

**KNOXVILLE, KNOX COUNTY, AND KNOXVILLE UTILITIES BOARD  
GEOGRAPHIC INFORMATION SYSTEMS**

**REPORT TO THE POLICY BOARD**

**December 17, 2020**





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December 17, 2020

Policy Board of the  
Knoxville, Knox County, and Knoxville Utilities Board Geographic Information Systems  
Knoxville, Tennessee

We are pleased to present this report related to our audit of the financial statements of Knoxville, Knox County, and Knoxville Utilities Board Geographic Information Systems (the "System") as of and for the year ended June 30, 2020. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the System's financial and compliance reporting process.

This report is intended solely for the information and use of the Policy Board and management and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to Knoxville, Knox County, and Knoxville Utilities Board Geographic Information Systems.

*Pugh & Company, P.C.*

Certified Public Accountants  
Knoxville, Tennessee



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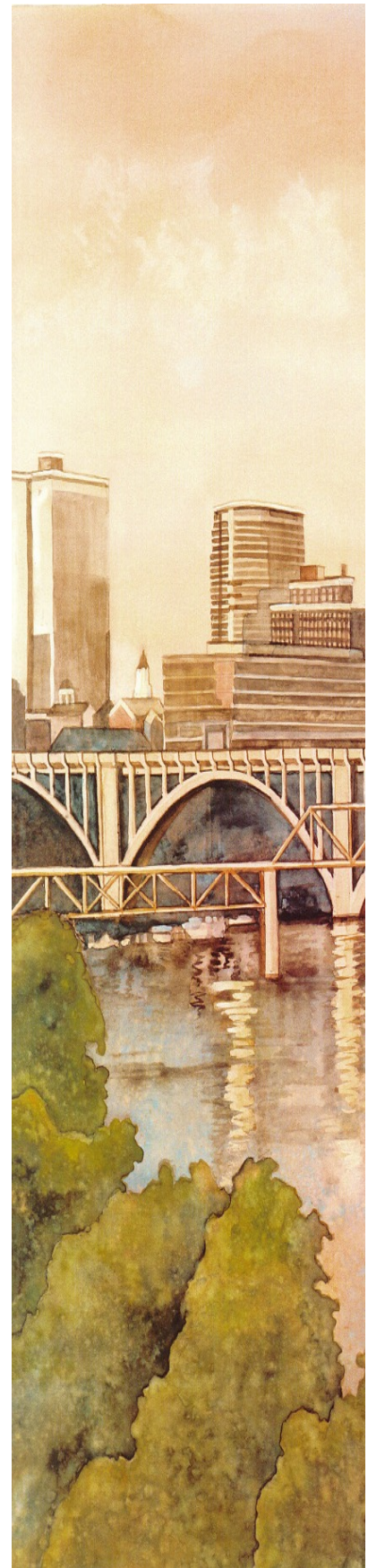


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## Required Communications

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

Area	Comments
<b>Our Responsibilities With Regard to the Financial Statement Audit</b>	<p>Our responsibilities under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i>, issued by the Comptroller General of the United States, have been described to you in our contract dated April 3, 2020. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities which are also described in that letter.</p>
<b>Overview of the Planned Scope and Timing of the Financial Statement Audit</b>	<p>We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement.</p>
<b>Accounting Policies and Practices</b>	<p><b>Preferability of Accounting Policies and Practices</b></p> <p>Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.</p> <p><b>Adoption of, or Change in, Accounting Policies</b></p> <p>Management has the ultimate responsibility for the appropriateness of the accounting policies used by the System. The System did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.</p>
	<p><b>Significant or Unusual Transactions</b></p> <p>We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p>
	<p><b>Management’s Judgments and Accounting Estimates</b></p> <p>Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Exhibit A - Summary of Significant Accounting Estimates.</p>
<b>Audit Adjustments</b>	<p>There were no audit adjustments made to the original trial balance presented to us to begin our audit.</p>

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

**EXHIBIT A - Summary of Significant Accounting Estimates**  
**Year Ended June 30, 2020**

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the System's June 30, 2020 financial statements.

<b>Estimate</b>	<b>Accounting Policy</b>	<b>Management's Estimation Process</b>	<b>Basis for Our Conclusions on Reasonableness of Estimate</b>
<b>Depreciation of Capital Assets</b>	Depreciation is calculated using the straight-line method.	Estimated depreciable lives are based upon prior experience and use of the asset.	We have reviewed the estimated useful lives used by management and compared them to industry standards for similar assets.

## EXHIBIT B - Draft of Management Representation Letter

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

This representation letter is provided in connection with your audits of the financial statements of Knoxville, Knox County, Knoxville Utilities Board (KUB) Geographic Information Systems (the System) which comprise the statements of net position as of June 30, 2020 and 2019 and the related statements of revenues, expenses, and changes in net position, and cash flows, and the related notes to the financial statements for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, through the date of this letter, the following representations made to you during your audits:

### Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit contract dated April 3, 2020, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party relationships and transactions, including those with Knox County, City of Knoxville, KUB, Knox County Emergency Communications District, Knox County Schools, and Knox County Metropolitan Planning Commission, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with GASB Statement No.10.
9. We have no direct or indirect, legal or moral obligation for any debt of any organization, public or private that is not disclosed in the financial statements.
10. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act and OMB Uniform Guidance, because we have not received, expended, or otherwise been the beneficiary of the required amount of federal awards during the period of these audits.
11. We have no knowledge of any uncorrected misstatements in the financial statements.

## Information Provided

12. We have provided you with:
  - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
  - b. Additional information that you have requested from us for the purpose of these audits;
  - c. Unrestricted access to persons within the System from whom you determined it necessary to obtain audit evidence;
  - d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
13. All transactions have been recorded in the accounting records and are reflected in the financial statements.
14. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
15. We have no knowledge of allegations of fraud or suspected fraud, affecting the System's financial statements involving:
  - a. Management.
  - b. Employees who have significant roles in the internal control.
  - c. Others where the fraud could have a material effect on the financial statements.
16. We have no knowledge of any allegations of fraud or suspected fraud affecting the System's financial statements received in communications from employees, former employees, analysts, regulators, or others.
17. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements.
18. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
19. We have disclosed to you the identity of the System's related parties and all the related-party relationships and transactions of which we are aware.
20. We are unaware of any significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the System's ability to record, process, summarize, and report financial data.
21. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

## Supplementary Information

22. With respect to supplementary information presented in relation to the financial statements as a whole:
  - a. We acknowledge our responsibility for the presentation of such information.
  - b. We believe such information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.

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



24. During the course of your audits, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

### **Compliance Considerations**

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

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

Knoxville, Knox County, KUB Geographic Information Systems

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Keith G. Stump, Director

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Jennifer Bodie, Accountant, Knox County  
Department of Finance