

**KNOXVILLE – KNOX COUNTY  
PLANNING COMMISSION**

**ANNUAL FINANCIAL STATEMENTS**

**For the Fiscal Years Ended June 30, 2019 and 2018**

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

**KNOXVILLE – KNOX COUNTY PLANNING COMMISSION**

**ANNUAL FINANCIAL STATEMENTS**

For the Fiscal Years Ended June 30, 2019 and 2018

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**KNOXVILLE - KNOX COUNTY PLANNING COMMISSION**

Knoxville, Tennessee

**ANNUAL FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2019 and 2018

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**KNOXVILLE - KNOX COUNTY PLANNING COMMISSION**

Knoxville, Tennessee

**ANNUAL FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2019 and 2018

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**INTRODUCTORY  
SECTION**

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**KNOXVILLE - KNOX COUNTY PLANNING COMMISSION**

**COMMISSION MEMBERS**

June 30, 2019

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**Representing the City of Knoxville:**

Ms. Gayle Bustin

Mr. Andre Canty

Ms. Elizabeth Eason

Mr. Conrad "Mac" Goodwin

Mr. Tim Hill

Mr. Patrick Phillips, Vice Chair

Ms. Janice L. Tocher, Chairman

**Representing Knox County:**

Ms. Tamara Boyer

Mr. Louis Browning

Mr. Art Clancy, III

Mr. Mike Crowder

Mr. Richard Graf

Mr. Chris Ooten

Mr. Jeffery W. Roth

Mr. Scott Smith

## **FINANCIAL SECTION**



**PUGH & COMPANY, P.C.**  
 315 NORTH CEDAR BLUFF ROAD, SUITE 200  
 KNOXVILLE, TENNESSEE 37923  
 TELEPHONE 865-769-0660  
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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners of the  
 Knoxville - Knox County 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 Planning Commission ("Commission") as of and for the years ended June 30, 2019 and 2018, 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 Planning Commission as of June 30, 2019 and 2018, 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.

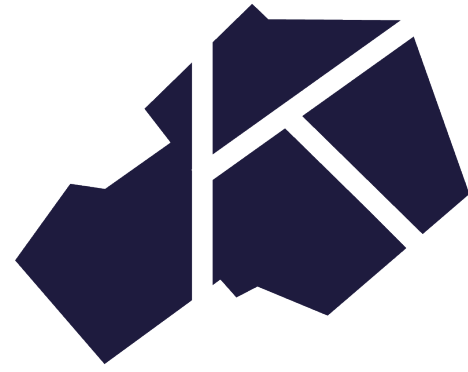
The information included in the introductory section, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2019 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 Planning Commission's internal control over financial reporting and compliance.

*Pugh & Company, P.C.*

Certified Public Accountants  
Knoxville, Tennessee  
December 30, 2019



## Management's Discussion and Analysis

As management of the Knoxville - Knox County 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, 2019, 2018 and 2017. 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 2019

- ❖ The assets of the Commission exceeded its liabilities at the close of the most recent fiscal year by \$1,837,957 (*net position*). Of this amount, \$1,304,148 (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 \$167,388. This increase is primarily the result of increased local government contributions.
- ❖ The Commission's accounts receivable increased by \$480,208 due to appropriation payments from the City of Knoxville received prior to year-end and more activity with federal and state grants.
- ❖ The Commission's net capital assets increased by \$473,947 primarily due to office renovations during the year.
- ❖ The Commission's total liabilities decreased by \$83,074 primarily due to a decrease in unearned revenue and compensated absences.

### Financial Highlights for Fiscal Year 2018

- ❖ The assets of the Commission exceeded its liabilities at the close of the 2018 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 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 2017 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.

## 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, 2019, 2018 and 2017, the Commission's assets exceeded its liabilities by \$1,837,957, \$1,670,569 and \$1,529,935, respectively. At June 30, 2019, 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 77 percent of total net position; however, all net position is not available for future operational spending as \$533,809, or 29 percent, is invested in capital assets. The remaining balance of unrestricted net position \$1,304,148 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 \$167,388 for the current fiscal year ended June 30, 2019. As previously noted this increase is primarily the result of increased local government contributions. The increase of \$473,947 for investment in capital assets is due to the substantial completion of the work in progress of the Commission's office renovations during the current fiscal year.

During the fiscal year ended June 30, 2018, the Commission reported an increase in net position of \$140,634. This increase was primarily the result of increased charges for services and increased local government contributions. The increase of \$36,250 for investment in capital assets was primarily due to office renovations charged during the 2018 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.

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

	FYE June 30, 2019	FYE June 30, 2018	FYE June 30, 2017
Current and Other Assets	\$ 2,189,788	\$ 2,579,421	\$ 2,374,993
Capital Assets - Net	533,809	59,862	23,612
Total Assets	<u>2,723,597</u>	<u>2,639,283</u>	<u>2,398,605</u>
Current Liabilities	771,903	838,780	796,153
Non Current Liabilities Outstanding	113,737	129,934	72,517
Total Liabilities	<u>885,640</u>	<u>968,714</u>	<u>868,670</u>
Net Position:			
Investment in			
Capital Assets	533,809	59,862	23,612
Unrestricted	1,304,148	1,610,707	1,506,323
Total Net Position	<u>\$ 1,837,957</u>	<u>\$ 1,670,569</u>	<u>\$ 1,529,935</u>

The next table shows the key elements from ongoing operations that contributed to the increase in net position of \$167,388 during the current fiscal year. The reasons for this year's increase are increased revenue from Federal, State and Local grants and increased contributions from the City and County. Program revenues, comprised mainly of grant revenues, increased by \$356,306 or approximately 14% during fiscal year 2019, and program expenses increased, primarily as the result of increased federal grant activity.

For fiscal year 2019, total revenues increased by \$575,773. That increase is primarily due to an increase of federal government grants of \$343,207 (primarily in the transit services programs), an increase of \$72,088 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 \$224,130.

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) and a decrease of \$75,609 in state government grants (primarily in the Tennessee Department of Transportation grants).

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.

Total expenses for FY 2019 increased by \$549,019. The increase included a decrease in personnel services (salaries and benefits) of \$157,999, an increase in contracted services of \$195,977, and an increase in supplies and materials of \$498,338.

During FY 2018, total expenses 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 vehicle purchases. The vans are not considered to be capital assets because title to each van was granted to the non-profit agency. Also, during FY 2017, personnel services (salaries and benefits) increased \$233,380, contracted services increased \$65,324 and other charges increased \$19,387.

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

	FYE <u>June 30, 2019</u>	FYE <u>June 30, 2018</u>	FYE <u>June 30, 2017</u>
Revenues:			
Charges for Services	\$ 686,668	\$ 795,386	\$ 783,033
Federal, State and Local Grants	2,244,246	1,779,222	2,041,069
City of Knoxville and Knox County	<u>2,086,819</u>	<u>1,867,352</u>	<u>1,768,082</u>
<b>Total Revenues</b>	<u>5,017,733</u>	<u>4,441,960</u>	<u>4,592,184</u>
Expenses:			
Personnel Services	2,743,069	2,901,068	2,768,445
Contracted Services	1,033,152	837,175	813,002
Supplies and Materials	830,805	332,467	503,698
Other Charges	234,393	225,814	210,732
Depreciation	<u>8,926</u>	<u>4,802</u>	<u>2,534</u>
<b>Total Expenses</b>	<u>4,850,345</u>	<u>4,301,326</u>	<u>4,298,411</u>
Change in Net Position	167,388	140,634	293,773
Net Position - Beginning of Year	<u>1,670,569</u>	<u>1,529,935</u>	<u>1,236,162</u>
Net Position - End of Year	<u>\$ 1,837,957</u>	<u>\$ 1,670,569</u>	<u>\$ 1,529,935</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 \$530,125 under budget primarily due to anticipation of increases in federal grants reflected in the budget. The Commission’s actual expenses were \$1,325,762 under budget. Except for supplies & materials costs over budget by \$159,456, the remaining expenditures in each category were less than budget. The net result is a \$795,637 favorable budget variance. The following table is a summary of the budget and actual results for the current year.

**Knoxville-Knox County Planning Commission**  
**Budget vs. Actual**  
**June 30, 2019**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)	2018 Total
Total Revenues	\$ 5,492,528	\$ 5,547,858	\$ 5,017,733	\$ (530,125)	\$ 4,441,960
<b>Expenditures</b>					
Total Expenditures	6,150,228	6,666,251	5,340,489	1,325,762	4,280,159
Net Change in Fund Balances	(657,700)	(1,118,393)	(322,756)	795,637	161,801
Fund Balances, July 1	1,740,641	1,740,641	1,740,641	-	1,578,840
Fund Balances, June 30	<u>\$ 1,082,941</u>	<u>\$ 622,248</u>	<u>\$ 1,417,885</u>	<u>\$ 795,637</u>	<u>\$ 1,740,641</u>

**Capital Assets.** The Commission’s investment in capital assets as of June 30, 2019, amounts to \$533,809 (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 792%, or \$473,947, due to office renovation expenses capitalized during the current fiscal year. As of June 30, 2018, the Commission’s investment in capital assets amounted to \$59,862 (net of accumulated depreciation) due to the Commission’s office renovations. For the fiscal year ending June 30, 2017, the Commission’s investment in capital assets amounted to \$23,612 (net of accumulated depreciation) after the addition of a vehicle. 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 Obligations.** Long-term obligations consist of compensated absences payable and sick leave liability. Long-term obligations decreased by \$16,197 in 2019, increased by \$57,417 in 2018 and increased by \$38,049 in 2017. These increases in prior years were 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 obligations, see Note 7: Long Term Obligations on page 26 in the Notes to the Financial Statements.

**Fiscal Year 2020 Budget**

The Commission’s budget adopted for 2020 reflects budgeted total expenditures of \$6,217,008, which is a 1.09% increase from the 2019 original budget. The increase in the Commission’s fiscal year 2020 budget is primarily related to funding from Knox County for a county-wide transportation plan. The additional budget increases are related to anticipated grant related expenditures which amount to \$2,751,977.

**Requests for Information**

This financial report is designed to provide a general overview of the Knoxville-Knox County 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 Planning Commission, 400 Main Street, Suite 403, City-County Building, Knoxville, Tennessee, 37902.

**KNOXVILLE - KNOX COUNTY  
PLANNING COMMISSION**

**STATEMENTS OF NET POSITION  
June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,076,664	\$ 1,943,042
Accounts Receivable:		
Related Parties	9,476	4,921
Grants Receivable	1,082,773	607,120
Prepaid Items	20,875	24,338
Capital Assets, net of accumulated depreciation	<u>533,809</u>	<u>59,862</u>
 Total Assets	 <u>2,723,597</u>	 <u>2,639,283</u>
<b>LIABILITIES</b>		
Accounts Payable	485,490	397,323
Accrued Payroll	48,373	55,748
Unearned Revenue	58,438	134,943
Due to Others	350	350
Compensated Absences and Sick Leave Liability:		
Expected to be paid within one year	179,252	250,416
Expected to be paid after one year	<u>113,737</u>	<u>129,934</u>
 Total Liabilities	 <u>885,640</u>	 <u>968,714</u>
<b>NET POSITION</b>		
Investment in Capital Assets	533,809	59,862
Unrestricted	<u>1,304,148</u>	<u>1,610,707</u>
 Total Net Position	 <u>\$ 1,837,957</u>	 <u>\$ 1,670,569</u>

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



**KNOXVILLE - KNOX COUNTY  
PLANNING COMMISSION**

**STATEMENTS OF ACTIVITIES**

**For the Years Ended June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>Program Revenues:</b>		
Charges for Services	\$ 686,668	\$ 795,386
Operating Grants and Contributions:		
Federal Government Grants	1,956,923	1,613,716
State of Tennessee Grants	223,200	151,112
Local Grants	64,123	14,394
Total Program Revenues	2,930,914	2,574,608
<b>Program Expenses:</b>		
Personnel Services	2,743,069	2,901,068
Contracted Services	1,033,152	837,175
Supplies and Materials	830,805	332,467
Other Charges	234,393	225,814
Depreciation	8,926	4,802
Total Program Expenses	4,850,345	4,301,326
Net Program Deficiency of Revenues Under Expenses	(1,919,431)	(1,726,718)
<b>General Revenues:</b>		
Grants and Contributions not Restricted to Specific Programs:		
City of Knoxville	1,161,980	1,106,650
Knox County	910,800	742,000
Other Revenues	14,039	18,702
Total General Revenues	2,086,819	1,867,352
Change in Net Position	167,388	140,634
Total Net Position - Beginning of Year	1,670,569	1,529,935
Total Net Position - End of Year	\$ 1,837,957	\$ 1,670,569

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

**KNOXVILLE - KNOX COUNTY  
PLANNING COMMISSION**

**BALANCE SHEETS - GENERAL FUND  
June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,076,664	\$ 1,943,042
Accounts Receivable:		
Related Parties	9,476	4,921
Grants Receivable	1,082,773	607,120
Prepaid Items	20,875	24,338
Total Assets	\$ 2,189,788	\$ 2,579,421
<b>LIABILITIES</b>		
Accounts Payable	\$ 485,490	\$ 397,323
Accrued Payroll	48,373	55,748
Unearned Revenue	58,438	134,943
Due to Others	350	350
Compensated Absences Payable	179,252	250,416
Total Liabilities	771,903	838,780
<b>FUND BALANCES</b>		
Nonspendable	20,875	24,338
Assigned	-	660,000
Unassigned	1,397,010	1,056,303
Total Fund Balances	1,417,885	1,740,641
Total Liabilities and Fund Balances	\$ 2,189,788	\$ 2,579,421

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

**KNOXVILLE - KNOX COUNTY  
PLANNING COMMISSION  
RECONCILIATION OF THE BALANCE SHEETS -GENERAL FUND TO  
THE STATEMENTS OF NET POSITION  
June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
Amounts reported for governmental activities in the statements of net position are different because:		
Ending Fund Balance - General Fund	\$ 1,417,885	\$ 1,740,641
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds:	533,809	59,862
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	(113,737)	(129,934)
Net Position of Governmental Activities	\$ 1,837,957	\$ 1,670,569

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

**KNOXVILLE - KNOX COUNTY  
PLANNING COMMISSION**

**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN  
IN FUND BALANCE - GENERAL FUND  
For the Years Ended June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>Revenues:</b>		
Charges for Services	\$ 686,668	\$ 795,386
Federal Government Grants	1,956,923	1,613,716
State of Tennessee Grants	223,200	151,112
Local Grants	64,123	14,394
City of Knoxville	1,161,980	1,106,650
Knox County	910,800	742,000
Other Revenues	14,039	18,702
 Total Revenues	 5,017,733	 4,441,960
<b>Expenditures:</b>		
Current:		
Personnel Services	2,759,266	2,843,651
Contracted Services	1,033,152	837,175
Supplies and Materials	830,805	332,467
Other Charges	234,393	225,814
Capital Outlay	482,873	41,052
 Total Expenditures	 5,340,489	 4,280,159
 Net Change in Fund Balance	 (322,756)	 161,801
 Fund Balance, Beginning of Year	 1,740,641	 1,578,840
 Fund Balance, End of Year	 \$ 1,417,885	 \$ 1,740,641

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

**KNOXVILLE - KNOX COUNTY  
PLANNING COMMISSION  
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - GENERAL FUND TO THE STATEMENTS OF ACTIVITIES  
For the Years Ended June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
Amounts reported for governmental activities in the statements of activities are different because:		
Net Change in Fund Balance - General Fund	\$ (322,756)	\$ 161,801
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 \$482,873 (\$41,052 in 2018) exceeds depreciation \$8,926 in the current year (\$4,802 in 2018).	473,947	36,250
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.	16,197	(57,417)
Change in Net Position per Statements of Activities	\$ 167,388	\$ 140,634

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

**KNOXVILLE - KNOX COUNTY  
PLANNING COMMISSION**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND**

**For the Year Ended June 30, 2019**

(With Comparative Totals for Fiscal Year Ended June 30, 2018)

	Original Budget	Final Budget	Actual	Variance With Final Budget	2018 Actual
<b>Revenues</b>					
Charges for Services	\$ 725,000	\$ 725,000	\$ 686,668	\$ (38,332)	\$ 795,386
Federal Government Grants	2,547,518	2,480,759	1,956,923	(523,836)	1,613,716
State of Tennessee Grants	335,000	373,779	223,200	(150,579)	151,112
Local Grants	-	27,980	64,123	36,143	14,394
City of Knoxville	1,106,650	1,161,980	1,161,980	-	1,106,650
Knox County	764,260	764,260	910,800	146,540	742,000
Other Revenues	14,100	14,100	14,039	(61)	18,702
Total Revenues	<u>5,492,528</u>	<u>5,547,858</u>	<u>5,017,733</u>	<u>(530,125)</u>	<u>4,441,960</u>
<b>Expenditures</b>					
Current:					
Personnel Services	2,865,924	2,915,954	2,759,266	156,688	2,843,651
Contracted Services	1,364,890	2,242,054	1,033,152	1,208,902	837,175
Supplies and Materials	1,110,110	671,349	830,805	(159,456)	332,467
Other Charges	234,304	260,604	234,393	26,211	225,814
Capital Outlay	575,000	576,290	482,873	93,417	41,052
Total Expenditures	<u>6,150,228</u>	<u>6,666,251</u>	<u>5,340,489</u>	<u>1,325,762</u>	<u>4,280,159</u>
<b>Net Change in Fund Balances</b>	(657,700)	(1,118,393)	(322,756)	795,637	161,801
Fund Balances, Beginning of Year	<u>1,740,641</u>	<u>1,740,641</u>	<u>1,740,641</u>	<u>-</u>	<u>1,578,840</u>
Fund Balances, End of Year	<u>\$ 1,082,941</u>	<u>\$ 622,248</u>	<u>\$ 1,417,885</u>	<u>\$ 795,637</u>	<u>\$ 1,740,641</u>

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

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**KNOXVILLE - KNOX COUNTY  
PLANNING COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2019 and 2018

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

**A. Reporting Entity**

The Knoxville - Knox County Planning Commission (the Commission) (formerly known as Metropolitan Planning Commission – MPC) was formed in 1956. The Commission changed its name during FY 2019. 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.

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**KNOXVILLE - KNOX COUNTY  
PLANNING COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2019 and 2018

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

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

The General Fund is accounted for using the current flow of financial resources as the measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The general fund balance is considered a measure of “available spendable resources”. The operating statement of the general fund presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Because of its spending measurement focus, expenditure recognition for the General Fund excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long term amounts are not recognized as general fund expenditures or fund liabilities.

1. Fund Accounting

The accounts of the Commission are organized, operated and presented on the basis of funds. Funds are independent fiscal and accounting entities with self-balancing sets of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The Commission reports one governmental fund, the General Fund. The General Fund is the Commission’s operating fund which accounts for all financial resources.

2. Sources of Revenue

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

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.



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**KNOXVILLE - KNOX COUNTY  
PLANNING COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2019 and 2018

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**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.

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**KNOXVILLE - KNOX COUNTY  
PLANNING COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2019 and 2018

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**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
Building Renovations	25

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.

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**KNOXVILLE - KNOX COUNTY  
PLANNING COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2019 and 2018

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**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 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.

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**KNOXVILLE - KNOX COUNTY  
PLANNING COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2019 and 2018

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**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.

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**KNOXVILLE - KNOX COUNTY  
PLANNING COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2019 and 2018

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

The Commission's primary funding source is federal, state, and local grants which have a grant period that may or may not coincide with the fiscal year due to the 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, 2019, and June 30, 2018, 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, 2019, the Commission had accounts receivable from the City of Knoxville of \$9,476 for a local grant match for the Chapman Highway Corridor Study.

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.

**KNOXVILLE - KNOX COUNTY  
PLANNING COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2019 and 2018

**NOTE 5: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019, 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	\$ 440,062	\$ (481,114)	\$ -
Total Capital Assets Not Being Depreciated	<u>41,052</u>	<u>440,062</u>	<u>(481,114)</u>	<u>-</u>
Capital Assets Being Depreciated:				
Leasehold Improvements	-	247,278	-	247,278
Furniture and fixtures	32,500	233,836	(32,500)	233,836
Computer and equipment	16,074	42,811	(5,401)	53,484
Vehicles	40,065	-	-	40,065
Total Capital Assets Being Depreciated	<u>88,639</u>	<u>523,925</u>	<u>(37,901)</u>	<u>574,663</u>
Less Accumulated Depreciation for:				
Leasehold Improvements	-	(739)	-	(739)
Furniture and fixtures	(32,500)	(869)	32,500	(869)
Computer and equipment	(16,074)	(2,516)	5,401	(13,189)
Vehicles	(21,255)	(4,802)	-	(26,057)
Total Accumulated Depreciation	<u>(69,829)</u>	<u>(8,926)</u>	<u>37,901</u>	<u>(40,854)</u>
Total Capital Assets Being Depreciated, Net	<u>18,810</u>	<u>514,999</u>	<u>-</u>	<u>533,809</u>
Total Capital Assets, Net	<u>\$ 59,862</u>	<u>\$ 955,061</u>	<u>\$ (481,114)</u>	<u>\$ 533,809</u>

**KNOXVILLE - KNOX COUNTY  
PLANNING COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2019 and 2018

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

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  
PLANNING COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2019 and 2018

**NOTE 6: CONSTRUCTION IN PROGRESS/COMMITMENTS**

Construction in progress activity for the year ended June 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Office Renovations	<u>\$ 41,052</u>	<u>\$ 440,062</u>	<u>\$ (481,114)</u>	<u>\$ -</u>

The office renovations were substantially complete as of June 30, 2019. There are no outstanding contractual commitments.

**NOTE 7: LONG-TERM OBLIGATIONS**

Long-term obligations activity for the year ended June 30, 2019, 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>\$ 380,350</u>	<u>\$ 190,766</u>	<u>\$ (278,127)</u>	<u>\$ 292,989</u>	<u>\$ 179,252</u>

Long-term obligations 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>

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.



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**KNOXVILLE - KNOX COUNTY  
PLANNING COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2019 and 2018

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**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 2019 and 2018. 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 2019 and 2018, respectively.

**NOTE 9: ECONOMIC CONCENTRATION**

The City of Knoxville and Knox County, Tennessee provided funding of \$2,072,780 in the current fiscal year and \$1,848,650 in the past fiscal year to the Commission, which amounted to 41 and 42 percent of total revenues for the fiscal years 2019 and 2018, 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, 2019 and 2018 is comprised of prepaid items. Those amounts totaled \$20,875 and \$24,338, respectively.

The amount that is reported on the balance sheets –general fund as assigned fund balance at June 30, 2019 and 2018, of \$0 and \$660,000 respectively, is an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget for office remodeling which was completed during fiscal year 2019.

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**KNOXVILLE - KNOX COUNTY  
PLANNING COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2019 and 2018

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**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.

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. For 2019, the defined contribution plan has 39 active members and the 457 plan has 23 active members. For 2018, the defined contribution plan had 35 active members and the 457 plan had 22 active members.

During 2019, the Commission made employer contributions of \$123,374 and the employees contributed \$123,374 to the DC Plan. The Commission made employer contributions of \$53,359 and the employees contributed \$113,881 to the 457 Plan.

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.

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, 2019.

**SUPPLEMENTARY  
INFORMATION**

**KNOXVILLE - KNOX COUNTY  
PLANNING COMMISSION**

**SCHEDULE OF GENERAL FUND EXPENDITURES  
For the Year Ended June 30, 2019  
(With Comparative Totals for Fiscal Year Ended June 30, 2018)**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)	2018 Actual
<b>Expenditures</b>					
Personnel Services	\$ 2,865,924	\$ 2,915,954	\$ 2,759,266	\$ 156,688	\$ 2,843,651
Legal Services - Attorney	47,400	47,400	47,400	-	46,250
Legal Notices	2,300	2,300	4,538	(2,238)	275
Other Professional Services (Advertisement & Audit Services)	111,760	111,760	21,888	89,872	25,030
Rent, Repair, & Maintenance	83,280	83,496	65,493	18,003	71,508
Advertising	35,400	35,400	28,012	7,388	37,619
Communications	27,770	27,770	27,944	(174)	20,067
Other Services (Consulting, Postage & Printing)	446,880	1,176,228	634,360	541,868	447,030
Contracts with Other Agencies	548,000	695,600	183,520	512,080	158,216
Travel, Tuition, Dues & Memberships	47,300	47,300	18,645	28,655	20,913
Conference Registration	12,300	12,300	6,023	6,277	8,848
Food	19,110	19,110	13,350	5,760	13,077
Utilities & Fuel	-	-	-	-	932
Office Supplies & Minor Equipment	81,500	642,739	801,249	(158,510)	24,539
Vehicle/ Equipment	1,002,500	2,500	4,397	(1,897)	286,397
Educational Materials	6,000	6,000	4,798	1,202	5,932
Other Materials (Signs)	3,500	3,500	2,340	1,160	3,009
Capital Outlay	575,000	576,290	482,873	93,417	41,052
Insurance Related Expenses - Building & Vehicles	62,424	67,724	44,781	22,943	45,648
Workers' Compensation	7,000	7,000	8,427	(1,427)	2,732
Trustee Commission	12,000	12,000	31,902	(19,902)	25,441
Space Costs	35,318	35,318	35,318	-	35,318
Other Central Service Costs	87,562	87,562	87,562	-	87,562
Other	30,000	51,000	26,403	24,597	29,113
<b>Total Expenditures</b>	<u>\$ 6,150,228</u>	<u>\$ 6,666,251</u>	<u>\$ 5,340,489</u>	<u>\$ 1,325,762</u>	<u>\$ 4,280,159</u>

**KNOXVILLE - KNOX COUNTY PLANNING COMMISSION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2019**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>Metropolitan Planning Commission:</b>				
U.S. Department of the Interior:				
Passed through Tennessee Department of Environment and Conservation:				
Historic Preservation Fund Grants-In-Aid	15.904	EDISON ID 57486	\$	2,922
Total US Department of the Interior				<u>2,922</u>
U.S. Department of Transportation:				
Passed through Tennessee Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction-FHWA	20.205	ZMPO08 EDISON ID 38616		74,309
Highway Planning and Construction-FHWA	20.205	ZMPO08 EDISON ID 59110		595,568
Highway Planning and Construction-STBG	20.205	AGREEMENT# 170166 ID: 126872.00		144,416
Regional Transportation and Air Quality	20.205	F&A Contract No. GG15-45861-00		8,322
Knoxville Smart Trips Program (Comprehensive)	20.205	Contract No.130313 PIN No. 106867.01		36,226
Knoxville Smart Trips Program (Ridesharing)	20.205	Contract No.140230 PIN No. 121580.00		7,577
Knoxville Smart Trips Program (Ridesharing)	20.205	Contract No.125453 CM-9109 (176)		57,857
TPO Bike Enhancement Program	20.205	PIN No. 115203 Amendment 2		<u>2,412</u>
Total Highway Planning and Construction Cluster				<u>926,687</u>
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	F&A Contract No. GG17-53271-00		<u>145,136</u>
Total Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research				<u>145,136</u>
Total Passed through Tennessee Department of Transportation				<u>1,071,823</u>
Direct Payments:				
Transit Services Programs Cluster:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	Federal Project ID # TN-16-X007-00	\$	62,182
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	Federal Project ID # TN-2017-046-00		<u>793,044</u>
Total Transit Services Programs Cluster				<u>855,226</u>
Total U.S. Department of Transportation				<u>855,226</u>
Total Expenditures of Federal Awards			<u>\$</u>	<u>855,226</u>
				<u>\$</u> 1,956,923

The accompanying notes are an integral part of this schedule.

**KNOXVILLE - KNOX COUNTY PLANNING COMMISSION**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**For the Year Ended June 30, 2019**

Program Title	Identifying Number	State Expenditures
<b>Tennessee Department of Transportation:</b>		
Regional Transportation and Air Quality	EDISON ID #45861	\$ 2,080
Federal Transit - Enhanced Mobility	Federal Project ID # TN-16-X007-00 State Contract No. 47-5310-S3-002	7,775
Federal Transit - Enhanced Mobility	Federal Project ID # TN-2017-046-00 State Contract No. 47-5310-S3-003	182,722
Federal Transit Technical Studies Grant	F&A Contract No. GG17-53271-00	9,289
Federal Transit Technical Studies Grant	ZMPO008 EDISON ID 59110 TDOT Project No. 475303-S3-017	21,334
<b>Total Tennessee Department of Transportation</b>		<u>223,200</u>
<b>Total Expenditures of State Financial Assistance</b>		<u><u>\$ 223,200</u></u>

The accompanying notes are an integral part of this schedule.

---

**KNOXVILLE - KNOX COUNTY  
PLANNING COMMISSION**

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

June 30, 2019

---

**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 Planning Commission (the Commission) under federal programs for the year ended June 30, 2019. 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 had elected not to use the 10% de minimis rate as allowed under the Uniform Guidance during FY 2018, however during FY 2019 the Commission decided to use the 10% de minimis rate for the year FY 2019 and future years for the Section 5310 Federal Grant program only.

**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 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 Planning Commission ("Commission"), as of and for the years ended June 30, 2019 and 2018, 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 30, 2019.

**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 30, 2019



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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 Planning Commission  
Knoxville, Tennessee

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

We have audited Knoxville - Knox County 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, 2019. The Commission's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**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 the Commission's major federal program 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 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, 2019.



## 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 30, 2019

**KNOXVILLE - KNOX COUNTY PLANNING COMMISSION**

**Schedule of Findings and Questioned Costs**

**For the Year Ended June 30, 2019**

**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 Planning Commission for the fiscal year ended June 30, 2019 are as follows:

<u>Program Name</u>	<u>CFDA#</u>
U.S. Department of Transportation: Highway Planning and Construction Cluster	20.205

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 PLANNING COMMISSION**  
**SCHEDULE OF DISPOSITION OF PRIOR YEAR FINDINGS**  
**For the Year Ended June 30, 2019**

There were no findings reported in the prior year.

**KNOXVILLE - KNOX COUNTY PLANNING COMMISSION**

**REPORT TO THE BOARD OF COMMISSIONERS**

**December 30, 2019**





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December 30, 2019

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

We are pleased to present this report related to our audit of the basic financial statements of Knoxville - Knox County Planning Commission ("Commission") as of and for the year ended June 30, 2019. 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 Planning Commission.

*Pugh & Company, P.C.*

Certified Public Accountants  
Knoxville, Tennessee



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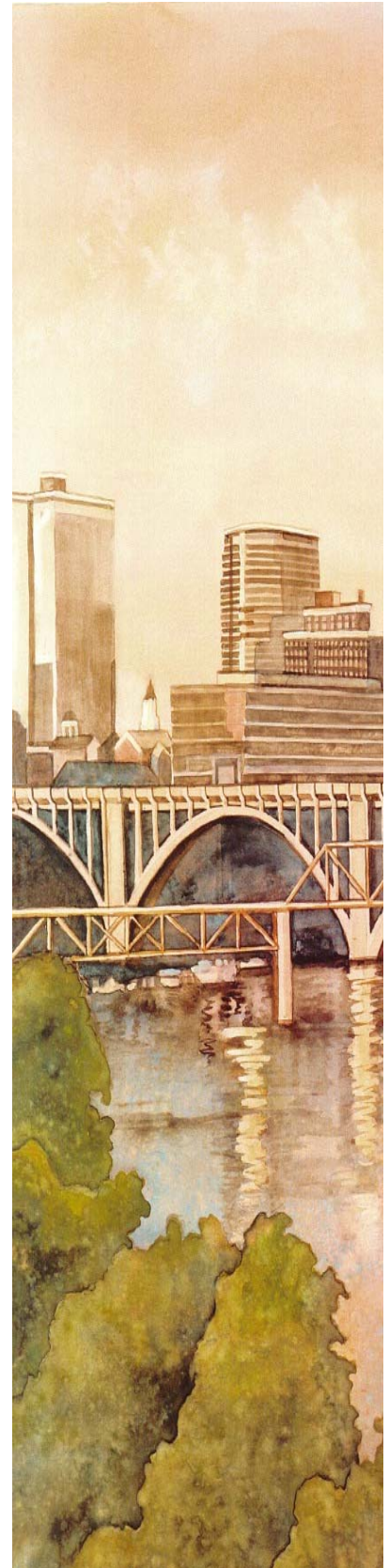
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## Required Communications

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

Area	Comments
<b>Our Responsibilities With Regard to the Financial Statement Audit</b>	Our responsibilities under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> , issued by the Comptroller General of the United States, have been described to you in our audit contract dated March 26, 2019. 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.
<b>Overview of the Planned Scope and Timing of the Financial Statement Audit</b>	We have issued a separate communication dated March 26, 2019 regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement.
<b>Accounting Policies and Practices</b>	<b>Preferability of Accounting Policies and Practices</b> Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice. <b>Adoption of, or Change in, Accounting Policies</b> Management has the ultimate responsibility for the appropriateness of the accounting policies used by 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. <b>Significant or Unusual Transactions</b> We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. <b>Management's Judgments and Accounting Estimates</b> Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Exhibit A - Summary of Significant Accounting Estimates.

Area	Comments
<b>Audit Adjustments</b>	There were no audit adjustments made to the original trial balance presented to us to begin our audit.
<b>Uncorrected Misstatements</b>	We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.
<b>Disagreements With Management</b>	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the basic financial statements.
<b>Consultations With Other Accountants</b>	We are not aware of any consultations management had with other accounting firms about accounting or auditing matters.
<b>Significant Issues Discussed With Management</b>	No significant issues arising from the audit were discussed or the subject of correspondence with management.
<b>Significant Difficulties Encountered in Performing the Audit</b>	We did not encounter any significant difficulties in dealing with management during the audit.
<b>Letters Communicating Significant Deficiencies and Material Weaknesses in Internal Control Over Financial Reporting</b>	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.
<b>Material Written Communications Between Management and Our Firm</b>	A draft copy of the representation letter to be provided to us by management is attached as Exhibit B.

**Knoxville - Knox County Planning Commission**

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

**Year Ended June 30, 2019**

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, 2019 basic financial statements.

<b>Estimate</b>	<b>Accounting Policy</b>	<b>Management's Estimation Process</b>	<b>Basis for Our Conclusions on Reasonableness of Estimate</b>
<b>Depreciation of Capital Assets</b>	Depreciation is calculated using the straight-line method 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.
<b>Long-term Portion of Compensated Absences</b>	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 Planning Commission ("Commission") as of and for the years ended June 30, 2019 and 2018, 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 March 26, 2019, 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, 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 have no knowledge of noncompliance or suspected noncompliance with laws and regulations.
  18. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
  19. 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.
  20. 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.
  21. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
  22. 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**

23. With respect to supplementary information presented in relation to the financial statements as a whole:
  - a. We acknowledge our responsibility for the presentation of such information.
  - b. We believe such information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
  - d. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
24. With respect to Management's Discussion and Analysis presented as required by Governmental Accounting Standards Board to supplement the basic financial statements:
  - a. We acknowledge our responsibility for the presentation of such required supplementary information.
  - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.

## Compliance Considerations

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

25. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
26. Is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the auditee.
27. Has identified and disclosed to the auditor all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
28. Has identified and disclosed to the auditor all instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
29. Has identified and disclosed to the auditor all instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements.
30. 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.
31. Acknowledges its responsibility for the design, implementation, and maintenance of internal controls to prevent and detect fraud.
32. 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.
33. Has a process to track the status of audit findings and recommendations.
34. Has identified for the auditor previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
35. Has provided views on the auditor's reported findings, conclusions and recommendations, as well as management's planned corrective actions, for the report.
36. 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:

37. Management is responsible for complying, and has complied, with the requirements of Uniform Guidance.
38. 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.
39. 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.
40. 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.

41. Management has identified and disclosed all of its government programs and related activities subject to the Uniform Guidance compliance audit.
42. 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.
43. 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.
44. 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.
45. 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).
46. 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.
47. Management has provided to the auditor its interpretations of any compliance requirements that are subject to varying interpretations.
48. 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.
49. 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.
50. Management is responsible for taking corrective action on audit findings of the compliance audit.
51. 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.
52. 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.
53. 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.
54. 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.
55. 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.
56. 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.
57. 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.
58. 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.



59. 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.
60. Management has charged costs to federal awards in accordance with applicable cost principles and the Uniform Guidance.
61. 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.
62. The reporting package does not contain protected personally identifiable information.
63. Management has accurately completed the appropriate sections of the data collection form.
64. If applicable, management has disclosed all contracts or other agreements with service organizations.
65. If applicable, management has disclosed to the auditor all communications from service organizations relating to noncompliance at those organizations.

Knoxville – Knox County Planning Commission:

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Gerald Green, Executive Director

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Jeff Welch, Transportation Planning Organization Director

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Perry Benshoof, CPA, Comptroller, Knox County Finance Department