404
Utilities & Fuel	2,000	2,000	932	1,068	1,293
Office Supplies & Minor Equipment	92,500	92,500	24,539	67,961	37,619
Vehicle/ Equipment	486,398	486,398	286,397	200,001	441,727
Educational Materials	7,000	7,000	5,932	1,068	1,545
Other Materials (Signs)	-	-	3,009	(3,009)	4,455
Capital Outlay	460,000	460,000	41,052	418,948	24,012
Insurance Related Expenses - Building & Vehicles	60,000	60,000	45,648	14,352	43,309
Workers' Compensation	7,000	7,000	2,732	4,268	4,310
Trustee Commission	9,000	9,000	25,441	(16,441)	25,116
Space Costs	35,318	35,318	35,318	-	35,318
Other Central Service Costs	87,562	87,562	87,562	-	87,562
Other	48,600	113,600	29,113	84,487	15,117
Total Expenditures	<u>\$ 5,520,650</u>	<u>\$ 6,077,596</u>	<u>\$ 4,280,159</u>	<u>\$ 1,797,437</u>	<u>\$ 4,281,840</u>

KNOXVILLE - KNOX COUNTY METROPOLITAN PLANNING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Transportation:				
Passed through Tennessee Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction-FHWA	20.205	ZMPO008 EDISON ID 38616	\$	640,533
Highway Planning and Construction-STBG	20.205	AGREEMENT# 170166 ID: 126872.00		19,686
Regional Transportation and Air Quality	20.205	F&A Contract No. GG15-45861-00		6,745
Knoxville Smart Trips Program (Comprehensive)	20.205	Contract No.130313 PIN No. 106867.01		48,239
Knoxville Smart Trips Program (Ridesharing)	20.205	Contract No.140230 PIN No. 121580.00		80,272
TPO Bike Enhancement Program	20.205	PIN No. 115203 Amendment 1		<u>2,544</u>
Total Highway Planning and Construction Cluster				<u>798,019</u>
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	F&A Contract No. GG17-53093-00		225,803
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	F&A Contract No. GG17-53271-00		<u>104,893</u>
Total Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research				<u>330,696</u>
Total Passed through Tennessee Department of Transportation				<u>1,128,715</u>
Direct Payments:				
Transit Services Programs Cluster:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	Federal Project ID # TN-16-X007-00	\$	259,028
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	Federal Project ID # TN-2017-046-00		<u>155,342</u>
Total Transit Services Programs Cluster				<u>414,370</u>
Total U.S. Department of Transportation				<u>414,370</u>
Total Expenditures of Federal Awards			\$	<u><u>414,370</u></u>
				<u><u>\$ 1,613,716</u></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, 2018

Program Title	Identifying Number	State Expenditures
Tennessee Department of Transportation:		
Regional Transportation and Air Quality	EDISON ID #45861	\$ 1,686
Federal Transit - Enhanced Mobility	Federal Project ID # TN-16-X007-00 State Contract No. 47-5310-S3-002	113,152
Federal Transit Technical Studies Grant	F&A Contract No. GG17-53093-00 TDOT Project No. 475303-S3-016 FTA Project No. TN-2016-016-00	28,225
Federal Transit Technical Studies Grant	F&A Contract No. GG17-53271-00 TDOT Project No. 475303-S3-017 FTA Project No. TN-2017-003-00	8,049
Total Tennessee Department of Transportation		<u>151,112</u>
Total Expenditure of State Financial Assistance		<u>\$ 151,112</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, 2018

NOTE 1 – BASIS OF PRESENTATION and SIGNIFICANT ACCOUNTING POLICIES

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, 2018. 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.

**INTERNAL CONTROL
AND COMPLIANCE SECTION /
SINGLE AUDIT SECTION**



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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 years ended June 30, 2018 and 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 December 31, 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 Commission'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 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*.

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 Commission'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 Commission'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 31, 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, 2018. 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, 2018.



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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
December 31, 2018

KNOXVILLE - KNOX COUNTY METROPOLITAN PLANNING COMMISSION

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2018

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 no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes 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 no

Major federal programs for the Knoxville – Knox County Metropolitan Planning Commission for the fiscal year ended June 30, 2018 are as follows:

<u>Program Name</u>	<u>CFDA#</u>
U.S. Department of Transportation: Transit Services Programs Cluster	20.513

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

Auditee qualified as low-risk auditee? yes no

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

Schedule of Disposition of Prior Year Findings

For the Year Ended June 30, 2018

Financial Statement Findings:

Prior Year Finding Number	Finding Title	Status/ Current Year Finding Number
2017-001	Accrual of Sick Leave Retirement Liability and Financial Review	Corrected

Federal Award Findings:

There were no prior year federal award findings reported.

**KNOXVILLE - KNOX COUNTY METROPOLITAN PLANNING COMMISSION
REPORT TO THE BOARD OF COMMISSIONERS**

December 31, 2018





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December 31, 2018

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 ("Commission") as of and for the year ended June 30, 2018. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Commission's financial and compliance reporting process.

This report is intended solely for the information and use of the Board of Commissioners and management 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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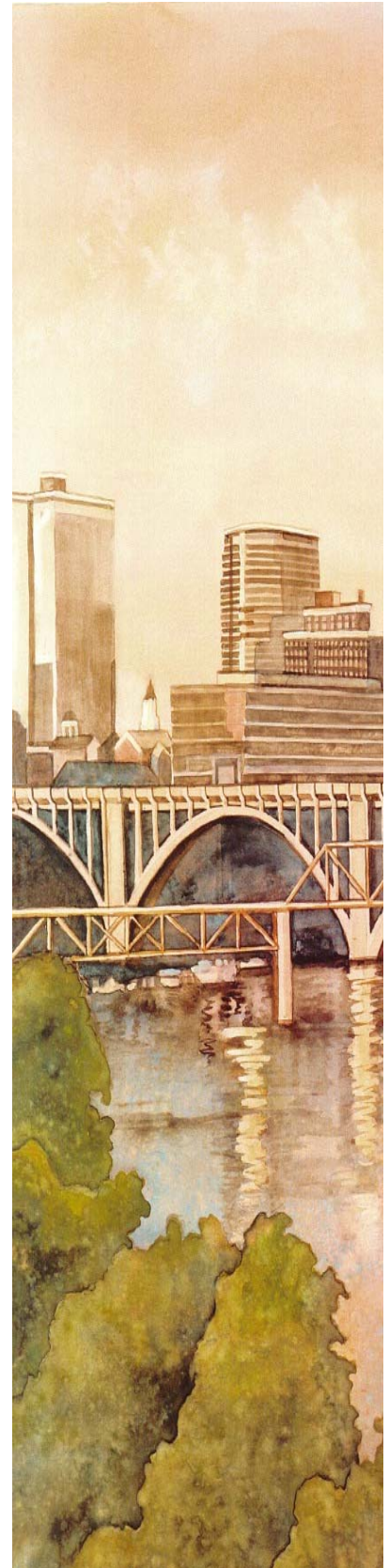


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CONTENTS

	Page
Required Communications.....	1-2
Exhibit A - Summary of Significant Accounting Estimates.....	3
Exhibit B - Draft of Management Representation Letter.....	4-8





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 and related compliance reporting process.

Area	Comments
Our Responsibilities With Regard to the Financial Statement Audit	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 audit contract dated May 4, 2018. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
Overview of the Planned Scope and Timing of the Financial Statement Audit	We have issued a separate communication dated October 15, 2018 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.
Accounting Policies and Practices	Preferability of Accounting Policies and Practices 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. Adoption of, or Change in, Accounting Policies Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Commission. The Commission did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period. Significant or Unusual Transactions 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. Management's Judgments and Accounting Estimates 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.

Area	Comments
Audit Adjustments	There were no audit adjustments made to the original trial balance presented to us to begin our audit.
Uncorrected Misstatements	We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.
Disagreements With Management	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.
Consultations With Other Accountants	We are not aware of any consultations management had with other accounting firms about accounting or auditing matters.
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed or the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit.
Letters Communicating Significant Deficiencies and Material Weaknesses in Internal Control Over Financial Reporting	We have separately communicated any significant deficiencies and material weaknesses in internal control over financial reporting as well as noncompliance or other matters identified during our audit of the basic financial statements and major awards, including follow up on any prior findings, as required by <i>Government Auditing Standards</i> and Uniform Guidance. This communication is included in the bound financial statements.
Material Written Communications Between Management and Our Firm	A draft copy of the representation letter to be provided to us by management is attached as Exhibit B.

Knoxville - Knox County Metropolitan Planning Commission

EXHIBIT A - Summary of Significant Accounting Estimates

Year Ended June 30, 2018

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 Commission's June 30, 2018 basic financial statements.

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
Depreciation of Capital Assets	Depreciation is calculated using the straight-line method over the estimated useful life of the asset.	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.
Long-term Portion of Compensated Absences	The portion of compensated absences not expected to be paid within one year are reported as long-term on the Statement of Net Position and excluded from the general fund balance sheet.	Estimated long-term portion is based on the percentage of paid time off earned but not used in the current year.	We performed our own calculation of the long-term portion of compensated absences and noted an immaterial difference with management's calculation.

EXHIBIT B - Draft of Management Representation Letter

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

This representation letter is provided in connection with your audits of the basic financial statements of Knoxville - Knox County Metropolitan Planning Commission ("Commission") as of and for the years ended June 30, 2018 and 2017, 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 of America (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 contract dated May 4, 2018, 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, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, 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 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.
9. 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 because we have received, expended, or otherwise been the beneficiary of the required amount of federal awards during the period of these audits.
10. We have no knowledge of any uncorrected misstatements in the financial statements.

Information Provided

11. 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 these audits;

- 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.
12. All transactions have been recorded in the accounting records and are reflected in the financial statements.
13. 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.
14. 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.
15. 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.
16. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements.
17. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
18. 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.
19. We have informed you of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Commission's ability to record, process, summarize, and report financial data.
20. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
21. During the course of your audits, 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.

Supplementary Information

22. 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.
23. 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.

Compliance Considerations

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

24. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
25. Is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the auditee.
26. 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.
27. 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.
28. 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.
29. Is responsible 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.
30. Acknowledges its responsibility for the design, implementation, and maintenance of internal controls to prevent and detect fraud.
31. Has taken timely and appropriate steps to remedy fraud; noncompliance with provisions of laws, regulations, contracts and grant agreements; or abuse that the auditor reports.
32. Has a process to track the status of audit findings and recommendations.
33. Has identified for the auditor previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
34. Has provided views on the auditor's reported findings, conclusions and recommendations, as well as management's planned corrective actions, for the report.
35. Acknowledges its responsibilities as it relates to non-audit services performed by the auditor, including a statement that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

In connection with your audit of federal awards conducted in accordance with Subpart F of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), we confirm:

36. Management is responsible for complying, and has complied, with the requirements of Uniform Guidance.
37. 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.
38. 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.
39. Management has prepared the schedule of expenditures of federal awards in accordance with Uniform Guidance 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.

40. Management has identified and disclosed all of its government programs and related activities subject to the Uniform Guidance compliance audit.
41. 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.
42. Management has made available all federal awards (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.
43. 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.
44. Management believes that the auditee has complied with the direct and material compliance requirements (except for noncompliance it has disclosed to the auditor, if any).
45. 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.
46. Management has provided to the auditor its interpretations of any compliance requirements that are subject to varying interpretations.
47. 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.
48. 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.
49. Management is responsible for taking corrective action on audit findings of the compliance audit.
50. 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.
51. 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.
52. 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.
53. 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 period covered by the auditor's report.
54. 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.
55. 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.
56. Management has monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and the terms and conditions of the subaward and have met the other pass-through entity requirements of Uniform Guidance.
57. If applicable, management has issued management decisions for audit findings that relate to federal awards it makes to subrecipients and that such management decisions are issued within six months of acceptance of the audit report by the FAC. Additionally, management has followed-up ensuring that the subrecipient takes timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient from the pass-through entity.

58. If applicable, management has considered the results of subrecipient monitoring and audits and has made any necessary adjustments to the auditee's own books and records.
59. Management has charged costs to federal awards in accordance with applicable cost principles and the Uniform Guidance.
60. Management is responsible for, and has accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by Uniform Guidance.
61. The reporting package does not contain protected personally identifiable information.
62. Management has accurately completed the appropriate sections of the data collection form.
63. If applicable, management has disclosed all contracts or other agreements with service organizations.
64. 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:

Gerald Green, Executive Director

Jeff Welch, Transportation Planning Organization Director

Perry Benshoof, CPA, Comptroller, Knox County Finance Department