

**KNOXVILLE – KNOX COUNTY
PLANNING COMMISSION**

ANNUAL FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2020 and 2019

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

KNOXVILLE – KNOX COUNTY PLANNING COMMISSION

ANNUAL FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2020 and 2019

KNOXVILLE - KNOX COUNTY PLANNING COMMISSION

Knoxville, Tennessee

ANNUAL FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2020 and 2019

CONTENTS

**Page
Number**

Introductory Section

Commission Members 1

Financial Section

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

Supplementary Information

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

KNOXVILLE - KNOX COUNTY PLANNING COMMISSION

Knoxville, Tennessee

ANNUAL FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2020 and 2019

CONTENTS (continued)

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

**INTRODUCTORY
SECTION**

KNOXVILLE - KNOX COUNTY PLANNING COMMISSION

COMMISSION MEMBERS

June 30, 2020

Representing the City of Knoxville:

Ms. Gayle Bustin

Ms. Jacqueline Dent

Ms. Elizabeth Eason

Mr. Tim Hill

Ms. Sandra Korbelik

Mr. Patrick Phillips, Vice Chair

Ms. Janice L. Tocher, Chairman

Representing Knox County:

Ms. Tamara Boyer

Mr. Louis Browning

Mr. Mike Crowder

Mr. Richard Graf

Mr. Chris Ooten

Mr. Jeffery W. Roth

Mr. Eddie Smith

Mr. Scott Smith

FINANCIAL SECTION



PUGH & COMPANY, P.C.
315 NORTH CEDAR BLUFF ROAD, SUITE 200
KNOXVILLE, TENNESSEE 37923
TELEPHONE 865-769-0660
FAX 865-769-1660
www.pughcpas.com

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, 2020 and 2019, 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, 2020 and 2019, 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

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

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.

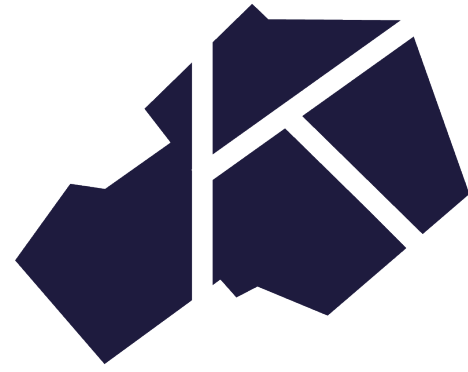
The information included in the introductory section, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2020 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 21, 2020



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, 2020, 2019 and 2018. 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 2020

- ❖ The assets of the Commission exceeded its liabilities at the close of the most recent fiscal year by \$2,225,177 (*net position*). Of this amount, \$1,730,450 (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 \$387,220. This increase is primarily the result of decreased program expenses.
- ❖ The Commission's ending cash increased by \$650,474 while grants receivable decreased by \$608,243 due to payments received prior to year-end.
- ❖ The Commission's total liabilities decreased by \$397,799 primarily due to a decrease in accounts payable.

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.

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 financial assistance. 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, 2020, 2019 and 2018, the Commission's assets exceeded its liabilities by \$2,225,177, \$1,837,957 and \$1,670,569, respectively. At June 30, 2020, the majority of the Commission's net position reflects its current assets (e.g. cash and cash equivalents and receivables). These current assets (less current liabilities) equal approximately 83% of total net position; however, all net position is not available for future operational spending as \$494,727, or 22%, is invested in capital assets. The remaining balance of unrestricted net position \$1,730,450 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 \$387,220 for the current fiscal year ended June 30, 2020. As previously noted, this increase is primarily the result of decreased program expenses.

During the fiscal year ended June 30, 2019, the Commission reported an increase in net position of \$167,388. This increase was 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.

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

	FYE June 30, 2020	FYE June 30, 2019	FYE June 30, 2018
Current and Other Assets	\$ 2,218,291	\$ 2,189,788	\$ 2,579,421
Capital Assets - Net	494,727	533,809	59,862
Total Assets	<u>2,713,018</u>	<u>2,723,597</u>	<u>2,639,283</u>
Current Liabilities	374,796	771,903	838,780
Non Current Liabilities Outstanding	113,045	113,737	129,934
Total Liabilities	<u>487,841</u>	<u>885,640</u>	<u>968,714</u>
Net Position:			
Investment in			
Capital Assets	494,727	533,809	59,862
Unrestricted	1,730,450	1,304,148	1,610,707
Total Net Position	<u>\$ 2,225,177</u>	<u>\$ 1,837,957</u>	<u>\$ 1,670,569</u>
 Increase in Net Position	 <u>\$ 387,220</u>	 <u>\$ 167,388</u>	 <u>\$ 140,634</u>

The next table shows the key elements from ongoing operations that contributed to the increase in net position of \$387,220 during the current fiscal year. The reasons for this year's increase are decreased program expenses mainly in supplies and materials.

For fiscal year 2020, total revenues decreased by \$802,997. That decrease is primarily due to a decrease in federal government grants of \$580,530 (primarily in the transit services programs), a decrease of \$91,792 in state government grants (primarily in the Tennessee Department of Transportation grants), and a decrease in local grants of \$42,549.

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).

Total expenses for fiscal year 2020 decreased by \$1,022,829. The decrease included decreases in each category but mainly in Supplies and Materials due to decreased purchases of vehicles related to the transit program grants.

During fiscal year 2019, total expenses 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 fiscal year 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.

Knoxville-Knox County Planning Commission
Changes in Net Position

	FYE June 30, 2020	FYE June 30, 2019	FYE June 30, 2018
Revenues:			
Charges for Services	\$ 621,134	\$ 686,668	\$ 795,386
Federal, State and Local Grants	1,529,375	2,244,246	1,779,222
City of Knoxville and Knox County	<u>2,064,227</u>	<u>2,086,819</u>	<u>1,867,352</u>
Total Revenues	<u>4,214,736</u>	<u>5,017,733</u>	<u>4,441,960</u>
Expenses:			
Personnel Services	2,621,940	2,743,069	2,901,068
Contracted Services	811,972	1,033,152	837,175
Supplies and Materials	155,376	830,805	332,467
Other Charges	179,391	234,393	225,814
Depreciation	<u>58,837</u>	<u>8,926</u>	<u>4,802</u>
Total Expenses	<u>3,827,516</u>	<u>4,850,345</u>	<u>4,301,326</u>
Change in Net Position	387,220	167,388	140,634
Net Position - Beginning of Year	<u>1,837,957</u>	<u>1,670,569</u>	<u>1,529,935</u>
Net Position - End of Year	<u>\$ 2,225,177</u>	<u>\$ 1,837,957</u>	<u>\$ 1,670,569</u>

Budgetary Highlights

The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, which is found on page 16 of this report, details the original and final budget, actual revenues and expenses, as well as the variances from the final budget. The Commission’s actual revenues were \$1,614,181 under budget primarily due to anticipation of increases in federal grants reflected in the budget. The Commission’s actual expenses were \$2,275,482 under budget and each category was less than budget. The net result is a \$661,301 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, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)	2019 Total
Total Revenues	\$ 5,828,917	\$ 5,828,917	\$ 4,214,736	\$ (1,614,181)	\$ 5,017,733
Total Expenditures	5,965,117	6,064,608	3,789,126	2,275,482	5,340,489
Net Change in Fund Balances	(136,200)	(235,691)	425,610	661,301	(322,756)
Fund Balances, July 1	1,417,885	1,417,885	1,417,885	-	1,740,641
Fund Balances, June 30	\$ 1,281,685	\$ 1,182,194	\$ 1,843,495	\$ 661,301	\$ 1,417,885

Capital Assets. The Commission’s investment in capital assets as of June 30, 2020, amounts to \$494,727 (net of accumulated depreciation). Capital assets include furniture and fixtures, computer and office equipment, and vehicles. The Commission’s investment in capital assets decreased for the current fiscal year by 7%, or \$39,082, due mainly to depreciation expense. As of June 30, 2019, the Commission’s investment in capital assets amounted to \$533,809 (net of accumulated depreciation). For the fiscal year ending June 30, 2018, the Commission’s investment in capital assets amounted to \$59,862 (net of accumulated depreciation). 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 \$692 in 2020, decreased by \$16,197 in 2019 and increased by \$57,417 in 2018. The increase in 2018 was 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 2021 Budget

The Commission’s budget adopted for 2021 reflects budgeted total expenditures of \$5,569,560, which is a 6.71% decrease from the 2020 original budget. The decrease in the Commission’s fiscal year 2021 budget is primarily related to funding from federal grants.

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, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,727,138	\$ 1,076,664
Accounts Receivable:		
Related Parties	-	9,476
Grants Receivable	474,530	1,082,773
Prepaid Items	16,623	20,875
Capital Assets, net of Accumulated Depreciation	<u>494,727</u>	<u>533,809</u>
 Total Assets	 <u>2,713,018</u>	 <u>2,723,597</u>
LIABILITIES		
Accounts Payable	77,843	485,490
Accrued Payroll	78,693	48,373
Unearned Revenue	29,505	58,438
Due to Others	350	350
Compensated Absences and Sick Leave Liability:		
Expected to be paid within one year	188,405	179,252
Expected to be paid after one year	<u>113,045</u>	<u>113,737</u>
 Total Liabilities	 <u>487,841</u>	 <u>885,640</u>
NET POSITION		
Investment in Capital Assets	494,727	533,809
Unrestricted	<u>1,730,450</u>	<u>1,304,148</u>
 Total Net Position	 <u>\$ 2,225,177</u>	 <u>\$ 1,837,957</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, 2020 and 2019

	2020	2019
Program Revenues:		
Charges for Services	\$ 621,134	\$ 686,668
Operating Grants and Contributions:		
Federal Government Grants	1,376,393	1,956,923
State of Tennessee Grants	131,408	223,200
Local Grants	21,574	64,123
 Total Program Revenues	 2,150,509	 2,930,914
Program Expenses:		
Personnel Services	2,621,940	2,743,069
Contracted Services	811,972	1,033,152
Supplies and Materials	155,376	830,805
Other Charges	179,391	234,393
Depreciation	58,837	8,926
 Total Program Expenses	 3,827,516	 4,850,345
 Net Program Deficiency of Revenues Under Expenses	 (1,677,007)	 (1,919,431)
General Revenues:		
Grants and Contributions not Restricted to Specific Programs:		
City of Knoxville	1,211,900	1,161,980
Knox County	813,135	910,800
Other Revenues	39,192	14,039
 Total General Revenues	 2,064,227	 2,086,819
 Change in Net Position	 387,220	 167,388
 Total Net Position - Beginning of Year	 1,837,957	 1,670,569
 Total Net Position - End of Year	 \$ 2,225,177	 \$ 1,837,957

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

**KNOXVILLE - KNOX COUNTY
PLANNING COMMISSION**

**BALANCE SHEETS - GENERAL FUND
June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,727,138	\$ 1,076,664
Accounts Receivable:		
Related Parties	-	9,476
Grants Receivable	474,530	1,082,773
Prepaid Items	16,623	20,875
	<u> </u>	<u> </u>
Total Assets	<u>\$ 2,218,291</u>	<u>\$ 2,189,788</u>
LIABILITIES		
Accounts Payable	\$ 77,843	\$ 485,490
Accrued Payroll	78,693	48,373
Unearned Revenue	29,505	58,438
Due to Others	350	350
Compensated Absences Payable	188,405	179,252
	<u> </u>	<u> </u>
Total Liabilities	<u>374,796</u>	<u>771,903</u>
FUND BALANCES		
Nonspendable	16,623	20,875
Unassigned	1,826,872	1,397,010
	<u> </u>	<u> </u>
Total Fund Balances	<u>1,843,495</u>	<u>1,417,885</u>
	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 2,218,291</u>	<u>\$ 2,189,788</u>

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, 2020 and 2019**

	2020	2019
Amounts reported for governmental activities in the statements of net position are different because:		
Ending Fund Balance - General Fund	\$ 1,843,495	\$ 1,417,885
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds:	494,727	533,809
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	(113,045)	(113,737)
Net Position of Governmental Activities	\$ 2,225,177	\$ 1,837,957

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, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Revenues:		
Charges for Services	\$ 621,134	\$ 686,668
Federal Government Grants	1,376,393	1,956,923
State of Tennessee Grants	131,408	223,200
Local Grants	21,574	64,123
City of Knoxville	1,211,900	1,161,980
Knox County	813,135	910,800
Other Revenues	39,192	14,039
 Total Revenues	 <u>4,214,736</u>	 <u>5,017,733</u>
Expenditures:		
Current:		
Personnel Services	2,622,632	2,759,266
Contracted Services	811,972	1,033,152
Supplies and Materials	155,376	830,805
Other Charges	179,391	234,393
Capital Outlay	19,755	482,873
 Total Expenditures	 <u>3,789,126</u>	 <u>5,340,489</u>
 Net Change in Fund Balance	 425,610	 (322,756)
 Fund Balance, Beginning of Year	 <u>1,417,885</u>	 <u>1,740,641</u>
 Fund Balance, End of Year	 <u>\$ 1,843,495</u>	 <u>\$ 1,417,885</u>

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, 2020 and 2019**

	2020	2019
Amounts reported for governmental activities in the statements of activities are different because:		
Net Change in Fund Balance - General Fund	\$ 425,610	\$ (322,756)
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 \$19,755 is less than depreciation \$58,837 in the current year. During 2019, capital outlay \$482,873 exceeded depreciation \$8,926.	(39,082)	473,947
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.	692	16,197
Change in Net Position per Statements of Activities	\$ 387,220	\$ 167,388

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, 2020

(With Comparative Totals for Fiscal Year Ended June 30, 2019)

	Original Budget	Final Budget	Actual	Variance With Final Budget	2019 Actual
Revenues					
Charges for Services	\$ 535,000	\$ 535,000	\$ 621,134	\$ 86,134	\$ 686,668
Federal Government Grants	2,381,591	2,381,591	1,376,393	(1,005,198)	1,956,923
State of Tennessee Grants	370,386	370,386	131,408	(238,978)	223,200
Local Grants	2,000	2,000	21,574	19,574	64,123
City of Knoxville	1,218,780	1,218,780	1,211,900	(6,880)	1,161,980
Knox County	1,302,500	1,302,500	813,135	(489,365)	910,800
Other Revenues	18,660	18,660	39,192	20,532	14,039
Total Revenues	<u>5,828,917</u>	<u>5,828,917</u>	<u>4,214,736</u>	<u>(1,614,181)</u>	<u>5,017,733</u>
Expenditures					
Current:					
Personnel Services	2,887,737	2,887,737	2,622,632	265,105	2,759,266
Contracted Services	2,326,182	2,416,712	811,972	1,604,740	1,033,152
Supplies and Materials	527,118	534,789	155,376	379,413	830,805
Other Charges	190,880	190,880	179,391	11,489	234,393
Capital Outlay	33,200	34,490	19,755	14,735	482,873
Total Expenditures	<u>5,965,117</u>	<u>6,064,608</u>	<u>3,789,126</u>	<u>2,275,482</u>	<u>5,340,489</u>
Net Change in Fund Balances	(136,200)	(235,691)	425,610	661,301	(322,756)
Fund Balances, Beginning of Year	<u>1,417,885</u>	<u>1,417,885</u>	<u>1,417,885</u>	-	<u>1,740,641</u>
Fund Balances, End of Year	<u>\$ 1,281,685</u>	<u>\$ 1,182,194</u>	<u>\$ 1,843,495</u>	<u>\$ 661,301</u>	<u>\$ 1,417,885</u>

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

**KNOXVILLE - KNOX COUNTY
PLANNING COMMISSION**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Knoxville - Knox County Planning Commission (the Commission) was formed in 1956. The Commission is a regional planning commission established by the Tennessee Department of Economic and Community Development pursuant to the provisions of the Tennessee Code Annotated, Section 13-3-102. The Commission's Board is composed of fifteen members serving four-year terms, eight of whom are nominated by the Knox County Mayor and the remaining seven are nominated by the Mayor of the City of Knoxville. The Local Government Planning Advisory Committee of the Tennessee Department of Economic and Community Development approves the nominations. The participating governments have an ongoing financial responsibility to the Commission, but do not have any equity interest in the Commission.

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

B. Basis of Accounting

The government-wide financial statements (i.e., the statements of net position and the statements of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

**KNOXVILLE - KNOX COUNTY
PLANNING COMMISSION**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

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 present a summary of sources and uses of “available spendable resources” during a period.

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

1. Fund Accounting

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

2. Sources of Revenue

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

3. Classification of Expenditures by Function

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

**KNOXVILLE - KNOX COUNTY
PLANNING COMMISSION**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities, and Equity

1. Deposits and Investments

The Commission's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The Commission's cash, cash equivalents and investments are pooled and managed by the Trustee of Knox County. State Statutes authorize the Commission to invest in obligations of the federal government, State of Tennessee, U.S. governmental agencies, the State of Tennessee Local Government Investment Pool, certificates of deposit and repurchase agreements. All investments are reported at fair value. Short-term investments, however, are reported at cost, which approximates fair value. Tennessee Code Annotated Section 5-8-201 requires financial institutions to secure the Commission's deposits by pledging governmental securities as collateral. The market value of the securities must be at least 105 percent of the average daily balance of the Commission's deposits.

2. Receivables, Payables, and Unearned Revenue

All trade and subsidy receivables and payables are recognized when incurred and recorded at full value. Any amounts later determined to be uncollectible are written off when that determination is made. Management does not believe an allowance for doubtful accounts is necessary. Unearned revenue is reported in connection with receivables for revenues that have not yet been earned and are not considered available to liquidate liabilities of the current accounting period.

3. Prepaid Items

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

4. Capital Assets

Capital assets, which include property and equipment, are defined as assets with an initial, individual cost of more than \$10,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**KNOXVILLE - KNOX COUNTY
PLANNING COMMISSION**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

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.

**KNOXVILLE - KNOX COUNTY
PLANNING COMMISSION**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

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.

**KNOXVILLE - KNOX COUNTY
PLANNING COMMISSION**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities, and Equity (continued)

6. Fund Balance (continued)

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

7. Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from these estimates.

8. Reclassifications

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

NOTE 2: BUDGETARY INFORMATION

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

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

**KNOXVILLE - KNOX COUNTY
PLANNING COMMISSION**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

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

During the current and prior fiscal years, 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, 2020, the Commission had no accounts receivable from 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.

**KNOXVILLE - KNOX COUNTY
PLANNING COMMISSION**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated:				
Leasehold improvements	\$ 247,278	\$ 5,980	\$ -	\$ 253,258
Furniture and fixtures	233,836	13,775	-	247,611
Computer and equipment	53,484	-	-	53,484
Vehicles	40,065	-	-	40,065
Total Capital Assets Being Depreciated	<u>574,663</u>	<u>19,755</u>	<u>-</u>	<u>594,418</u>
Less Accumulated Depreciation for:				
Leasehold improvements	(739)	(10,100)	-	(10,839)
Furniture and fixtures	(869)	(35,373)	-	(36,242)
Computer and equipment	(13,189)	(8,562)	-	(21,751)
Vehicles	<u>(26,057)</u>	<u>(4,802)</u>	<u>-</u>	<u>(30,859)</u>
Total Accumulated Depreciation	<u>(40,854)</u>	<u>(58,837)</u>	<u>-</u>	<u>(99,691)</u>
Total Capital Assets Being Depreciated, Net	<u>533,809</u>	<u>(39,082)</u>	<u>-</u>	<u>494,727</u>
Total Capital Assets, Net	<u>\$ 533,809</u>	<u>\$ (39,082)</u>	<u>\$ -</u>	<u>\$ 494,727</u>

**KNOXVILLE - KNOX COUNTY
PLANNING COMMISSION**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 5: CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 41,052	\$ 440,062	\$ (481,114)	\$ -
Total Capital Assets Not Being Depreciated	41,052	440,062	(481,114)	-
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	88,639	523,925	(37,901)	574,663
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	(69,829)	(8,926)	37,901	(40,854)
Total Capital Assets Being Depreciated, Net	18,810	514,999	-	533,809
Total Capital Assets, Net	\$ 59,862	\$ 955,061	\$ (481,114)	\$ 533,809

**KNOXVILLE - KNOX COUNTY
PLANNING COMMISSION**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 6: CONSTRUCTION IN PROGRESS/COMMITMENTS

There was no construction in progress for the year ended June 30, 2020. There are no outstanding contractual 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, 2020, 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>\$ 292,989</u>	<u>\$ 196,838</u>	<u>\$ (188,377)</u>	<u>\$ 301,450</u>	<u>\$ 188,405</u>

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>

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.

**KNOXVILLE - KNOX COUNTY
PLANNING COMMISSION**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

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 \$29,318 and \$35,318 in fiscal years 2020 and 2019, respectively. 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 \$79,562 and \$87,562 in fiscal years 2020 and 2019, respectively.

NOTE 9: ECONOMIC CONCENTRATION

The City of Knoxville and Knox County, Tennessee provided funding of \$2,025,035 in the current fiscal year and \$2,072,780 in the past fiscal year to the Commission, which amounted to 48 and 41 percent of total revenues for the fiscal years 2020 and 2019, 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, 2020 and 2019 is comprised of prepaid items. Those amounts totaled \$16,623 and \$20,875, respectively.

**KNOXVILLE - KNOX COUNTY
PLANNING COMMISSION**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

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 2020, the defined contribution plan has 32 active members and the 457 plan has 17 active members. For 2019, the defined contribution plan had 39 active members and the 457 plan had 23 active members.

During 2020, the Commission made employer contributions of \$120,022 and the employees contributed \$120,022 to the DC Plan. The Commission made employer contributions of \$45,387 and the employees contributed \$87,640 to the 457 Plan.

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.

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, 2020.

**SUPPLEMENTARY
INFORMATION**

**KNOXVILLE - KNOX COUNTY
PLANNING COMMISSION**

**SCHEDULE OF GENERAL FUND EXPENDITURES
For the Year Ended June 30, 2020
(With Comparative Totals for Fiscal Year Ended June 30, 2019)**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)	2019 Actual
Expenditures					
Personnel Services	\$ 2,887,737	\$ 2,887,737	\$ 2,622,632	\$ 265,105	\$ 2,759,266
Legal Services - Attorney	48,585	48,585	48,585	-	47,400
Legal Notices	6,000	6,000	12,264	(6,264)	4,538
Other Professional Services (Advertisement & Audit Services)	30,000	30,000	56,642	(26,642)	21,888
Rent, Repair, & Maintenance	58,900	59,644	20,826	38,818	66,573
Advertising	240,000	242,358	83,248	159,110	28,012
Communications	51,500	51,500	54,202	(2,702)	27,944
Other Services (Consulting, Postage & Printing)	1,806,197	1,881,399	451,581	1,429,818	634,360
Contracts with Other Agencies	40,000	51,898	65,301	(13,403)	183,520
Travel, Tuition, Dues & Memberships	35,000	35,000	11,410	23,590	18,335
Conference Registration	10,000	10,328	7,913	2,415	6,023
Food	20,000	25,511	12,168	13,343	13,350
Office Supplies & Minor Equipment	453,118	453,118	39,417	413,701	801,249
Vehicle/ Equipment	-	-	99,270	(99,270)	3,317
Educational Materials	6,000	6,000	3,196	2,804	5,108
Other Materials (Signs)	48,000	50,160	1,325	48,835	2,340
Capital Outlay	33,200	34,490	19,755	14,735	482,873
Insurance Related Expenses - Building & Vehicles	55,000	55,000	38,801	16,199	44,781
Workers' Compensation	7,000	7,000	4,640	2,360	8,427
Trustee Commission	20,000	20,000	26,871	(6,871)	31,902
Space Costs	29,318	29,318	29,318	-	35,318
Other Central Service Costs	79,562	79,562	79,562	-	87,562
Other	-	-	199	(199)	26,403
Total Expenditures	<u>\$ 5,965,117</u>	<u>\$ 6,064,608</u>	<u>\$ 3,789,126</u>	<u>\$ 2,275,482</u>	<u>\$ 5,340,489</u>

KNOXVILLE - KNOX COUNTY PLANNING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Planning Commission:				
U.S. Department of Transportation:				
Passed through Tennessee Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction-FHWA	20.205	Z19-MPO-008 EDISON ID 59110	\$ 75,651	804,682
Highway Planning and Construction-STBG	20.205	AGREEMENT #170166 ID 126872	46,834	22,358
Regional Transportation and Air Quality	20.205	F&A Contract No. GG15-45861-00	113,659	10,483
Knoxville Smart Trips Program (Comprehensive)	20.205	Contract No.130313 PIN No. 106867.01	81,789	37,640
Knoxville Smart Trips Program (Ridesharing)	20.205	PIN No. 125453 CM-9109(176)	317,933	167,445
TPO Bike Enhancement Program	20.205	PIN No. 115203 Amendment 2	317,933	5,529
Total Highway Planning and Construction Cluster			<u>317,933</u>	<u>1,048,137</u>
Total Passed through Tennessee Department of Transportation			<u>317,933</u>	<u>1,048,137</u>
Direct Payments:				
Transit Services Programs Cluster:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	Federal Project ID # TN-2017-046-00	\$ 75,651	75,651
Enhanced Mobility of Seniors and Individuals with Disabilities	20.521	Federal Project ID # TN-2017-046-00	46,834	57,157
Enhanced Mobility of Seniors and Individuals with Disabilities	20.521	Federal Project ID # TN-2019-028-00	113,659	113,659
Capital Assistance of Seniors and Individuals with Disabilities	20.521	Federal Project ID # TN-2019-028-00	81,789	81,789
Total Transit Services Programs Cluster			<u>317,933</u>	<u>328,256</u>
Total U.S. Department of Transportation			<u>317,933</u>	<u>1,376,393</u>
Total Expenditures of Federal Awards			<u>\$ 317,933</u>	<u>\$ 1,376,393</u>

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, 2020

Program Title	Identifying Number	State Expenditures
Tennessee Department of Transportation:		
Regional Transportation and Air Quality	EDISON ID #45861	\$ 2,621
Federal Transit - Enhanced Mobility	Federal Project ID # TN-2017-046-00 State Contract No. 47-5310-S3-003	23,417
Federal Transit - Enhanced Mobility	F&A Contract No. GG-20-64987-00 Federal Project ID # TN-2019-028-00 State Contract No. 47CRIT-S3-007	56,828
Federal Transit - Enhanced Mobility	Federal Project ID # TN-2019-028-00 State Contract No. 475310-S3-004	10,223
Federal Transit - Capital Equipment	Federal Project ID # TN-2017-046-00 State Contract No. 47-5310-S3-003	9,456
Federal Transit Technical Studies Grant	Z19-MPO-008 EDISON ID 59110 TDOT Project No. 475303-S3-017	28,863
Total Tennessee Department of Transportation		<u>131,408</u>
Total Expenditures of State Financial Assistance		<u><u>\$ 131,408</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, 2020

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, 2020. 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 to use the 10% de minimis rate as allowed under the Uniform Guidance for the Section 5310 Federal Grant program only.

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



PUGH & COMPANY, P.C.
 315 NORTH CEDAR BLUFF ROAD, SUITE 200
 KNOXVILLE, TENNESSEE 37923
 TELEPHONE 865-769-0660
 FAX 865-769-1660
 www.pughcpas.com

**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, 2020 and 2019, 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 21, 2020.

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) as a basis for designing 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 financial statements. 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 21, 2020



PUGH & COMPANY, P.C.
315 NORTH CEDAR BLUFF ROAD, SUITE 200
KNOXVILLE, TENNESSEE 37923
TELEPHONE 865-769-0660
FAX 865-769-1660
www.pughcpas.com

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, 2020. 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, 2020.



An independently owned member
RSM US Alliance



TSCPA
Members of the Tennessee Society
Of Certified Public Accountants

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

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 21, 2020

KNOXVILLE - KNOX COUNTY PLANNING COMMISSION

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2020

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: Transit Services Programs Cluster: Enhanced Mobility of Seniors and Individuals with Disabilities and New Freedom Program	20.513 / 20.521

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, 2020

There were no findings reported in the prior year.