ANNUAL FINANCIAL REPORT

Knoxville - Knox County

Metropolitan Planning Commission

June 30, 2011 and 2010

KNOXVILLE - KNOX COUNTY METROPOLITAN PLANNING COMMISSION
ANNUAL FINANCIAL REPORT

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INTRODUCTORY

SECTION

KNOXVILLE – KNOX COUNTY METROPOLITAN PLANNING COMMISSION

Listing of Commission Members

June 30, 2011

Nominated by the Mayor of Knoxville	Expiration of Term
Ms. Ursula Bailey	2012
Mr. Bart Carey	2015
Mr. Art Clancy, III	2012
Mr. George A. Ewart	2013
Mr. Michael A. Kane	2015
Mr. Nate Kelly	2013
Mr. Jack C. Sharp	2015

Nominated by the Knox County Mayor	
Mr. Robert Anders, Chairman	2013
Ms. Laura Cole	2014
Ms. Rachel Craig	2011
Mr. Stan Johnson	2012
Mr. Robert Lobetti	2012
Ms. Rebecca Longmire, Vice Chair	2014
Mr. Brian Pierce	2014
Mr. Wes Stowers, Jr.	2013

BASIC

FINANCIAL STATEMENTS

KPMG LLP
Suite 1000
401 Commerce Street
Nashville, TN 37219-2422

Independent Auditors' Report

The Board of Directors
Knoxville – Knox County Metropolitan Planning Commission:

We have audited the accompanying financial statements of the governmental activities and the major governmental fund of the Knoxville – Knox County Metropolitan Planning Commission (MPC), as of and for the years ended June 30, 2011 and 2010, which collectively comprise MPC's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of MPC's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MPC's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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 Knoxville – Knox County Metropolitan Planning Commission, as of June 30, 2011 and 2010, and the respective changes in financial position for the years then ended, and the budgetary comparison for the general fund for the year ended June 30, 2011 in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 (I), the MPC implemented Governmental Accounting Standards Board Statement (GASB) No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2011 on our consideration of MPC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

The information in the Management's Discussion and Analysis on pages 4 through 8 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise MPC's basic financial statements. The introductory and supplementary information sections and the schedule of expenditures of state awards 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and supplementary information sections, and the Schedule of Expenditures of State Awards have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

December 14, 2011

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Management's Discussion and Analysis

As management of the Knoxville-Knox County Metropolitan Planning Commission (the MPC), we offer the readers of the MPC's financial statements this narrative overview and analysis of the financial activities of the MPC for the fiscal year ended June 30, 2011 and June 30, 2010. 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 MPC's financial activities and condition.

Fiscal 2011 Financial Highlights

- The assets of the MPC exceeded its liabilities at the close of the most recent fiscal year by $497,363 (net assets). Of this amount, $467,253 (unrestricted net assets) may be used to meet the MPC's ongoing obligations to citizens and creditors.
- The MPC's total net assets increased by $188,530. This increase is primarily the result of a combination of higher charges for services, lower operating costs, and a higher contribution by the City of Knoxville.
- The MPC's total capital assets changed by $9,736 for the amount of current year depreciation only since there were no capital assets purchased during the year.
- The MPC's total liabilities decreased by $156,169 due to lower accounts payable and deferred revenue and netted against small increases in accrued payroll, due to others, and compensated absences payable.

Fiscal 2010 Financial Highlights

- The assets of the MPC exceeded its liabilities at the close of fiscal year 2010 by $308,833 (net assets). Of this amount, $268,987 (unrestricted net assets) may be used to meet the MPC's ongoing obligations to citizens and creditors.
- The MPC's total net assets increased by $18,515. This increase is primarily the result of a combination of lower charges for services with related lower expenditures, delays in grant projects, and added contract services.
- The MPC's total capital assets changed by $21,614 for the amount of current year depreciation only since there were no capital assets purchased during the year.
- The MPC's total liabilities decreased by $265,849 due to lower accounts payable and deferred revenue.

Overview of Financial Statements

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

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

The comparative Statements of Activities presents information showing how the MPC's net assets changed during the last two fiscal years. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs (full accrual accounting), regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected grant and contract reimbursements, and earned but unused vacation leave).

The financial statements can be found on pages 9 - 15 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 16-23 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the MPC's budgetary compliance and variances from the final amended budget. This supplementary information can be found on page 24 of this report.

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the MPC's financial position. As of June 30, 2011 and 2010 the MPC's assets exceeded its liabilities by $497,363 and $308,833 (net assets), respectively. At June 30, 2011, the majority of MPC's net assets reflect its current assets (e.g. cash and cash equivalents, grants receivable, and prepaid items). These current assets (less current liabilities) equals 108 percent of total net assets; however, all net assets are not available for future operational spending as $30,110, or six percent, are invested in capital assets and are restricted on how they may be used. The remaining balance of unrestricted net assets $467,253 may be used to meet the MPC's ongoing obligations to citizens and creditors.

As the following table shows, the MPC reported an increase in net assets of $188,530 and $18,515 during the years ended June 30, 2011 and 2010, respectively. For the year ended June 30, 2011, the MPC's increase in net assets is primarily due to a combination of higher charges for development services with lower operating expenditures, and a larger contribution by the City of Knoxville. The MPC reported an increase in net assets of $18,515 during the year ended June 30, 2010. This increase was primarily due to a combination of lower charges for services with related lower expenditures, delays in grant projects, and added contract services.

Knoxville-Knox County Metropolitan Planning Commission

Net Assets

		FYE June 30, 2011	FYE June 30, 2010	FYE June 30, 2009
Current and Other Assets	$	961,111	919,014	1,144,734
Capital Assets		30,110	39,846	61,460
Total Assets	$	991,221	958,860	1,206,194
Long Term Liabilities Outstanding	$	68,283	64,765	58,912
Other Liabilities		425,575	585,262	856,964
Total Liabilities	$	493,858	650,027	915,876
Net Assets:				
Invested in Capital Assets	$	30,110	39,846	61,460
Unrestricted		467,253	268,987	228,858
Total Net Assets	$	497,363	308,833	290,318

The next table shows the key elements from ongoing operations that contributed to the $188,530 increase in net assets during fiscal year 2011. As mentioned previously, the increase is explained by several issues, including fee receipts being 36 percent higher than fiscal year 2010 while funding from grants and contracts decreased by 11 percent and local funding from the county stayed the same but increased 13 percent from the city. Key elements from ongoing operations contributed to an $18,515 increase in net assets during fiscal year 2010. This increase is explained by several issues, including fee receipts being 17 percent lower than fiscal year 2009, while funding from grants and contracts decreased by ten percent and local funding from city and county decreased by seven percent.

Revenues for fiscal year 2011 were $3,923,255 compared to $3,903,435 for fiscal year 2010 or an increase of $19,820. The source of this increase is from $105,000 higher funding from the city for general appropriations, combined with $109,649 lower revenues from grant and contract funding and $24,469 higher fees and charges. Expenses for fiscal year 2011 were $3,734,725 compared to $3,884,920 for fiscal year 2010 or a decrease of $150,195 due to one percent lower personal services costs but primarily due to a ten percent decrease in contracted services including grant related subcontractor payments. The change in net assets for fiscal year 2011 was an increase of $188,530, compared to an increase of $18,515 for fiscal year 2010.

Fee revenues totaled $441,070 for fiscal year 2011 compared to $325,510 for fiscal year 2010, a 36 percent increase due to the fee rate schedule increases. Grant and contract reimbursements totaled $1,718,021 for fiscal year 2011 compared to $1,918,761 for fiscal year 2010, an 11 percent decrease of $200,740. Local funding (not restricted for specific programs) from the City of Knoxville and Knox County totaled $1,645,000 and $1,540,000 in 2011 and 2010, respectively. MPC made no capital purchases in fiscal years 2011 and 2010. Total assets equaled $991,221 in fiscal year 2011, compared to $958,860 for fiscal year 2010, an increase of $32,361. Total liabilities equaled $493,858 in fiscal year 2011, compared to $650,027 for fiscal year 2010, a decrease of $156,169. The net effect is an increase to net assets of $188,530.

Revenues for fiscal year 2010 were $3,903,435 compared to $4,296,711 for fiscal year 2009 or a decrease of $393,276. The source of this decrease is from $117,430 lower funding from the city and county for general appropriations, and $208,648 lower revenues from grant and contract funding and the $67,198 decrease in fee receipts. Expenses for fiscal year 2010 were $3,884,920 compared to $4,515,664 for fiscal year 2009 or a decrease of $630,774 due to seven percent lower personal services costs but primarily due to a 29 percent decrease in contracted services including grant related subcontractor payments. The change in net assets for fiscal year 2010 was an increase of $18,515, compared to a decrease of $218,953 for fiscal year 2009.

Fee revenues totaled $325,510 for fiscal year 2010 compared to $392,708 for fiscal year 2009, a 17 percent decrease due to slowing economic conditions. Grant and contract reimbursements totaled $1,918,761 for fiscal year 2010 compared to $2,127,409 for fiscal year 2009, a ten percent decrease of $208,648. Local funding (not restricted for specific programs) from the City of Knoxville and Knox County totaled $1,540,000 and $1,657,430 in 2010 and 2009, respectively. MPC made no capital purchases in fiscal years 2010 and 2009. Total assets equaled $958,860 in fiscal year 2010, compared to $1,206,194 for fiscal year 2009, a decrease of $247,334. Total liabilities equaled $650,027 in fiscal year 2010, compared to $915,876 for fiscal year 2009, a decrease of $265,849. The net effect is an increase to net assets of $18,515.

Knoxville-Knox County Metropolitan Planning Commission

Changes in Net Assets

		FYE June 30, 2011	FYE June 30, 2010	FYE June 30, 2009
Revenues:				
Fees and Charges	$	441,070	325,510	392,708
Grants and Contracts		1,718,021	1,918,761	2,127,409
City & County Funding		1,645,000	1,540,000	1,657,430
In-kind		119,164	119,164	119,164
Total Revenues		3,923,255	3,903,435	4,296,711
Expenses:				
Salaries and Employee Benefits		2,619,294	2,649,876	2,849,288
Contracted Services		917,947	1,023,276	1,443,710
Supplies and Material		54,985	57,765	63,653
Depreciation		9,736	21,614	21,973
Other Expenses		132,763	132,389	137,040
Total Expenditures		3,734,725	3,884,920	4,515,664
Increase/(decrease) in Net Assets		188,530	18,515	(218,953)
Net Assets July 1		308,833	290,318	509,271
Net Assets June 30	$	497,363	308,833	290,318

Budgetary Highlights

The Schedule of Revenues / Expenditures and Changes in Fund Balance – Budget and Actual – General Fund which is found on page 15 of this report, details the original and final budget, actual revenues and

expenses, as well as variances from the final budget. The MPC's actual revenues were $485,554 less than the final budget due primarily from delays in grant and contract related projects. The MPC's actual expenses were $575,597 less than the final budget due to salary savings, lower operating expenditures, and delays in grant related projects. The net result is a $90,043 favorable budget variance.

Capital Assets and Debt Administration

Capital Assets. The MPC's investment in capital assets as of June 30, 2011 and 2010 was $30,110 and $39,846 (net of accumulated depreciation). There were no capital purchases in 2011 and 2010. Depreciation expense for fiscal year 2011 was $9,736 compared to $21,614 for fiscal year 2010. Additional information is provided as part of Note 4 to the financial statements.

Long Term Liabilities. At the end of the current fiscal year, the MPC's long term liabilities consisted of compensated absences payable of $68,283, compared to $64,765 at the end of the fiscal year 2010, an increase of $3,518.

Requests for Information

This financial report is designed to provide a general overview of the Knoxville-Knox County Metropolitan Planning Commission's finances for all of those with an interest in the MPC's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the office of the Executive Director, Knoxville-Knox County Metropolitan Planning Commission, 400 Main Street, Suite 403, City-County Building, Knoxville, Tennessee 37902.

KNOXVILLE – KNOX COUNTY METROPOLITAN PLANNING COMMISSION
Statements of Net Assets
As of June 30, 2011 and June 30, 2010

Assets		**2011**		**2010**
Cash and Cash Equivalents	$	379,089	$	204,732
Accounts Receivable:				
Grants Receivable (net of doubtful accts)		562,368		672,543
Other		9,409		34,842
Prepaid Items		10,245		6,897
Capital assets, net of accumulated depreciation		30,110		39,846
Total Assets	$	991,221	`	958,860
Liabilities				
Accounts Payable	$	131,743	$	328,155
Accrued Payroll		85,516		72,256
Deferred Revenue		1,500		9,545
Due to Others		22,200		200
Compensated Absences:				
Expected to be paid within one year		184,616		175,106
Expected to be paid after one year		68,283		64,765
Total Liabilities		493,858		650,027
Net Assets				
Invested in capital assets		30,110		39,846
Unrestricted		467,253		268,987
Total Net Assets	$	497,363	$	308,833

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

KNOXVILLE – KNOX COUNTY METROPOLITAN PLANNING COMMISSION
Statements of Activities
For the Fiscal Years Ended June 30, 2011 and 2010

	2011	2010
Program revenues:		
Charges for services	$ 486,766	$ 462,297
Operating grants and contributions:		
Federal government grants	1,466,351	1,532,007
State of Tennessee grants	195,473	224,682
Local grant match (other than MPC)	10,501	25,285
Total program revenues	2,159,091	2,244,271
Program Expenses:		
General government - planning:		
Personal services	2,619,294	2,649,876
Contracted services	917,947	1,023,276
Materials and supplies	54,985	57,765
Depreciation	9,736	21,614
Other charges	132,763	132,389
Total program expenses	3,734,725	3,884,920
Net program deficiency of revenues under expenses	(1,575,634)	(1,640,649)
General revenues:		
Grants and contributions not restricted to specific programs:		
City of Knoxville	905,000	800,000
Knox County	740,000	740,000
In-kind contributions	119,164	119,164
Total general revenues	1,764,164	1,659,164
Change in net assets	188,530	18,515
Net assets:		
Beginning of year	308,833	290,318
End of year	$ 497,363	$ 308,833

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

KNOXVILLE – KNOX COUNTY METROPOLITAN PLANNING COMMISSION
Balance Sheets - General Fund
As of June 30, 2011 and June 30, 2010

Assets		**2011**		**2010**
Cash and Cash Equivalents	$		$	204,732
Accounts Receivable:		379,089		
Grants Receivable (net of doubtful accts)		562,368		672,543
Other		9,409		34,842
Prepaid Items		10,245		6,897
Total Assets	$	961,111	$	919,014

Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	$	131,743	$	328,155
Accrued Payroll		85,516		72,256
Compensated Absences Payable - current year		184,616		175,106
Deferred Revenue		1,500		9,545
Due to Others		22,200		200
Total Liabilities		425,575		585,262
Fund Balances:				
Nonspendable		10,245		6,897
Assigned		217,702		122,837
Unassigned		307,589		204,018
Total Fund Balances		535,536		333,752
Total Liabilities and Fund Balances	$	961,111	$	919,014

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

KNOXVILLE – KNOX COUNTY METROPOLITAN PLANNING COMMISSION
Reconciliation of the Balance Sheets - General Fund to the Statements of Net Assets
As of June 30, 2011 and June 30, 2010

	2010	2010
Amounts reported for governmental activities in the statement of net assets are different because:		
Ending Fund Balance - General Fund	$ 535,536	$ 333,752
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds	30,110	39,846
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	(68,283)	(64,765)
Net Assets of Governmental Activities	$ 497,363	$ 308,833

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

KNOXVILLE – KNOX COUNTY METROPOLITAN PLANNING COMMISSION
Statements of Revenues/Expenditures and Changes in Fund Balance - General Fund
For the Fiscal Years Ended June 30, 2011 and 2010

	2011	2010
Revenues:		
Fees and Charges	$ 486,766	$ 462,297
Federal Government Grants	1,466,351	1,532,007
State of Tennessee Grants	195,473	224,682
Local Grant Match (other than MPC)	10,501	25,285
City of Knoxville	905,000	800,000
Knox County	740,000	740,000
In-Kind Contributions	119,164	119,164
Total revenues	3,923,255	3,903,435
Expenditures:		
Salaries and Employee Benefits	2,615,776	2,644,023
Contracted Services	917,947	1,023,276
Supplies and Materials	54,985	57,765
Other Charges	132,763	132,389
Total expenditures	3,721,471	3,857,453
Revenues over expenditures	201,784	45,982
Fund Balance, July 1	333,752	287,770
Fund Balance, June 30	$ 535,536	$ 333,752

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

KNOXVILLE – KNOX COUNTY METROPOLITAN PLANNING COMMISSION
Reconciliation of the Statements of Revenues / Expenditures and
Changes in Fund Balance - General Fund to the Statements of Activities
For the Fiscal Years Ended June 30, 2011 and 2010

	2011	2010
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - General Fund	$ 201,784	$ 45,982
Governmental funds report capital outlays as expenditures. However, in the statements of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense amounted to $9,736 and $21,614 in 2011 and 2010, respectively. Capital outlay amounted to $0 in 2011 and 2010.	` (9,736)	(21,614)
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.	(3,518)	(5,853)
Change in net assets per statement of activities	$ 188,530	$ 18,515

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

KNOXVILLE – KNOX COUNTY METROPOLITAN PLANNING COMMISSION
Statement of Revenues/Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	Original Budget	Final Budget	2011 Actual	Variance Favorable (Unfavorable)	2010 Actual
Revenues:					
Fees and Charges	$ 375,000	$ 375,000	$ 441,070	$ 66,070	$ 325,510
Federal Government Grants	1,871,933	1,925,667	1,466,351	(459,316)	1,532,007
State of Tennessee Grants	379,067	281,933	195,473	(86,460)	224,682
Local Grant Match - (other than MPC)	12,500	12,500 `	10,501	(1,999)	25,285
City of Knoxville - contracts	—	27,164	21,793	(5,371)	26,211
City of Knoxville	905,000	905,000	905,000	—	800,000
Knox County	740,000	740,000	740,000	—	740,000
Knox County - contracts	15,545	21,545	23,903	2,358	110,576
In-Kind Contributions	120,000	120,000	119,164	(836)	119,164
Total revenues	**4,419,045**	**4,408,809**	**3,923,255**	**(485,554)**	**3,903,435**
Expenditures:					
Salaries and Employee Benefits	2,646,468	2,646,468	2,615,776	30,692	2,644,023
Contracted Services	1,517,800	1,398,400	917,947	480,453	1,023,276
Supplies and Materials	89,200	99,200	54,985	44,215	57,765
Other Charges	140,000	140,000	132,763	7,237	132,389
Capital Outlay	13,000	13,000	—	13,000	—
Total expenditures	**4,406,468**	**4,297,068**	**3,721,471**	**575,597**	**3,857,453**
Revenues over expenditures	**12,577**	**111,741**	**201,784**	90,043	**45,982**
Fund Balance, July 1	**333,752**	**333,752**	**333,752**	—	**287,770**
Fund Balance, June 30	$ **346,329**	$ **445,493**	$ **535,536**	$ 90,043	$ **333,752**

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

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Accounting and Presentation

1. Basis of Accounting

The government-wide financial statements (i.e., the statement of net assets and the statement 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 (i.e., the balance sheet and statement of revenues, expenditures and changes in fund balance for the General Fund) employ the modified accrual basis of accounting. The revenues and related assets are recognized when they become measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for compensated absences which are recognized to the extent they have matured.

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.

2. 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 and 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.

3. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund.

4. 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.

C. Budgets and Budgetary Accounting

The Commission's annual budget is prepared using the modified accrual basis of accounting for the fiscal year ending June 30. 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 Commission followed this formal budget adoption process to approve: the original budget on June 10, 2010; the first amended budget on September 9, 2010; the second amended budget on December 9, 2010, and the final amended budget on April 14, 2011.

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. These grants normally are for a twelve-month period; however, they can be awarded for periods shorter or longer than twelve months.

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.

The full Commission formally approves the annual budget 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.

D. Cash and Cash Equivalents

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.

E. Deposits and Investments

The Commission's cash and cash equivalents 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 stated at fair market 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 pledged securities must equal at least 105 percent of the average daily balance of deposits.

F. Compensated Absences

Commission employees are granted vacation and sick leave based on years of service. In the event of termination, an employee is paid only for accumulated vacation leave.

G. Comparative Data

Summaries of comparative data for the prior year have been presented in selected sections of the accompanying supplementary information to provide an understanding of changes in the Commission's financial position and operations.

H. Capital Assets

Capital assets, which include property and equipment, are reported in the Statements of Net Assets. The Commission defines capital assets as assets with an initial, individual cost of more than $5,000. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. The depreciable lives of all capital assets are estimated to be five years except for the high volume copier which is estimated to have a ten year life.

I. Fund Balance

MPC adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, required for fiscal periods beginning after June 15, 2010, in fiscal 2011. This Statement revises fund balance categories and classifications, and clarifies governmental fund type definitions. The adoption of this Statement did not result in changes to MPC's governmental funds. The Statement did not affect MPC's financial position or results of operations, although the fund balances of governmental funds have been reported in classifications different than those used in prior years. The fund balances as of June 30, 2010 which have been reported for comparative purposes have been reclassified in order to be consistent with the current year's classifications.

In the governmental fund financial statements, fund balance is reported in classifications that comprise a hierarchy based primarily on the extent to which MPC 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). MPC does not have any nonspendable fund balance that is legally or contractually required to be maintained intact.

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 MPC is the Commission. Amounts are reported as committed pursuant to resolutions or ordinances passed by Commission (legislative branch), which have also been approved by the MPC Director (executive branch).

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

Unassigned fund balance is the residual balance in the general fund (i.e., fund balance that is not nonspendable, and is not restricted, committed, or 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.

Fund Balance (Continued)

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

J. Use of Estimates

The preparation of financial statements in conformity 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 could differ from those estimates.

Note 2: Cash and Cash Equivalents

The bank collateral pool administered by the Treasurer of the State of Tennessee covered the Commission's cash and cash equivalents, pooled and managed by the Trustee of Knox County, at June 30, 2010. Banks participating in the collateral pool determine the aggregate balance of their public fund accounts for the Commission. The amount of collateral required to secure these deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be entirely insured or collateralized.

Note 3: Retirement Plans – 401(a) and Voluntary 457

Employees of the Commission are allowed to individually participate in the Knox County defined contribution plan, ("asset accumulation" plan). The plan covers substantially all full-time employees under the age of 65. Plan benefits depend solely on amounts contributed to the plan plus investment earnings. Commission employees are eligible to participate from their initial employment date. All employees who work at least 18 hours a week are required to contribute a minimum of six percent of pre-tax contributions (of gross wages) into the mandatory 401(a) plan which is equally matched by the employer.

An enhancement to the asset accumulation plan is the Knox County Voluntary 457 plan added effective July 1, 2007 which allows pre-tax contributions and employer match over and above the mandatory six percent based on years of county service and up to a dollar limit set by the Internal Revenue Service. Employees choosing to participate with over five years of service receive an equal employer match starting at two percent and staggered up to a maximum additional six percent for those with 15 years or more service. Two other 457 plans, Security Benefits and Nationwide, also allow similar employee contributions and employer match.

The Commission's contributions on behalf of employees vest at twenty percent per year and are fully vested after five years. Employee and employer contributions were $187,200 and $172,790, respectively, for the year ended June 30, 2011. Employee and employer contributions were $185,356 and $169,027, respectively, for the year ended June 30, 2010. A description of the significant accounting policies used in the plan is described in the *Knox County Comprehensive Annual Financial Report (CAFR)* for the fiscal year ended June 30, 2011.

Note 4: Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2011:

	Beginning Balance	Additions	Deductions	Ending Balance
Capital assets being depreciated				
Furniture and fixtures	$ 32,500	$ —	$ —	$ 32,500
Computers and equipment	140,274	—	—	140,274
Vehicles	49,923	—	—	49,923
Total capital assets, at cost	222,697	—	—	222,697
Less accumulated depreciation				
Furniture and fixtures	(32,500)	—	—	(32,500)
Computers and equipment	(107,651)	(6,525)	—	(114,176)
Vehicles	(42,700)	(3,211)	—	(45,911)
Total	(182,851)	(9,736)	—	(192,587)
Total capital assets being depreciated, net	$ 39,846	$ (9,736)	$ —	$ 30,110

The following is a summary of changes in capital assets for the year ended June 30, 2010:

	Beginning Balance	Additions	Deductions	Ending Balance
Capital assets being depreciated				
Furniture and fixtures	$ 32,500	$ —	$ —	$ 32,500
Computers and equipment	140,274	—	—	140,274
Vehicles	49,923	—	—	49,923
Total capital assets, at cost	222,697	—	—	222,697
Less accumulated depreciation				
Furniture and fixtures	(32,500)	—	—	(32,500)
Computers and equipment	(89,248)	(18,403)	—	(107,651)
Vehicles	(39,489)	(3,211)	—	(42,700)
Total	(161,237)	(21,614)	—	(182,851)
Total capital assets being depreciated, net	$ 61,460	$ (21,614)	$ —	$ 39,846

Note 5: In-Kind and Contributed Service

The City of Knoxville and Knox County provide office space within the City/County Building to the Commission at no cost to the Commission. The value of space provided during the year ended June 30, 2011, was estimated to be $120,000, based on the 2010 actual cost of $119,164 calculated at the rate of $9.85 per square foot. The actual cost for the year ending June 30, 2011 was $119,164, the same as last year, for the total 12,098 square footage provided. Knox County provides various administrative and internal service functions to the Commission at no cost to the Commission.

Note 6: Risk Management

The Commission is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission is an entity of Knox County Government which has elected to be self-insured for general liability coverage and is subject to the limits of the Tennessee Government Tort Liability Act 29-20-101 ct seg. The Commission maintains auto liability and worker's compensation insurance through a public entity risk pool operated as a risk-sharing program by the Tennessee Municipal League (TML). This pool is sustained by member premiums. The Commission’s premium expenditures for fiscal year ended June 30, 2011 amounted to $9,070 as compared to $9,199 for 2010. Because the TML pool has excess aggregate and individual claim loss insurance coverage, management considers any related risk to be insignificant. There were no settlements in excess of insurance coverage in the past three fiscal years. There were no significant reductions in coverage.

Note 7: Economic Concentration

The City of Knoxville and Knox County, Tennessee provided funding of $1,645,000, or 42 percent of the Commission's revenues and in-kind contributions for the fiscal year ended June 30, 2011 as compared to $1,540,000, which was 39 percent for 2010.

Note 8: Fund Balance

The amount that is reported on the balance sheets – general fund as nonspendable fund balance at June 30, 2011 and 2010 is comprised of the following:

		2011	2010
Prepaid Items	$	10,245	6,897

SUPPLEMENTARY

SECTION

KNOXVILLE – KNOX COUNTY METROPOLITAN PLANNING COMMISSION
Schedule of General Fund Expenditures (Unaudited)
For the Fiscal Year Ended June 30, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

Expenditure Type	2011 Original Budget	2011 Final Budget	2011 Actual	Variance Favorable (Unfavorable)	2010 Actual
Salaries and Employee Benefits	$ 2,646,468	$ 2,646,468	$ 2,615,776	$ 30,692	$ 2,644,023
Legal Services - attorney	40,000	40,000	40,000	—	40,603
Legal Notices	38,800	39,800	19,937	19,863	26,581
Other Professional Services (Adv. & Audit Srvs.)	43,000	58,000	42,049	15,951	85,172
Rent, Repair, & Maintenance	53,000	53,000	46,879	6,121	48,143
Communications	30,000	30,000	30,052	(52)	27,702
Other Services (Consultant, Postage,& Printing)	1,224,000	1,074,600	687,438	387,162	763,756
Contracts with other Agencies	33,500	42,500	31,696	10,804	3,517
Travel, Tuition, Dues and Memberships	55,500	60,500	19,896	40,604	27,802
Food	16,700	21,700	11,500	10,200	9,633
Utilities & Fuel	5,000	5,000	3,267	1,733	2,531
Office Supplies & Minor Equipment	61,500	66,500	33,958	32,542	37,511
Vehicle/Equip - Repair, Maintenance supplies	1,000	1,000	—	1,000	468
Educational materials	3,000	3,000	5,171	(2,171)	6,472
Other materials (signs)	2,000	2,000	1,089	911	1,150
Capital outlay	13,000	13,000	—	13,000	—
Insurance Related expenses - building and vehicles	1,700	1,700	359	1,341	713
Workers' Compensation Insurance	14,000	14,000	8,711	5,289	9,199
Commission Trustee Fees	5,100	5,100	4,529	571	3,313
Space Cost	119,200	119,200	119,164	36	119,164
Total Expenditures	**$ 4,406,468**	**$ 4,297,068**	**$ 3,721,471**	**$ 575,597**	**$ 3,857,453**

See accompanying independent auditors' report.

INTERNAL CONTROL
AND
COMPLIANCE SECTION

KPMG LLP
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Nashville, TN 37219-2422

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*

The Board of Directors
Knoxville – Knox County Metropolitan Planning Commission:

We have audited the financial statements of the governmental activities and the major governmental fund of the Knoxville – Knox County Metropolitan Planning Commission (MPC) as of and for the year ended June 30, 2011, which collectively comprise MPC's basic financial statements and have issued our report thereon dated December 12, 2011. We conducted our audit 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.

Internal Control over Financial Reporting

Management of MPC is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered MPC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MPC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of MPC's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 14, 2011

SINGLE AUDIT

SECTION

KPMG LLP
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Nashville, TN 37219-2422

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Board of Directors
Knoxville – Knox County Metropolitan Planning Commission:

Compliance

We have audited the compliance of Knoxville – Knox County Planning Commission (MPC) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on MPC's major federal program for the year ended June 30, 2011. MPC's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of MPC's management. Our responsibility is to express an opinion on MPC's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MPC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of MPC's compliance with those requirements.

In our opinion, MPC complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

The management of MPC is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered MPC's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of MPC's internal control over compliance.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

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 control 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and other legislative or regulatory bodies governing the federal funds received by MPC and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 14, 2011

KNOXVILLE – KNOX COUNTY METROPOLITAN PLANNING COMMISSION
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2011

Program Name	CFDA #	State Contract Number	Federal Expenditures
Major Program:			
U.S. Department of Transportation - CFDA 20.205 (pass through TDOT)			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	F&A Contract No. Z-07-036297-00 Amend. # 3,4&5 FHWA Project No. SPR-PL-1(221) BPD Project No. 47954-1007-54	$ 537,299
Regional Transportation and Air Quality	20.205	SPR 2010-32	82,672
Knoxville Smart Trips Program	20.205	Contract No. 060150 PIN No. 106867	152,116
TPO Bike Enhancement Program	20.205	PIN No. 106877.00 CM-STP-9109(108)	1,969
Scenic Byways	20.205	Contract No. GG-08-24445-01	61,800
Regional Transit Corroridors Study	20.205	TDOT # 40100-49810	60,912
Total - U.S. Department of Transportation CFDA 20.205			$ **896,768**
Non-major Programs:			
U.S. Department of Transportation - CFDA cluster 20.516 & 20.521			
Transit Services Program Cluster:			
Federal Transit - Job Access Reverse Commute	20.516	Federal Project ID # TN-37-X074& TN-37-X082	$ 195,635
Federal Transit - New Freedom	20.521	Federal Project ID # TN-57-X006 & TN-57-X010	158,139
Total - U.S. Department of Transportation -CFDA cluster 20.516 & 20.521			$ **353,774**
U.S. Department of Transportation (pass through TDOT)			
Federal Transit Technical Studies Grant	20.505	F&A Contract No. GG-08-25961-00 TDOT Project No. 475303-S3-010 & 475303-S3-011 FTA Grant No. TN-80-0002-00 & TN-80-0003-00	100,348
Total - U.S. Department of Transportation			**1,350,890**
U.S. Department of Interior (pass through state)			
Historic Preservation Grants-in-Aid Tennessee Historic Commission (French Broad study)	15.904	TN contract # 32701-00549 F&A GG1031727	16,600
U.S. Department of Housing and Urban Development			
PlanET / Sustainable Communities Grant (pass through City of Knoxville)	14.703	Doc. No. C-11-0226	98,861
Total Expenditures of Federal Awards			$ **1,466,351**

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

KNOXVILLE – KNOX COUNTY METROPOLITAN PLANNING COMMISSION
Schedule of Expenditures of State Awards
For the Fiscal Year Ended June 30, 2011

Program Name	State Contract Number	State Expenditures
Regional Transportation and Air Quality	SPR 2010-32	$ 20,668
Regional Transit Corridors Study	TDOT # 40100-49810	15,228
Federal Transit - Job Access Reverse Commute	Federal Project ID # TN-37-X074 & TN-37-X082 State Contract No. 47-5316-S3-006 & 47-5316-S3-007	79,811
Federal Transit - New Freedom	Federal Project ID # TN-57-X006 & TN-57-X010 State Contract No. 47-5317-S3-002 & 47-5317-S3-003	67,223
Federal Transit Technical Studies Grant	F&A Contract No. GG-08-25961-00 TDOT Project No. 47-5303-S3-010 & 47-5303-S3-011 FTA Grant No. TN-80-0002-00 & TN-80-0003-00	12,543
Total Expenditures of State Awards		$ **195,473**

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

KNOXVILLE – KNOX COUNTY METROPOLITAN PLANNING COMMISSION

Notes to Schedules of Expenditures of Federal and State Awards

Year ended June 30, 2011

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards summarizes the expenditures of the Knoxville / Knox County Metropolitan Planning Commission (MPC) under federal programs for the year ended June 30, 2011. Because the schedule presents only a selected portion of the operations of MPC, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the MPC.

For purposes of the Schedule of Expenditures of Federal Awards, federal awards include all grants, contracts, and similar agreements entered into directly between MPC and agencies and departments of the federal government and all subawards to MPC by nonfederal organizations pursuant to federal grants, contracts, and similar agreements.

For purposes of the Schedule of Expenditures of Federal Awards, expenditures for federal programs are recognized on the accrual basis of accounting.

(2) Indirect Costs

Many of MPC'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.

(3) Schedule of Expenditures of State Awards

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

KNOXVILLE – KNOX COUNTY METROPOLITAN PLANNING COMMISSION

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

(1) Summary of Auditors' Results

(a) The type of report issued on the financial statements: **Unqualified opinion**

(b) Significant deficiencies in internal control were disclosed by the audit of the financial statements: **None reported**

Material weaknesses: **No**

(c) Noncompliance which is material to the financial statements: **No**

(d) Significant deficiencies in internal control over major programs: **None reported**

Material weaknesses: **No**

(e) The type of report issued on compliance for major programs: **Unqualified opinion**

(f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **None**

(g) Major programs:

CFDA#	Grantor	Program
20.205	U.S. Department of Transportation	Highway Planning and Construction Cluster

(h) Dollar threshold used to distinguish between Type A and Type B programs: **$300,000**

(i) Auditee qualified as a low-risk auditee under Section .530 of OMB Circular A-133: **Yes**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None.

(3) Findings and Questioned Costs Relating to Federal Awards

None.