

Board Members:

Charley Bible
Shannon Coleman Egle
Paul Fortunato
Tiffany Gardner
Mike George
Terry Henley
Ford Little
Lou Moran, III
Alvin Nance
Lisa Rottmann
Anthony Wise



The Health, Educational and Housing Facility Board of the County of Knox

Regular Meeting
Tuesday, August 9, 2022, 4:15 p.m.
17 Market Square, #201
Knoxville, Tennessee 37902

AGENDA

- I. Call to Order
- II. Welcome New Board Members – Lisa Rottmann, Lou Moran, III, Charley Bible, and Ford Little
- III. Approval of Minutes from Previous Meeting
 - ACTION** A) Regular Meeting – July 12, 2022
- ACTION** IV. Presentation and Consideration of Audited Financial Statements for Year Ended 3/31/22
- V. Old Business
- VI. New Business
 - A) Committee Appointments at September 13, 2022 Mtg.
 - B) Discussion Regarding Knox County Code of Ethics and State Conflicts of Interest Requirements
- VII. Adjourn

**MINUTES OF THE REGULAR MEETING OF THE
HEALTH, EDUCATIONAL & HOUSING FACILITY BOARD OF THE COUNTY OF
KNOX**

July 12, 2022

The regular meeting of the Board of Directors of the Health, Educational & Housing Facility Board of the County of Knox (the “Health, Ed Board” or “Board”) was held on Tuesday, July 12, 2022, at 5:00 p.m., pursuant to notice duly provided to the Directors and the public. The meeting was held at the offices of the Knoxville Chamber and The Development Corporation of Knox County located at 17 Market Square, #201, Knoxville, Tennessee, 37902.

The following Directors were present at the meeting, Greg McWhorter (Chair), Paul Fortunato (Vice Chair), Tiffany Gardner (Secretary), Dr. Anthony Wise, Terry Henley, Julie Wheeler, Mike George, Shannon Coleman Egle.

Also, in attendance were Mike Odom (The Development Corporation), Brenda Wilson Spence (The Development Corporation), Mac McWhorter (Knoxville Chamber), Karen Kakanis (Knoxville Chamber), R. Christopher Trump (Legal Counsel – Egerton, McAfee, Armistead & Davis, P.C.), Katrina Vargas (Paralegal – Egerton, McAfee, Armistead & Davis, P.C.), James P. Moneyhun, Jr. (Bass Berry & Sims), Culver Schmid (Baker Donelson), Regina Murray (developer).

I. Greg McWhorter, the Board’s Chair, called the Health, Ed Board meeting to order. The Agenda of the Health, Ed Board meeting is attached hereto as Exhibit A.

The Health, Ed Board then discussed the following matters and took the following actions as noted:

II. Review/ Approve Minutes from Previous Meeting. The Chair of the meeting asked if there were any changes to the minutes of the regular meeting held on June 14, 2022. With the acceptance of a proposed correction of a typo in the minutes and upon a motion by Tiffany Gardner and a second by Paul Fortunato, the minutes of the June 14, 2022, meeting, as so corrected, were unanimously approved. A copy of the minutes are attached hereto as Exhibit B.

III. Review and Approval of Finance Report as of June 30, 2022. The Chair recognized Karen Kakanis who addressed the Board and presented the financial report as of June 30, 2022 (“Financial Report”), reviewing with the Board the Balance Sheet with Prior Year Comparison, Budget Variance Report, and Income Statement with Prior Year Comparison. Discussion was had.

Upon a motion by Paul Fortunato and a second by Shannon Coleman Egle, the Financial Report as of June 30, 2022 was unanimously accepted. A copy of the financial statements so presented during the report are attached hereto collectively as Exhibit C.

IV. Review and consideration of a preliminary bond resolution of the Board of Directors of The Health, Educational and Housing Facility Board of the County of Knox relative

to the issuance of revenue bonds for Strawberry Plains Pointe to be located at or near 730 Rufus Graham Rd., Knoxville, TN 37924, in a principal amount not to exceed \$18,000,000 to finance the acquisition and construction of an approximately 100 unit housing facility for low and moderate income citizens in Knox County.

The Chair recognized Culver Schmid, counsel for applicant. Mr. Schmid described the project, a proposed 100-unit housing complex located off Strawberry Plains Pike and Rufus Graham Road, stating that Regina Murray and Gary Hall will co-develop project. He stated that the project will be constructed on an 8-acre site to be developed and that costs are anticipated to be around \$30mm. They are requesting \$18mm in revenue bond inducement, such bonds to be publicly placed by Raymond James. The project will be financed in part by 4% low income housing tax credits to be provided by the Tennessee Housing and Development Authority. A final resolution will be requested at a later date.

Upon a motion by Dr. Anthony Wise, and a second by Shannon Coleman Egle, the preliminary bond resolution relative to the issuance of revenue bonds for Strawberry Plains Pointe was unanimously approved. A copy of the resolution as approved is attached hereto as Exhibit D.

V. Review and Consideration for a Resolution Regarding the Appointment of Authorized Signatories for Banking Matters.

The Chair stated that the resolution regarding Signature Card Authorizations is in the Board's packet and that the resolution is before the Board for its approval. The Chair asked if there were any comments or questions. Mike Odom requested that the resolution be modified to specify that his role is an "Interim". Upon a motion made by Tiffany Gardner and seconded by Julie Wheeler, the signature card resolution with such revision was unanimously approved. A copy of the resolution as approved is attached hereto as Exhibit E.

VI. Old Business. None.

VII. New Business. None.

VIII. Next Meeting. The next regular meeting of the Health, Ed Board of the County of Knox is scheduled for August 9, 2022, at 4:00 p.m. at the offices of the Knoxville Chamber and The Development Corporation of Knox County located at 17 Market Square, #201, Knoxville, Tennessee, 37902.

IX. Adjournment. No further business having come before the Board and upon motion duly made and seconded, the Board voted unanimously to adjourn the meeting at 5:15 p.m.

Dated

Tiffany E. Gardner, Secretary

EXHIBITS

- Exhibit A Agenda – July 12, 2022
- Exhibit B Meeting Minutes – June 14, 2022
- Exhibit C Financial Report
- Exhibit D Preliminary bond resolution relative to the issuance of
revenue bonds for Strawberry Plains Pointe
- Exhibit E Resolution Regarding the Appointment of Authorized
Signatories for Banking Matters

DRAFT



*The Industrial Development Board
of the County of Knox*

*The Health, Educational and Housing
Facility Board of the County of Knox*

*Communication with Those
Charged with Governance
Results of the March 31, 2022 Audit*





Table of Contents

	<u>Page</u>
Letter to the Board of Directors	1
Report on Results of the March 31, 2022 Audit.....	2
Management Representation Letter The Industrial Development Board of the County of Knox (Appendix A).....	6
Management Representation Letter The Health, Educational and Housing Facility Board of the County of Knox (Appendix B)	12
Proposed Audit Adjustments (Appendix C).....	18



August 9, 2022

To the Board of Directors of
The Industrial Development Board of the County of Knox and
The Health, Educational and Housing Facility Board of the County of Knox

Thank you very much for the opportunity to continue to serve as your independent auditors. We are pleased to provide to you our report on the results of the audits of the financial statements of The Industrial Development Board of the County of Knox, and The Housing Educational and Housing Facility Board of the County of Knox (the "Boards") for the year ended March 31, 2022.

A direct line of communication between our Firm and those charged with financial governance is essential to the proper exercise of our respective responsibilities. Our appointment involves the responsibility on our part to call to your attention any significant matters which we believe require your consideration.

The accompanying report is intended solely for the use of the Board of Directors and management and presents information regarding the audit and certain other information which we believe will be of assistance to you.

We would like to take this opportunity to express our appreciation for the assistance and courtesy extended to us by your employees. We appreciate working with you, and we look forward to a continued relationship with the Boards.

Very truly yours,

CROSSLIN, PLLC

A handwritten signature in black ink that reads "Curtis Payne". The signature is written in a cursive style.

Curtis Payne
Director



***The Industrial Development Board of the County of Knox, and
The Health, Educational and Housing Facility Board of the County of Knox***



***The Industrial Development Board of the County of Knox, and
The Health, Educational and Housing Facility Board of the County of Knox
Report on Results of the March 31, 2022 Audit***

Report on Financial Statements

We have audited the financial statements of The Industrial Development Board of the County of Knox, and The Health, Educational and Housing Facility Board of the County of Knox for the year ended March 31, 2022, and will issue our reports thereon dated August 9, 2022.

Required Communications

Professional standards require that we provide the Board of Directors with the following information related to our audit:

Our Responsibility under U.S. Generally Accepted Auditing Standards

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. Our audits of the financial statements do not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audits to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. An audit of financial statements 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 the entity's internal control over financial reporting. Accordingly, as part of our audits, we considered the internal control of the Boards solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audits that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.



Planned Scope and Timing of the Audit

We conducted our audits consistent with the planned scope and timing we previously communicated to you.

Engagement Personnel

David Hunt	Concurring Review
Curtis Payne	Audit Director
John David Cage	Audit Supervisor
Kera Allen	Staff

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Boards is included in Note 1 to each of the financial statements. There have been no changes in significant accounting policies or their application during fiscal year 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. We believe the Boards' significant accounting policies are appropriate and comprehensive.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements is the estimated useful lives of capital assets and collectibility of receivables.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.



Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on an organization's financial reporting process (that is, cause future financial statements to be materially misstated). We have included the proposed adjusting entry in Appendix C.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning financial accounting, reporting, or auditing that could be significant to the financial statements of the auditors' report. We are pleased to report that no such disagreements arose during the course of the audits.

Representations Required from Management

We will require certain written representation from management dated August 9, 2022, which we included in the attached letters (Appendices A and B).

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to an organization's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, the Boards made no such consultations with other accountants.

Issues Discussed Prior to our Selection as Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to our selection as the Board's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our selection as the Boards' auditors.



Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in performing and completing our audits.

Fraud and Illegal Acts

We did not identify any fraudulent or illegal acts during the course of our audits.

Independence

We are not aware of any relations between Crosslin, PLLC and the Boards that, in our professional judgment may reasonably be thought to bear on our independence that have occurred during the period from April 1, 2021 through the date of our opinion.

We hereby confirm that as of August 9, 2022, we are independent with respect to the Boards within the meaning of Rule 101 of the Code of Professional Conduct of the American Institute of Certified Public Accountants and *Government Auditing Standards*.

Other Written Communications

- Included as Appendices A and B are drafts of the representation letters we will receive from management.

August 9, 2022

Crosslin, PLLC
The Astoria
3803 Bedford Avenue, Suite 103
Nashville, TN 37215

This representation letter is provided in connection with your audit of the financial statements of the Industrial Development Board of the County of Knox (the "Board"), which comprise the statements of net position as of March 31, 2022 and 2021, and the respective statements of revenue, expenses and changes in financial position and cash flows for the years then ended, and the related notes to the financial statements (collectively, the "financial statements"), for the purpose of expressing an opinion as to 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").

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of 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 engagement letter dated February 21, 2018, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all information required by generally accepted accounting principles to be included in the financial reporting entity.

- 3) 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates are reasonable.
- 6) Related party relationships and transactions, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- 7) No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
- 8) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted external counsel for any material litigation, claims, or assessments through the date of this letter.
- 9) Guarantees, whether written or oral, under which the Board is contingently liable, if any, have been properly recorded or disclosed.
- 10) Tax abatement agreements have been properly disclosed in the notes to the financial statements, including the names of all governments involved, the gross amount and specific taxes abated, and additional commitments.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audits.
 - c) Unrestricted access to persons within the Board from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the Board or summaries of actions of recent meetings for which minutes have not yet been prepared.

- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the Board's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
- 17) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted external counsel for any material litigation, claims, or assessments through the date of this letter.
- 18) We have disclosed to you the identity of the Board's related parties and all the related party relationships and transactions, including any side agreements of which we are aware.

Government—specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) The Board has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net position.
- 21) We are responsible for compliance with the laws, regulations, and provision of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 22) We have identified and disclosed to you all instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe 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.

- 23) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 24) We know of no instances, which have occurred or are likely to have occurred, of noncompliance with provisions of and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, and no other instances that warrant the attention of those charged with governance.
- 25) We know of no 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.
- 26) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 27) As part of your audit, you assisted with preparation of the financial statements and disclosures. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures
- 28) The Board has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 29) The Board has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 30) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 31) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

- 32) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
- 33) Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the statement of net assets date and have been appropriately reduced to their estimated net realizable value.
- 34) Provisions for uncollectible receivables have been properly identified and recorded.
- 35) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 36) Revenues are appropriately classified in the statements of revenues, expenses, and changes in net position.
- 37) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 38) We have appropriately disclosed the Board's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 39) We acknowledge our responsibility for the required supplementary information ("RSI"). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 40) We confirm that there were no expenditures of federal awards for the year and we were not required to have an audit in accordance with Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).
- 41) In connection with any electronic presentation of the financial statements and your audit report thereon on our website, we acknowledge that:
 - a) We are responsible for the preparation, presentation, and content of the financial statements in the electronic format.
 - b) If your audit report is presented on our website, the full financial statements upon which you reported and to which you appended your signed report will be presented.
 - c) We will clearly indicate in the electronic presentation on our website the financial information that is subject to your audit report. We will clearly differentiate any information that may also be presented to us on or in connection with our website that

was contained in the published version of the financial statements and other supplementary information, but which is not part of the audited financial statements or other financial information covered by your audit report.

- d) We have assessed the security over financial statement information and the audit report presented on our website, and are satisfied that procedures in place are adequate to ensure the integrity of the information provided. We understand the risk of potential misrepresentation inherent in publishing financial information on our website through internal failure or external manipulation.

42) In regard to the financial statement preparation services performed by you, we have—

- a) Assumed all management responsibilities.
- b) Designated Karen Kakanis, who has suitable skill, knowledge, or experience to oversee the services.
- c) Evaluated the adequacy and results of the services performed.
- d) Accepted responsibility for the results of the services

THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX

Karen Kakanis
Director of Financial Operations
Knoxville Chamber

Mike Odom
President & CEO, Knoxville Chamber

August 9, 2022

Crosslin, PLLC
The Astoria
3803 Bedford Avenue, Suite 103
Nashville, TN 37215

This representation letter is provided in connection with your audits of the financial statements of The Health, Education and Housing Facility Board of the County of Knox (the “Board”), which comprise the statements of net position as of March 31, 2022 and 2021, and the respective statements of revenue, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to 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”).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of 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 engagement letter dated February 21, 2018, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and includes all information required by generally accepted accounting principles to be included in the financial reporting entity.

- 3) 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates are reasonable.
- 6) Related party relationships and transactions, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- 7) 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. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
- 8) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted external counsel for any material litigation, claims, or assessments through the date of this letter.
- 9) Guarantees, whether written or oral, under which the Board is contingently liable, if any, have been properly recorded or disclosed.
- 10) Tax abatement agreements have been properly disclosed in the notes to the financial statements, including the names of all governments involved, the gross amount and specific taxes abated, and additional commitments.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audits.
 - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

- d) Minutes of the meetings of the Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, or contracts, or abuse, whose effects should be considered when preparing financial statements.
- 17) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted external counsel for any material litigation, claims, or assessments through the date of this letter.
- 18) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Government—specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) The Board has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net position.
- 21) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe 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.

- 22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 23) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, and other instances that warrant the attention of those charged with governance.
- 24) We have identified and disclosed to you 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.
- 25) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 26) The Board has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 27) The Board has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 28) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 29) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 30) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
- 31) Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the statement of net assets date and have been appropriately reduced to their estimated net realizable value.
- 32) Provisions for uncollectible receivables have been properly identified and recorded.
- 33) Provision, when material, has been made to reduce excess or obsolete inventories to their estimated net realizable value.

- 34) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 35) Revenues are appropriately classified in the statements of revenues, expenses, and changes in net position.
- 36) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 37) We have appropriately disclosed the Board's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 38) We acknowledge our responsibility for the required supplementary information ("RSI"). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 39) We confirm that there were no expenditures of federal awards for the year and we were not required to have an audit in accordance with Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).
- 40) In connection with any electronic presentation of the financial statements and your audit report thereon on our website, we acknowledge that:
- a) We are responsible for the preparation, presentation, and content of the financial statements in the electronic format.
 - b) If your audit report is presented on our website, the full financial statements upon which you reported and to which you appended your signed report will be presented.
 - c) We will clearly indicate in the electronic presentation on our website the financial information that is subject to your audit report. We will clearly differentiate any information that may also be presented to us on or in connection with our website that was contained in the published version of the financial statements and other supplementary information, but which is not part of the audited financial statements or other financial information covered by your audit report.
 - d) We have assessed the security over financial statement information and the audit report presented on our website, and are satisfied that procedures in place are adequate to ensure the integrity of the information provided. We understand the risk of potential misrepresentation inherent in publishing financial information on our website through internal failure or external manipulation.

41) In regard to the financial statement preparation services performed by you, we have—

- a) Assumed all management responsibilities.
- b) Designated Karen Kakanis, who has suitable skill, knowledge, or experience to oversee the services.
- c) Evaluated the adequacy and results of the services performed.
- d) Accepted responsibility for the results of the services

THE HEALTH, EDUCATION AND HOUSING FACILITY BOARD OF THE COUNTY OF KNOX

Karen Kakanis
Director of Financial Operations
Knoxville Chamber

Mike Odom
President & CEO, Knoxville Chamber

Client: THE HEALTH, EDUCATIONAL & HOUSING FACILITY BOARD OF THE COUNTY OF KNOX
 Engagement: Health & Ed Board Knox County 2022
 Current Period: 03/31/2022
 Workpaper: AJE's

Account	Description	Workpaper Reference	Debit	Credit	Net Income Effect
1		G-1			
	To reverse FY2023 prepaid insurance expense payments from prepaids and accounts payable.				
200-000-000	Accounts Payable		6,646.00	0.00	
127-000-000	Prepaid Insurance		0.00	6,646.00	
Total			<u>6,646.00</u>	<u>6,646.00</u>	<u>0.00</u>
GRAND TOTAL			<u>6,646.00</u>	<u>6,646.00</u>	<u>0.00</u>

**THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX**

FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2022 AND 2021

DRAFT

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX

Table of Contents

	<u>Page</u>
BOARD MEMBERS.....	ii
INDEPENDENT AUDITOR’S REPORT.....	1
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	4
FINANCIAL STATEMENTS	
Statements of Net Position.....	8
Statements of Revenue, Expenses, and Changes in Net Position.....	9
Statements of Cash Flows.....	10
Notes to Financial Statements	11
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>	20
SCHEDULE OF PRIOR YEAR FINDINGS	22

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX

BOARD MEMBERS
At March 31, 2022

Board Members

Greg McWhorter
Paul Fortunato
Tiffany Gardner
Julie Wheeler

Chairman
Vice Chairman
Secretary/Treasurer
Asst. Secretary/Treasurer

Other Board Members

Mike George
Alvin J. Nance
Rick Gentry
Terry Henley
Anthony Wise
Shannon Coleman Egle

Legal Counsel

R. Christopher Trump

Legal Counsel to the Board

Independent Auditor's Report

To the Board of Directors of
The Health, Educational and Housing Facility Board of the County of Knox
Knoxville, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Health, Educational and Housing Facility Board of the County of Knox (the "Board"), which comprise the statements of net position as of March 31, 2022 and 2021, and the related statements of revenue, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Board as of March 31, 2022 and 2021, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

To the Board of Directors of
The Health, Educational and Housing
Facility Board of the County of Knox

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

To the Board of Directors of
The Health, Educational and Housing
Facility Board of the County of Knox

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 audit 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 Board's basic financial statements. The schedule of board members on page ii, as required by the State of Tennessee, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of board members has not been subjected to the auditing procedures applied in the audit 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 July 20, 2022 on our consideration of the Board'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 Board'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 Board's internal control over financial reporting and compliance.

Nashville, Tennessee
July 20, 2022

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED MARCH 31, 2022 AND 2021

This section of the Health, Educational and Housing Facility Board of the County of Knox's (the "Board") annual financial report presents a discussion and analysis of the Board's financial performance during the fiscal year ended March 31, 2022. Please read it in conjunction with the Board's financial statements following this section. The 2021 and 2020 information is provided for comparative purposes.

Financial Highlights

- The assets of the Board exceeded its liabilities at the close of the most recent fiscal year by \$379,629 (net position). Net position amounted to \$302,325 and \$282,302 at March 31, 2021 and 2020, respectively. The Board's net position is unrestricted and therefore, may be used to meet the Board's ongoing purpose of providing economic development.
- The Board's total net position increased by \$77,304 in 2022, \$20,023 in 2021, and \$19,084 in 2020. The increase in change of net position from 2020 to 2021, as well as 2021 to 2022, is primarily related to new closing fees and PILOT revenue.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Board's financial statements.

The *Statements of Net Position* present information on all the Board's assets and liabilities, with the difference between the two reported as net position.

The *Statements of Revenues, Expenses and Changes in Net Position* present information showing how net position changed during the most recent fiscal year. Revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash. The principal operating revenues of the Board include fee income and agenda income associated with bond issues. Operating expenses include contractual services and professional fees.

The *Statements of Cash Flows* present cash receipts and cash payments for the fiscal year.

Notes to the financial statements are an integral part of the statements and should be read in conjunction with the financial statements and the Management's Discussion and Analysis.

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis

The table below provides a summary of the Board’s net position as of March 31, 2022, 2021, and 2020:

Statements of Net Position

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current assets			
Cash and cash equivalents	\$ 418,818	\$ 302,892	\$ 277,584
Accounts receivable	2,000	-	-
Prepaid expenses	-	-	5,124
Total assets	<u>420,818</u>	<u>302,892</u>	<u>282,708</u>
Current liabilities			
Accounts payable and accrued expenses	1,235	567	406
	<u>39,954</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>41,189</u>	<u>567</u>	<u>406</u>
Unrestricted net position	<u>\$ 379,629</u>	<u>\$ 302,325</u>	<u>\$ 282,302</u>

At the close of the 2022 fiscal year, the Board’s assets exceeded liabilities by \$379,629. At the close of the 2021 and 2020 fiscal year, the Board’s assets exceeded liabilities by \$302,325 and \$282,302, respectively. The Board’s net position increased by \$77,304 during the year ended March 31, 2022. There was an increase from the 2021 and 2020 fiscal year changes in net position of \$20,023 and \$19,084, respectively. The increase in change of net position from 2019 to 2020 is related to increased project revenue from bond application fees. The increase in change in net position from 2020 to 2021 is related primarily to new closing fees and PILOT revenue. The increase in change in net position from 2021 to 2022 is primarily related to new closing fees and PILOT revenue, and a decrease in expenses related to professional fees.

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis - Continued

The Board’s unrestricted net position as of March 31, 2022 was \$379,629 which may be used to meet the Board’s ongoing objectives and obligations of promoting economic development in Knox County. The Board’s operating revenue primarily comes from fee income. The Board typically has a carryover from the prior year. The following table provides the changes in net position for fiscal years 2022, 2021, and 2020:

Statements of Revenues, Expenses and Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating revenues			
Project revenue	\$ 19,500	\$ 35,000	\$ 38,750
Agenda revenue	1,500	2,000	1,500
Closing revenue	76,800	12,850	-
Base rent revenue	4,050	2,000	-
PILOT	5,000	2,096	-
Total operating revenues	<u>106,850</u>	<u>53,946</u>	<u>40,250</u>
Operating expenses			
Insurance	6,425	5,653	5,590
PILOT	5,000	2,096	-
Professional	8,300	16,800	8,150
Advertising	1,290	1,852	871
Administrative	9,430	9,717	9,790
Total operating expenses	<u>30,445</u>	<u>36,118</u>	<u>24,401</u>
Operating income	76,405	17,828	15,849
Non-operating expense			
Interest income	899	2,195	3,235
Change in net position	77,304	20,023	19,084
Net position at the beginning of the year	<u>302,325</u>	<u>282,302</u>	<u>263,218</u>
Net position at the end of the year	<u>\$ 379,629</u>	<u>\$ 302,325</u>	<u>\$ 282,302</u>

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis - Continued

The following table provides a summary of cash receipts and disbursements for 2022, 2021, and 2020:

Statements of Cash Flows

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities			
Cash received from customers	\$ 144,804	\$ 53,946	\$ 40,750
Cash paid to vendors	<u>(29,777)</u>	<u>(30,833)</u>	<u>(24,373)</u>
Net cash flows provided by operating activities	<u>115,027</u>	<u>23,113</u>	<u>16,377</u>
Cash Flows from Investing Activities			
Interest received	<u>899</u>	<u>2,195</u>	<u>3,235</u>
Net cash flows provided by investing activities	<u>899</u>	<u>2,195</u>	<u>3,235</u>
Net change in cash and cash equivalents	115,926	25,308	19,612
Cash and cash equivalents at the beginning of the year	<u>302,892</u>	<u>277,584</u>	<u>257,972</u>
Cash and cash equivalents at the end of the year	<u>\$ 418,818</u>	<u>\$ 302,892</u>	<u>\$ 277,584</u>

Request for Information

This financial report is designed to provide a general overview of the Board’s finances for all of those with an interest in the Board’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chair, The Health, Educational and Housing Facility Board of the County of Knox, 17 Market Square, #201, Knoxville, Tennessee 37902-1405.

**THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
STATEMENTS OF NET POSITION
MARCH 31, 2022 AND 2021**

	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 418,818	\$ 302,892
Accounts receivable	2,000	-
Total assets	\$ 420,818	\$ 302,892
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	1,235	567
Unearned revenue	39,954	-
Total liabilities	41,189	567
NET POSITION		
Unrestricted	379,629	302,325
Total net position	\$ 379,629	\$ 302,325

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

**THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED MARCH 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Operating Revenue		
Project revenue	19,500	35,000
Agenda revenue	1,500	2,000
Closing revenue	76,800	12,850
Base rent revenue	4,050	2,000
PILOT	<u>5,000</u>	<u>2,096</u>
Total operating revenues	<u>106,850</u>	<u>53,946</u>
Operating Expenses		
Insurance	6,425	5,653
PILOT	5,000	2,096
Professional	8,300	16,800
Advertising	1,290	1,852
Administrative	<u>9,430</u>	<u>9,717</u>
Total operating expenses	<u>30,445</u>	<u>36,118</u>
Operating income	<u>76,405</u>	<u>17,828</u>
Non-Operating Income		
Interest income	<u>899</u>	<u>2,195</u>
Total non-operating income	<u>899</u>	<u>2,195</u>
Change in net position	77,304	20,023
Net position at the beginning of the year	<u>302,325</u>	<u>282,302</u>
Net position at the end of the year	<u>\$ 379,629</u>	<u>302,325</u>

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

**THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2022 AND 2021**

	2022	2021
Cash Flows from Operating Activities		
Cash received from customers	\$ 144,804	\$ 53,946
Cash paid to vendors	(29,777)	(30,833)
Net cash flows provided by operating activities	115,027	23,113
Cash Flows from Investing Activities		
Interest received	899	2,195
Net cash flows provided by investing activities	899	2,195
Net change in cash and cash equivalents	115,926	25,308
Cash and cash equivalents at the beginning of the year	302,892	277,584
Cash and cash equivalents at the end of the year	\$ 418,818	\$ 302,892
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 76,405	\$ 17,828
Change in assets and liabilities		
Decrease in prepaid expenses	-	5,124
Increase in accounts receivable	(2,000)	-
Increase in accounts payable and accrued expenses	668	161
Increase in deferred revenue	39,954	-
Net cash provided by operating activities	\$ 115,027	\$ 23,113

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

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Health, Educational and Housing Facility Board of the County of Knox (the “Board”) is a non-profit corporation formed pursuant to the specific authority granted at Tennessee Code Annotated Section 48-101-301 et. Seq. The Board performs public functions on behalf of Knox County (the “County”) and its purpose is to improve health and higher education. The Board was organized to finance, acquire, own, lease and/or dispose of properties to increase the commerce, welfare and prosperity and the improvement and maintenance of physical and mental health, higher education, and the housing and living conditions of the people of Knox County, Tennessee and surrounding areas. The Board serves as a non-recourse conduit lender for taxable and non-taxable bond issues for eligible projects. The Board is not considered to be a component unit of the County because the County does not exercise significant influence over operations or have accountability for the Board. However, the Board was created to carry out functions for the County government and the Knox County Commission appoints the Board members. Therefore, the entities are considered to be related parties.

Basis of Accounting

The Board’s operations are accounted for as a proprietary fund. The financial statements are presented on the accrual basis of accounting, using the economic resources measurement focus. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Board include application revenue associated with the applications fee for bond financing through the Board. Operating expenses include contractual services costs, professional fees, and insurance. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Board considers investments with original maturities of three months or less readily convertible into cash without significant loss due to penalties or interest, deposits in banks, and certificates of deposit to be cash and cash equivalents.

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Conduit Debt Obligations

From time to time, the Board has entered into conduit debt arrangements in accordance with the Board's enabling legislation to provide financial assistance to private-sector entities for acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The conduit debt obligations are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the debts, ownership of the acquired facilities transfers to the private-sector entity serviced by the conduit debt issuance. The Board is not obligated in any manner for repayment of the obligations. Accordingly, the obligations are not reported as liabilities in the accompanying financial statements. At March 31, 2022, the Board had the following conduit debt arrangements being tracked. Any such agreements entered into prior to the tracking implementation would have matured, or be close enough to maturity that management deems them to be immaterial.

- In December 2012, the Board approved a tax-exempt revenue bond for Covenant Health and affiliated entities in order to finance or refinance the acquisition, construction, and installation of certain renovations, expansions, buildings and equipment for healthcare facilities owned by Covenant and its affiliates. The bond will also cover financing to refund all the outstanding 2002A Bonds and to pay, in part, for the costs of such financing including fees, payments to financial advisors, fees and payments to investment bankers, and other legal, accounting and other necessary expenses in connection with such financing. The face amount of the debt obligation is \$145,430,000. The Board is not responsible for any of this amount.
- In June 2013, the Board approved a tax-exempt revenue bond for Webb School of Knoxville in order to finance the rebuilding of the school's gymnasium, as well as fund certain other capital projects at the school. The face amount of the debt obligation is \$12,500,000. The Board is not responsible for any of this amount.
- In July 2014, the Board approved a tax-exempt revenue bond for University Health Systems, Inc. which will be used to fund health facilities. The face amount of the debt obligation is \$10,000,000. The Board is not responsible for any of this amount.
- In August 2014, the Board approved a tax exempt revenue bonds for The Proton Therapy Center, LLC which will be used to fund therapy facilities. The face amount of the debt obligation is \$129,595,000. The Board is not responsible for any of this amount.

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- In May 2015, the Board approved a tax-exempt revenue bond for Emerald Academy which will be used to fund education facilities. The face amount of the debt obligation is \$3,600,000. The Board is not responsible for any of this amount.
- In June 2015, the Board approved a tax-exempt revenue bond for Johnson University which will be used to fund education facilities. The face amount of the debt obligation is \$35,000,000. The Board is not responsible for any of this amount.
- In June 2015, the Board approved two tax exempt revenue bonds for UT Medical Center which will be used to fund capital expenditures. The face amount of the debt obligations is \$32,000,000 and \$58,000,000. The Board is not responsible for any of these amounts.
- In February 2016, the Board approved a tax-exempt revenue bond for The Episcopal School of Knoxville which will be used to fund education facilities. The face amount of the debt obligation is \$10,500,000. The Board is not responsible for any of this amount.
- In September 2016, the Board approved two tax exempt revenue bonds for University Health Systems which will be used to fund capital expenditures. The face amount of the debt obligations are \$110,960,000 and \$124,490,000. The Board is not responsible for any of these amounts.
- In October 2016, the Board approved two tax exempt revenue bonds for Covenant Health which will be used to fund capital expenditures. The face amount of the debt obligations are \$185,515,000 and \$74,000,000. The Board is not responsible for any of these amounts.
- In January 2017, the Board approved a tax-exempt revenue bond for The Trousdale Foundation which will be used to fund health facilities. The face amount of the debt obligations is \$2,850,000. The Board is not responsible for any of this amount.
- In December 2017, the Board approved a tax-exempt revenue bond for Hillcrest Healthcare Communities, which will be used to fund health facilities. The face amount of the debt obligation is \$6,000,000. The Board is not responsible for any of this amount.
- In December 2017, the Board approved a tax-exempt revenue bond for Grace Christian Academy of Knoxville which will be used to fund education facilities. The face amount of the debt obligation is \$6,000,000. The Board is not responsible for any of this amount.

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- In December 2017, the Board approved two tax-exempt revenue bonds for Crown College Project which will be used to fund education facilities. The face amount of the debt obligations are \$9,250,000 and \$2,750,000. The Board is not responsible for any of these amounts.
- In February 2018, the Board approved a tax-exempt revenue bond for Broadway Towers Preservation, which will be used to fund capital expenditures. The face amount of the debt obligation is \$21,425,000. The Board is not responsible for any of this amount.
- In March 2019, the Board approved a tax-exempt revenue bond for East Tennessee Children's Hospital which will be used to fund health facilities. The face amount of this debt obligation is \$117,260,000. The Board is not responsible for any of this amount.
- In May 2019, the Board approved a tax-exempt revenue bond for Concord Christian School which will be used to fund capital expenditures. The face amount of this debt obligation is \$11,500,000. The Board is not responsible for any of this amount.
- In June 2019, the Board approved two tax-exempt revenue bonds for Young High LP Young High Flats Apartments Project, which will be used to fund capital expenditures. The face amount of the debt obligations are \$15,750,000 and \$450,000. The Board is not responsible for any of these amounts.
- In June 2019, the Board approved two tax-exempt revenue bonds for EGC Pond Gap Pond Gap Flats Young High Flats Apartments Project, which will be used to fund capital expenditures. The face amount of these debt obligations are \$11,000,000 and \$500,000. The Board is not responsible for any of these amounts.
- In July 2019, the Board approved a tax-exempt revenue bond for Broadway Towers Preservation, LP Broadway Towers Project, which will be used to fund capital expenditures. The face amount of the debt obligation is \$4,975,000. The Board is not responsible for any of this amount.
- In July 2019, the Board approved a tax-exempt revenue bond for Rosewood LP Meadowbrook Apartments Project, which will be used to fund capital expenditures. The face amount of the debt obligation is \$5,000,000. The Board is not responsible for any of this amount.

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- In August 2019, the Board approved a tax-exempt revenue bond for Clear Springs II, L.P., which will be used to fund capital expenditures. The face amount of the debt obligation is \$15,000,000. The Board is not responsible for any of this amount.
- In November 2019, the Board approved a tax-exempt revenue bond for Webb School of Knoxville in order to refund existing bonds, as well as fund certain capital projects at the school. The face amount of the debt obligation is \$51,800,000. The Board is not responsible for any of this amount.
- In December 2019, the Board approved five tax exempt revenue bonds for Covenant Health which will be used to refund existing bonds, as well as fund health facilities. The face amount of the debt obligations are \$105,140,000, \$117,711,750, \$101,920,000, \$131,400,000 and \$78,000,000. The Board is not responsible for any of these amounts.
- In March 2020, the Board approved tax-exempt revenue bonds, which are remarketing of Series 2019A and 2019B, for ECG Moss Grove. The bonds will be used to fund capital expenditures. The face amount of the debt obligations is \$28,000,000. The Board is not responsible for any of this amount.
- In May 2020, the Board approved a tax-exempt revenue bond for University Health Systems, Inc. which will be used to fund capital expenditures. The face amount of the debt obligation is \$72,805,000. The Board is not responsible for any of this amount.
- In June 2020, the Board approved a tax-exempt revenue bond for Burlington Commons Apartment Project which will be used to fund capital expenditures. The face amount of the debt obligation is \$5,400,000. The Board is not responsible for any of this amount.
- In July 2020, the Board approved a tax-exempt revenue bond for Grace Christian Academy which will be used to fund capital expenditures. The face amount of the debt obligation is \$4,771,983. The Board is not responsible for any of this amount.
- In July 2020, the Board approved a tax-exempt revenue bond for Evergreen Villas Project which will be used to fund capital expenditures. The face amount of the debt obligation is \$4,310,000. The Board is not responsible for any of this amount.
- In August 2020, the Board approved a tax-exempt revenue bond for Covenant Village which will be used to fund capital expenditures. The face amount of the debt obligation is \$7,490,000. The Board is not responsible for any of this amount.

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- In January 2021, the Board approved a tax-exempt revenue bond for University Health Systems, Inc. which will be used to fund capital expenditures. The face amount of the debt obligation is \$52,000,000. The Board is not responsible for any of this amount.
- In May 2021, the Board approved a tax-exempt revenue bond for Farragut Pointe which will be used to fund capital expenditures. The face amount of the debt obligation is \$18,000,000. The Board is not responsible for any of this amount.
- In June 2021, the Board approved two tax-exempt revenue bonds for Lakeview at Westland (2021A and 2021B) which will be used to finance the acquisition, construction and equipping of an multifamily housing facility. The face amount of the debt obligations are \$11,100,000 and \$4,086,000. The Board is not responsible for either of these amounts.
- In August 2021, the Board approved a tax-exempt revenue bond for Knoxville Christian School which will be used to finance the renovations and construction of educational facilities. The face amount of the debt obligation is \$2,300,000. The Board is not responsible for any of this amount.
- In August 2021, the Board approved a tax-exempt revenue bond for The Ammons at Asheville Highway Apartments which will be used to fund capital expenditures. The face amount of the debt obligation is \$10,500,000. The Board is not responsible for any of this amount.
- In November 2021, the Board approved a tax-exempt revenue bond for Inskip Flats L.P. which will be used to finance the acquisition, construction and equipping of a multifamily housing facility. The face amount of the debt obligation is \$9,000,000. The Board is not responsible for any of this amount.

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

As of March 31, 2022, the Board had total outstanding debt obligations, for the debt listed above, in the amount of \$1,894,167,729. The face value for the debt obligations total \$1,977,034,733.

Revenue Recognition and Accounts Receivable

Project fees are recorded at the time the fee is earned. Any fees earned but not received as of period end are recorded as accounts receivable.

Net Position Classification

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is classified into three components as defined below:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position - This component of net position consists of restrictions placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations or other governments or restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position - This amount is the net position that does not meet the definition “restricted” or “net investment in capital assets.”

When both restricted and unrestricted net position balances are available for use, it is the Board’s policy to use restricted net position balance first, then use unrestricted net position.

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2022 AND 2021

NOTE 2 - CONCENTRATIONS OF CREDIT RISKS

As of March 31, 2022, the Board maintained one deposit account with Regions bank with a balance of \$194,907, and one deposit account with Pinnacle with a balance of \$223,911.

At March 31, 2022 and 2021, all of the Board's bank accounts were fully insured either by the FDIC or by the Board's participation in the State of Tennessee's collateral pool.

NOTE 3 - KNOX COUNTY PROPERTY TAX INCENTIVE PROGRAM

Pursuant to Tenn. Code Ann. §48-101-312 et seq.(the "Act"), The Health, Educational, and Housing Facility Board of the County of Knox (the "Board") is authorized to enter into payment-in-lieu-of-tax transactions for projects which are in furtherance of the public purposes of the Board provided in the Act, including, without limitation, those which will have the effect of promoting, maintaining and increasing affordable housing available to the citizens of Knox County, Tennessee. In April of 2020, the Board approved a set of interim policies and procedures respecting the approval and administration of payment-in-lieu-of-tax transactions related to affordable housing (the "Program"). The Program is an economic development incentive that can be provided to affordable housing projects to promote the creation of affordable housing within Knox County (the "County"). The primary role the Board serves for the County is to determine whether a project is in the public interest and, relying upon the recommendation of the County Mayor's Administration, the level of public assistance to be provided to the project. Under the Program, City and County property values are normally frozen at a level no less than the pre-development level for a period of time (up to 15 years). During the freeze period, "payments in lieu of property taxes" ("PILOT") are made to the Board, which then transfers the payments to the City of Knoxville (the "City") and the County, as applicable. The Board serves as a pass-through agent for these payments, which are due on or before the last day of February immediately following the tax year with respect to which the payments relate. Title to the property is transferred to the Board for the period of the tax freeze, and is then returned to the business at the end of the period for a nominal fee. The Board does not record the property as an asset on its balance sheet, since there would be an offsetting liability back to the business in a like amount.

The property is leased to the business under a triple net lease during the freeze period for a base rent of a nominal amount, plus additional payments consisting of expenses paid and/or obligations incurred by the Board related to the premises or requirements of the lease.

The Board receives fees from the Program's applicants for the various stages of the administration. During the fiscal year 2022, there were three closings and four current projects. During the fiscal year 2021, there was one closing and one current project.

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2022 AND 2021

NOTE 4 - ADMINISTRATIVE SERVICES AGREEMENT

The Board has an administrative services agreement with The Development Corporation of Knox County (“The Development Corporation”). The Development Corporation provides administrative services to the Board for an annual fee of \$9,000. These services include clerical and personnel services and other ordinary, necessary services for the Board, including the retention and maintenance of records. The fees will be payable at such time as the Board and The Development Corporation shall agree and only to the extent that the Board has received proceeds from projects sufficient to pay the same, and after payment of any expenses incurred by the Board in connection with projects. From such proceeds, the Board shall repay any other expenses advanced or incurred by The Development Corporation in connection with the administrative services rendered.

NOTE 5 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Board’s risks of loss are covered by a commercial package directors and officers’ insurance policy. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 6 – SUBSEQUENT EVENTS

The Board has evaluated subsequent events through July 20, 2022, the date at which the financial statements were available for issuance, and has determined that there were no subsequent events requiring disclosure.

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*

To the Board of Directors of
The Health, Educational and Housing Facility Board of the County of Knox
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 Health, Educational and Housing Facility Board of the County of Knox (the "Board"), as of and for the year ended March 31, 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated July 20, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board'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 Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board'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 entity'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.

To the Board of Directors of
The Health, Educational and Housing
Facility Board of the County of Knox

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board’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 entity’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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Nashville, Tennessee
July 20, 2022

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
SCHEDULE OF PRIOR AUDIT FINDINGS
YEARS ENDED MARCH 31, 2022

The Board had no prior year audit findings.

DRAFT