

Board Members:

Greg McWhorter
Paul Fortunato
Terry Henley
Julie Wheeler
Tiffany Gardner
Anthony Wise
Rick Gentry
Alvin Nance
Shannon Coleman Egle
Michael Wood
Mike George



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

Regular Meeting
Tuesday, August 10, 2021, 4:15 p.m.
17 Market Square, #201
Knoxville, Tennessee 37902

AGENDA

- I. Call to Order
- II. Approval of Minutes from Previous Meeting
 - ACTION** A) Regular Meeting – June 8, 2021
- III. Finance Report
 - ACTION**
- IV. Presentation and Consideration of Audited Financial Statements for Year Ended 3/31/21
 - ACTION**
- V. Review and Consideration of Final Bond Resolution of the Board of Directors Regarding the Issuance of Revenue Bonds for The Ammons at Asheville Highway, L.P., a Tennessee limited partnership, in an aggregate principal amount not to exceed \$13,000,000 to finance the acquisition, construction and equipping of The Ammons at Asheville Highway Apartments, an approximately 110-unit housing facility for low and moderate-income citizens located in Knox County, Tennessee (the “Project”)
 - ACTION**
- VI. Review and Consideration of a Resolution of the Board of Directors Authorizing the Financing of a Project for Knoxville Christian School and the Execution and Delivery of Related Financing Documents and the Issuance of Tax-Exempt Bonds not to exceed \$2,500,000 to finance and/or refinance the costs incurred to construct and equip educational facilities in Knoxville, Tennessee located at 11549 Snyder Road, Knoxville, Tennessee 37932 and 11609 Snyder Road, Knoxville, Tennessee (TEFRA)
 - ACTION**
- VII. Old Business
- VIII. New Business
- IX. Adjourn

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

June 8, 2021, 4:15 p.m.

The regular meeting of the Board of Directors of The Health, Educational and Housing Facility Board of the County of Knox (the “Health & Ed Board” or “Board”) was held on Tuesday, June 8, 2021, at 4:36 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, constituting a quorum, Greg McWhorter, (Chair), Paul Fortunato (Vice Chair), Tiffany Gardner, Anthony Wise, Rick Gentry, Shannon Coleman Egle, Michael Wood, Mike George, and Alvin Nance.

Also, in attendance were Mike Odom (The Development Corporation), Brenda Wilson Spence (The Development Corporation), Todd Napier, (former President of The Development Corporation), R. Christopher Trump (Legal Counsel – Egerton, McAfee, Armistead & Davis, P.C.), Susan L. Levine (Paralegal - Egerton, McAfee, Armistead & Davis, P.C.), Pat Alexander, bond counsel for WCO AL DP, LLC, Dick Brown with Integra Resources, (the management company that will oversee the WCO AL DP Project), Jordana K. Nelson, bond counsel for DGA Lakeview, LP, Craig Cobb, Vice President of DGA Residential, LLC, the general partner of DGA Lakeview, LP, and Mark Mamantov, bond counsel for Pinnacle Bank (Johnson University project).

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 discussed the following matters and took the following action 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 May 11, 2021. There were none. Upon a motion by Paul Fortunato and a second by Anthony Wise, the minutes of the May 11, 2021 meeting were unanimously approved.

III. Review and Consideration of Signature Card Authorization. The Chair recognized Chris Trump who addressed the Board regarding the proposed Resolution for signature card authorizations due to the resignation of Todd Napier and appointment of Mike Odom as interim President of The Development Corporation of Knox County. Discussion was had.

Upon a motion by Rick Gentry and a second by Tiffany Gardner, the Resolution regarding Authorization for Signatures on Checks was unanimously approved. A copy the Resolution is attached hereto as Exhibit B.

IV. Review and Consideration of the Resolution of the Board of Directors of The Health, Educational and Housing Facility Board of the County of Knox regarding the issuance of Revenue Bonds (WCO AL DP, LLC), Series 2021, in a Principal Amount not to exceed \$52,515,000. The Chair recognized Chris Trump who provided a brief history and overview of the project and the prior 2016 approval of the bond issuance of The Health and Educational Facilities Board of The Metropolitan Government of Nashville and Davidson County, Tennessee (“Nashville Board”). Mr. Trump then introduced Mr. Alexander, bond counsel for the Nashville Board, who stated that the new application is to refinance the 2016 bonds and provide additional funding to construct, install and equip 10 new residential treatment homes for individuals with intellectual disabilities and refinance and update 4 existing residential homes located in Knox County, Tennessee. Mr. Alexander stated that 8 of the existing residential homes are obsolete and no longer serve the needs of the individuals within Knox County. Mr. Alexander stated that the new bond application is for an aggregate principal amount not to exceed \$52,515,000. Mr. Alexander then introduced Dick Brown with Integra Resources, who will manage the residential facilities. Mr. Brown provided a more in-depth explanation of the Project within Knox County and stated that the homes that are now obsolete are owned by Open Arms Care Corporation, a non-profit corporation who will sell or lease the homes to other disabled citizens. Discussion was had.

The Chair then called the TEFRA hearing to order and opened the floor for public comment. There was none. The TEFRA hearing was then closed. Further discussion was had by the Board.

Upon a motion by Alvin Nance, and a second by Michael Wood, the resolution for WCO AL DP, LLC was unanimously approved. A copy of the resolution as approved is attached hereto as Exhibit C.

V. Review and Consideration of a Resolution regarding the application of DGA Lakeview, LP for a Payment-In-Lieu-of-Tax (PILOT) transaction for the proposed acquisition and construction of Lakeview at Westland, an approximate 72-unit multifamily housing facility on Emory Church Road in Knox County, Tennessee for low and moderate income citizens in Knox County. The Chair recognized Rick Gentry, Chair of the HEB Application Review Committee, who provided a brief overview of the project and application filed by DGA Lakeview LP for a payment in lieu of tax agreement (“PILOT”) in connection with the acquisition, construction and equipping of an approximately 72-unit housing facility for low and moderate-income citizens located on certain property on Emory Church Road in Knoxville, Tennessee (Tax Parcel IDs: 144 02016 and 144 02009) to be known as Lakeview at Westland (the “Project”), subject to such project receiving an allocation of low-income housing tax credits (“LIHTC”) from the Tennessee Housing Development Agency (“THDA”). As provided in the Mayoral Support Letter, the Application recommended for approval by the committee is for a PILOT having (a) a term-length which is fifteen (15) years from the earlier to occur of (i) three (3) years the date of the applicable lease or (ii) when the Project reaches 80% occupancy, (b) a closing fee in the amount of \$28,800, (c) an annual maintenance fee equal to \$2,000 per annum, such amount to increase annually at a rate of 2.45% year over year, and (iv) payments-in-lieu-of-tax, from the date of closing of the PILOT to the Benefit Commencement Date, in an amount equal to the ad valorem taxes which were otherwise payable with respect to the subject real property as of such date of closing, and (v) for each year of the term of the PILOT, payments-in-lieu-of-tax in the amount of

\$5,000.00 per year. Mr. Trump then addressed the Board and provided a summary of the terms of the PILOT Lease and introduced Craig Cobb, Vice President of DGA Residential, LLC, the general partner of DGA Lakeview, LP should the Board have any further questions. Discussion was had.

Upon a motion by Tiffany Gardner, and a second by Shannon Coleman Egle, the resolution for DGA Lakeview, LP was unanimously approved. A copy of the resolution as approved is attached hereto as Exhibit D.

VI. Review and Consideration of a final 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 DGA Lakeview LP in a principal amount not to exceed \$20,000,000 to finance the acquisition, construction and equipping of an approximate 72-unit multifamily housing facility for low and moderate income citizens in Knox County. The Chair Chris Trump, who provided a brief overview of the project and the Preliminary Bond Resolution approved by the Board on December 8, 2020. Mr. Trump then recognized Jordana Nelson, bond counsel for Applicant, who provided additional information on the bond financing structure and stated that the final Bond Resolution increases the amount to \$20,000,000 from the initial \$13,000,000 bond amount approved in the Preliminary Bond Resolution. The final bond amount increase is due to rising construction and infrastructure costs. Discussion was had.

Upon a motion by Alvin Nance, and a second by Tiffany Gardner, the final bond resolution for DGA Lakeview, LP was unanimously approved. A copy of the resolution as approved is attached hereto as Exhibit E.

VII. Review and Consideration of a resolution of the Board of Directors of The Health, Educational and Housing Facility Board of the County of Knox relative to a proposed amendment of the interest rate and other modifications to the revenue bonds previously issued for Johnson University. The Chair recognized Mark Mamantov, bond counsel for Pinnacle Bank, who addressed the Board providing an overview of the prior approval of the bond application and issues related to the yearly adjustment to the bond interest rate. Mr. Mamantov stated that the proposed amendment is to change the current interest rate adjustment calculations to a fixed 2.35% rate. Discussion was had.

Upon a motion by Anthony Wise, and a second by Paul Fortunato, the resolution on behalf of Johnson University was unanimously approved. A copy of the resolution as approved is attached hereto as Exhibit F.

VIII. Old Business: None

IX. New Business: None.

X. Next Meeting. The next regular meeting of The Health, Educational and Housing Facility Board of the County of Knox is scheduled for July 13, 2021, at 4:15 p.m. at the offices of The Development Corporation of Knox County located at 17 Market Square, #201, Knoxville, Tennessee.

XI. 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 4:55 p.m.

Dated

Tiffany E. Gardner, Secretary

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EXHIBITS

- Exhibit A Agenda – June 8, 2021
- Exhibit B Resolution of the Board of Directors of The Health, educational & Housing Facility Board of the County of Knox Authorizing Signatures on Checks
- Exhibit C Resolution of the Board of Directors of The Health, Educational and Housing Facility Board of the County of Knox regarding the issuance of Revenue Bonds (WCO AL DP, LLC), Series 2021, in a Principal Amount not to exceed \$52,515,000, by The Health and Educational Facilities Board of The Metropolitan Government of Nashville and Davidson County, Tennessee, a portion of which will finance facilities located in Knox County, Tennessee.
- Exhibit D Resolution regarding the application of DGA Lakeview, LP for a Payment-In-Lieu-of-Tax (PILOT) transaction for the proposed acquisition and construction of Lakeview at Westland, an approximate 72-unit multifamily housing facility on Emory Church Road in Knox County, Tennessee for low and moderate income citizens in Knox County
- Exhibit E Final 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 DGA Lakeview LP in a principal amount not to exceed \$13,000,000 to finance the acquisition, construction and equipping of an approximate 72-unit multifamily housing facility for low and moderate income citizens in Knox County.
- Exhibit F Resolution of the Board of Directors of The Health, Educational and Housing Facility Board of the County of Knox relative to a proposed amendment of the interest rate and other modifications to the revenue bonds previously issued for Johnson University.

The Health, Educational and Housing Facility Board of the County of Knox
Balance Sheet with Prior Year Comparison
As of June 30, 2021

	<u>As of June 30, 2021</u>	<u>As of June 30, 2020 (PY)</u>
ASSETS		
Current Assets		
Bank Accounts		
100-000 Cash - Checking	76,877	62,703
104-000 Cash - Money Market	223,581	221,813
Total Bank Accounts	\$300,458	\$284,517
Accounts Receivable		
125-000 Accounts Receivable	0	1,000
Total Accounts Receivable	0	1,000
Other Current Assets		
127-000 Prepaid Insurance	4,233	3,727
Total Other Current Assets	\$4,233	\$3,727
Total Current Assets	\$304,691	\$289,243
TOTAL ASSETS	\$304,691	\$289,243
LIABILITIES AND EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable		
200-000 Accounts Payable	0	2,511
Total Accounts Payable	\$0	\$2,511
Total Liabilities	\$0	\$2,511
Equity		
300-000 Opening Balance Equity	44,773	44,773
320-000 Retained Earnings	257,553	237,529
Net Income	2,365	4,430
Total Equity	\$304,691	\$286,732
TOTAL LIABILITIES AND EQUITY	\$304,691	\$289,243

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

For the 3 Periods Ended June 30, 2021

	June 2021			April 2021 - June 2021			April 2021 - March 2022	
	Actual	Budget	Variance	Actual	Budget	Variance	Budget	% Remaining
Income								
410-000 Interest Revenue	184	167	18	558	500	58	2,000	72.08%
420-000 Base Rent Revenue	0	167	(167)	0	500	(500)	2,000	100.00%
435-000 Application Revenue	0	1,667	(1,667)	9,000	5,000	4,000	20,000	55.00%
444-000 Closing Revenue	0	0	0	0	0	0	0	0.00%
445-000 Agenda Revenue	1,000	167	833	1,500	500	1,000	2,000	25.00%
447-000 Appropriation - Retained								
Earnings	0	363	(363)	0	1,088	(1,088)	4,350	100.00%
Total Income	\$1,184	\$2,529	(\$1,345)	\$11,058	\$7,588	\$3,471	\$30,350	63.56%
Expenses								
502-001 Operating Expenses	30	58	(29)	155	175	(20)	700	77.87%
503-001 Advertising Expenses	7	83	(77)	201	250	(49)	1,000	79.90%
504-001 Administrative Expenses								
(TDC)	750	750	0	2,250	2,250	0	9,000	75.00%
507-001 Insurance Expense	529	529	0	1,588	1,588	0	6,350	75.00%
511-001 Accounting Expense	3,750	442	3,308	3,750	1,325	2,425	5,300	29.25%
512-001 Legal Expense	250	667	(417)	750	2,000	(1,250)	8,000	90.63%
Total Expenses	\$5,316	\$2,529	\$2,786	\$8,693	\$7,588	\$1,106	\$30,350	71.36%
Net Operating Income	(\$4,131)	\$0	(\$4,131)	\$2,365	\$0	\$2,365		

The Health, Educational and Housing Facility Board of the County of Knox
Income Statement with Prior Year Comparison
For the 3 Periods Ended June 30, 2021

	<u>April 2021 - June 2021</u>	<u>April 2020 - June 2020 (PY)</u>
Income		
410-000 Interest Revenue	558	973
420-000 Base Rent Revenue	0	0
435-000 Application Revenue	9,000	10,000
444-000 Closing Revenue	0	0
445-000 Agenda Revenue	1,500	1,000
Total Income	\$11,058	\$11,973
Gross Profit	\$11,058	\$11,973
Expenses		
502-001 Operating Expenses	155	115
503-001 Advertising Expenses	201	530
504-001 Administrative Expenses (TDC)	2,250	2,250
507-001 Insurance Expense	1,588	1,398
511-001 Accounting Expense	3,750	2,500
512-001 Legal Expense	750	750
Total Expenses	\$8,693	\$7,542
Net Operating Income	\$2,365	\$4,430
Other Income		
430-000 PILOT Revenue	0	0
Total Other Income	\$0	\$0
Other Expenses		
587-001 PILOT Payment Expense	0	0
Total Other Expenses	\$0	\$0
Net Other Income	\$0	\$0
Net Income	\$2,365	\$4,430

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

FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2021 AND 2020

DRAFT

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

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

BOARD MEMBERS
At March 31, 2021

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
Sam Mayes
Les Mirts
Anthony Wise

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 Financial Statements

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, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board as of March 31, 2021 and 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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 an opinion on the financial statements that collectively comprise Board's basic financial statements. The 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 board members on page ii has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2021, 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 the Board’s internal control over financial reporting and compliance.

Nashville, Tennessee
August 10, 2021

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THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED MARCH 31, 2021 AND 2020

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, 2021. Please read it in conjunction with the Board's financial statements following this section. The 2020 and 2019 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 \$302,325 (net position). Net position amounted to \$282,302 and \$263,218 at March 31, 2020 and 2019, 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 \$20,023 in 2021, \$19,084 in 2020, and \$3,692 in 2019. The increase in change of net position from 2019 to 2020 is related to increased project revenue for conduit debt applications. The increase in change of net position from 2020 to 2021 is related to new closing 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, 2021, 2020, and 2019:

<u>Statements of Net Position</u>			
	2021	2020	2019
Current assets			
Cash and cash equivalents	\$ 302,892	\$ 277,584	\$ 257,972
Accounts receivable	-	-	500
Prepaid expenses	-	5,124	5,124
Total assets	302,892	282,708	263,596
Current liabilities			
Accounts payable and accrued expenses	567	406	378
Total liabilities	567	406	378
Unrestricted net position	<u>\$ 302,325</u>	<u>\$ 282,302</u>	<u>\$ 263,218</u>

At the close of the 2021 fiscal year, the Board’s assets exceeded liabilities by \$302,325. At the close of the 2020 and 2019 fiscal year, the Board’s assets exceeded liabilities by \$282,302 and \$263,218, respectively. The Board’s net position increased by \$20,023 during the year ended March 31, 2021. There was an increase from the 2020 and 2019 fiscal year changes in net position of \$19,084 and \$3,692, respectively. The decrease in change of net position from 2018 to 2019 is related to an updated administrative service agreement that went into effect in fiscal year 2019, which increased the Board’s obligations. 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 to new closing fees and PILOT revenue that did not occur in 2020.

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, 2021 was \$302,325 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 2021, 2020, and 2019:

Statements of Revenues, Expenses and Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues			
Project revenue	\$ 35,000	\$ 38,750	\$ 20,000
Agenda revenue	2,000	1,500	2,000
Special called meeting	-	-	5,000
Closing revenue	12,850	-	-
Base rent revenue	2,000	-	-
PILOT	2,096	-	-
	<hr/>	<hr/>	<hr/>
Total operating revenue	53,946	40,250	27,000
Operating expenses			
Insurance	5,653	5,590	5,590
PILOT	2,096	-	-
Professional	16,800	8,150	7,322
Advertising	1,852	871	1,014
Administrative	9,717	9,790	9,946
	<hr/>	<hr/>	<hr/>
Total operating expenses	36,118	24,401	23,872
Operating income	17,828	15,849	3,128
Non-operating expense			
Interest income	2,195	3,235	564
	<hr/>	<hr/>	<hr/>
Change in net position	20,023	19,084	3,692
Net position at the beginning of the year	<hr/>	<hr/>	<hr/>
	282,302	263,218	259,526
Net position at the end of the year	<hr/>	<hr/>	<hr/>
	\$ 302,325	\$ 282,302	\$ 263,218

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 2021, 2020, and 2019:

Statements of Cash Flows

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities			
Cash received from customers	\$ 53,946	\$ 40,750	\$ 26,500
Cash paid to vendors	<u>(30,833)</u>	<u>(24,373)</u>	<u>(23,494)</u>
Net cash flows provided by operating activities	<u>23,113</u>	<u>16,377</u>	<u>3,006</u>
Cash Flows from Investing Activities			
Interest received	<u>2,195</u>	<u>3,235</u>	<u>564</u>
Net cash flows provided by investing activities	<u>2,195</u>	<u>3,235</u>	<u>564</u>
Net change in cash and cash equivalents	25,308	19,612	3,570
Cash and cash equivalents at the beginning of the year	<u>277,584</u>	<u>257,972</u>	<u>254,402</u>
Cash and cash equivalents at the end of the year	<u>\$ 302,892</u>	<u>\$ 277,584</u>	<u>\$ 257,972</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, 2021 AND 2020**

	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 302,892	\$ 277,584
Prepaid expenses	-	5,124
Total assets	\$ 302,892	\$ 282,708
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	567	406
Total liabilities	567	406
NET POSITION		
Unrestricted	302,325	282,302
Total net position	\$ 302,325	\$ 282,302

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, 2021 AND 2020**

	2021	2020
Operating Revenue		
Project revenue	\$ 35,000	\$ 38,750
Agenda revenue	2,000	1,500
Closing revenue	12,850	-
Base rent revenue	2,000	-
PILOT	2,096	-
Total operating revenue	53,946	40,250
Operating Expenses		
Insurance	5,653	5,590
PILOT	2,096	-
Professional	16,800	8,150
Advertising	1,852	871
Administrative	9,717	9,790
Total operating expenses	36,118	24,401
Operating income	17,828	15,849
Non-Operating Income		
Interest income	2,195	3,235
Total non-operating income	2,195	3,235
Change in net position	20,023	19,084
Net position at the beginning of the year	282,302	263,218
Net position at the end of the year	\$ 302,325	\$ 282,302

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, 2021 AND 2020**

	2021	2020
Cash Flows from Operating Activities		
Cash received from customers	\$ 53,946	\$ 40,750
Cash paid to vendors	(30,833)	(24,373)
Net cash flows provided by operating activities	23,113	16,377
Cash Flows from Investing Activities		
Interest received	2,195	3,235
Net cash flows provided by investing activities	2,195	3,235
Net change in cash and cash equivalents	25,308	19,612
Cash and cash equivalents at the beginning of the year	277,584	257,972
Cash and cash equivalents at the end of the year	\$ 302,892	\$ 277,584
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 17,828	\$ 15,849
Change in assets and liabilities		
Decrease in prepaid expenses	5,124	-
Decrease (increase) in accounts receivable	-	500
Increase in accounts payable and accrued expenses	161	28
Net cash provided by operating activities	\$ 23,113	\$ 16,377

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, 2021 AND 2020

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, 2021 AND 2020

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, 2021, 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, 2021 AND 2020

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 UT Medical Center 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, 2021 AND 2020

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, 2021 AND 2020

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, 2021 AND 2020

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.

As of March 31, 2021, the Board had total outstanding debt obligations, for the debt listed above, in the amount of approximately \$1,852,466,230. The face value for the debt obligations total \$1,922,048,733.

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, 2021 AND 2020

NOTE 2 - CONCENTRATIONS OF CREDIT RISKS

As of March 31, 2021, the Board maintained one deposit account with Regions bank with a balance of \$79,929, and one deposit account with Pinnacle with a balance of \$223,024.

At March 31, 2021 and 2020, 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 2021, there was one closing and one current project. There were no closings during fiscal year 2020.

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2021 AND 2020

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 August 10, 2021, 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, 2021, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated August 10, 2021.

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

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
August 10, 2021

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
SCHEDULE OF PRIOR AUDIT FINDINGS
YEARS ENDED MARCH 31, 2021

The Board had no prior year audit findings.

DRAFT

FINAL RESOLUTION OF THE BOARD OF DIRECTORS OF THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE COUNTY OF KNOX AUTHORIZING ISSUANCE OF ITS MULTIFAMILY HOUSING GOVERNMENTAL NOTE (AMMONS PROJECT) IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$13,000,000 FOR THE ACQUISITION, CONSTRUCTION, REHABILITATION AND EQUIPPING OF THE AMMONS AT ASHEVILLE HIGHWAY APARTMENTS, A 110-UNIT HOUSING FACILITY FOR LOW AND MODERATE INCOME CITIZENS IN KNOX COUNTY

WHEREAS, the Board of Directors of The Health, Educational and Housing Facility Board of the County of Knox (the “Issuer”), has met pursuant to proper notice on August 10, 2021; and

WHEREAS, The Ammons at Asheville Highway, L.P., a Tennessee limited partnership (the “Borrower”), has requested the Issuer to finance the acquisition, construction and equipping of The Ammons at Asheville Highway Apartments, an approximately 110-unit housing facility for low and moderate-income citizens located in Knox County, Tennessee (the “Project”), which project is of the character and will accomplish the purposes of Part 3 of Chapter 101 of Title 48 of the Tennessee Code Annotated, as amended (the “Act”); and

WHEREAS, the Issuer proposes to finance the Project by the issuance and sale of its Multifamily Housing Governmental Note in an amount not to exceed \$13,000,000 (the “Governmental Note”); and

WHEREAS, on December 16, 2020, the Issuer or its designee held a public hearing with respect to the issuance of the Governmental Note, as required under Section 147(f) of the Internal Revenue Code of 1986, as amended (the “Code”); and

WHEREAS, there have been submitted to the Issuer at the meeting on August 10, 2021, the forms of the following instruments which the Issuer proposes to execute to carry out the transactions described above, copies of which instruments shall be filed with the records of the Issuer (collectively, the “Documents”):

(a) Funding Loan Agreement (the “Funding Loan Agreement”) by and among Churchill Mortgage Construction LLC (or an affiliate thereof), as Funding Lender (the “Funding Lender”), the Issuer and Regions Bank or another designated fiscal agent, as Fiscal Agent (the “Fiscal Agent”);

(b) Project Loan Agreement (the “Project Loan Agreement”) between the Issuer, the Fiscal Agent and the Borrower;

(c) The form of the Governmental Note; and

(d) Land Use Restriction Agreement (the “Regulatory Agreement”) between the Issuer, the Borrower and the Fiscal Agent.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE COUNTY OF KNOX:

1. It is hereby found and determined that the financing of the Project will assist the Borrower in connection with its mission of providing safe, affordable housing to the citizens of the State of Tennessee, thereby improving their health and well-being and promoting the purposes of the Act.

2. The financing of the Project by using the proceeds of the sale of the Governmental Note as contemplated in the Funding Loan Agreement and the Project Loan Agreement is hereby authorized.

3. The Chair or Vice Chair of the Issuer is hereby authorized and directed to execute, attested by the facsimile or manual signature of its Secretary or Assistant Secretary, and either is authorized to deliver the Funding Loan Agreement, the Project Loan Agreement and the Regulatory Agreement to the other parties thereto.

4. The Chair or Vice Chair of the Issuer is hereby authorized and directed to execute by facsimile or manual signature, attested by the facsimile or manual signature of its Secretary or Assistant Secretary, and either is authorized and directed to deliver the Governmental Note in accordance with its terms and the terms of the Funding Loan Agreement and the Project Loan Agreement.

5. The Documents shall be in substantially the forms submitted, which are hereby approved, with such completions, omissions, insertions and changes as may be approved by the officers executing them, their execution to constitute conclusive evidence of their approval of any such omissions, insertions and changes. In connection with the execution of such documents, the officer(s) are hereby expressly authorized to approve the maturities and interest rates on the Governmental Note, provided that the interest rate of the Governmental Note shall not exceed the maximum interest rate permitted by law, the

aggregate principal amount of the Governmental Note shall not exceed \$13,000,000, and the final maturity of the Governmental Note shall be no later than the maximum term permitted by law.

6. The officers of the Issuer are hereby authorized and directed to execute, deliver and file all certificates, agreements, assignments and instruments, including Internal Revenue Service Form 8038, assignments of the note, deed of trust and other collateral documents from the Borrower to the Issuer, financing statements to evidence security interests created under the Documents and the documents related thereto, a Tax Exemption Certificate and Agreement, and an informational statement to be filed with the State of Tennessee, and to take all such further action as they may consider necessary or desirable in connection with the issuance of the Governmental Note and the financing of the Project.

7. Any authorization herein to execute any document shall include authorization to record such document where appropriate.

8. The Governmental Note, and the interest payable thereon, shall be a limited obligation of the Issuer, and shall not be deemed to constitute a general debt or liability of the Issuer, but shall be payable solely from such special sources and funds provided therefor in accordance with the provisions thereof and the provisions of the Funding Loan Agreement. Neither the State of Tennessee, nor any other political subdivision thereof, shall be liable for the payment of the principal of, or the interest on, the Governmental Note, or for the performance of any pledge, mortgage, obligation, agreement, or certification, of any kind whatsoever of the Issuer, and neither the Governmental Note, nor any of the pledges, mortgages, agreements, obligations, or certifications of the Issuer shall be construed to constitute an indebtedness of the State of Tennessee, or any other political subdivision thereof, within the meaning of any constitutional or statutory provisions whatsoever. No recourse under, or upon, any statement, obligation, covenant, agreement, or certification, contained in any of the Documents or in any other document or certification executed by the Issuer in connection therewith; or under any judgment obtained against the Issuer or by the enforcement of any assessment or by any legal or equitable proceeding or by virtue of any constitution or statute or otherwise, or under any circumstances, under or independent of the Documents, shall be had against any incorporator, member, director, or officer, as such, past, present, or

future, of the Issuer, either directly or through the Issuer, or otherwise, for the payment for, or to, the Issuer, or any receiver thereof, or from, or to, the owner of the Governmental Note for any sum that may be due and unpaid by the Issuer upon the Governmental Note, or the interest payable thereon. Any and all personal liability of every nature, whether at common law or in equity or by statute or by constitution or otherwise, of any such incorporator, member, director, or officer, as such, to respond by reason of any act or omission on his or her part or otherwise for, directly or indirectly, the payment for, or to, the Issuer or any receiver thereof, or for, or to, the owners of the Governmental Note, of the principal of, or the premium, if any, or interest on, the Governmental Note shall be deemed to have been waived and released as a condition of, and consideration for, the execution of the Documents and the issuance of the Governmental Note.

9. All other acts of the officers of the Issuer which are in conformity with the purposes and intent of this resolution and in furtherance of the issuance of the Governmental Note and the financing of the Project are hereby approved and confirmed.

Approved and adopted this 10th day of August, 2021.

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

By: _____
Name: _____
Title: _____

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

**A Resolution Authorizing The Financing of A Project For Knoxville Christian School
and The Execution And Delivery of Related Financing Documents**

RESOLUTION

WHEREAS, The Health, Educational and Housing Facility Board of the County of Knox (the "Issuer"), is a Tennessee public corporation duly organized and existing under and by virtue of the laws of the State of Tennessee and is empowered and authorized by Title 48, Chapter 101, Part 3 of the Tennessee Code Annotated, as amended (the "Act"), among other things, to issue bonds and other evidences of indebtedness to finance projects for non-profit corporations; and

WHEREAS, Knoxville Christian School, a Tennessee non-profit corporation (the "User"), desires to obtain funds which will be used to finance and/or refinance the costs incurred to construct and equip educational facilities in Knoxville, Tennessee located at 11549 Snyder Road, Knoxville, Tennessee 37932 and 11609 Snyder Road, Knoxville, Tennessee (the main campus address being 11549 Snyder Road, Knoxville, Tennessee); and

WHEREAS, the Issuer proposes to authorize, pursuant to provisions of the Act, the issuance of \$2,500,000 maximum aggregate principal amount tax-exempt obligations (the "Obligations"), and the execution and delivery of the Financing and Loan Agreement dated as of August 1, 2021 or as of the date of delivery; the Guaranty Agreement dated as of August 1, 2021, or as of the date of delivery, the Tax Certificate and Agreement dated as of August 1, 2021, or as of the date of delivery, and the other documents hereinafter described (collectively the "Financing Documents") the proceeds of which are to be used for the foregoing purposes; and

WHEREAS, the Issuer has determined that the execution and delivery of the Financing Documents would further the purposes of the Act;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE HEALTH EDUCATIONAL AND FACILITY BOARD OF THE COUNTY OF KNOX (the "Issuer") that:

1. The Issuer hereby finds and determines that the execution and delivery of the Financing Documents will further the purposes of the Act;

2. The Issuer does hereby approve, adopt, authorize, direct, ratify and confirm:

(a) the financing of capital improvements to the facilities of the User by the issuance of \$2,500,000 maximum aggregate principal amount tax-exempt obligations in similar form and of similar content as provided in the Financing and Loan Agreement hereinafter referenced;

(b) the terms and provisions of, and the obligations and transactions to be undertaken pursuant to, the following documents:

(1) The Financing and Loan Agreement dated as of August 1, 2021, or as of the date of delivery (the "Financing and Loan Agreement") by and among Renasant Bank, as lender (the "Lender"), the Issuer, and the User.

(2) The Loan and Guaranty Agreement dated as of August 1, 2021, or as of the date of delivery (the "Guaranty") by the User to the Lender.

(3) Tax Certificate and Agreement executed by Issuer and User.

(4) Report on Debt Obligation to be filed with the Office of Comptroller for the State of Tennessee in connection with the issuance of the Obligations.

(5) Any and all mortgages, security agreements, pledge agreements, assignments, notices, UCC financing statements, and other documents, instruments or agreements, as the same may at any time be amended, supplemented or restated, which secure, evidence, or give notice of the security for (a) the obligations of the Issuer to the Lender under the Financing and Loan Agreement and (b) the obligations of the User to the Issuer with respect to the Financing and Loan Agreement and to the Lender with respect to the Financing and Loan Agreement and the security therefor.

3. The documents described in Section 2 of this resolution (herein collectively the "Financing Documents") are approved in substantially the form and of substantially the content as the Financing Documents presented to and considered by the Board of Directors, with such changes or additions thereto or deletions therefrom as the officer of the Issuer executing those of the Financing Documents to which the Issuer is a party signatory thereto (herein collectively the "Issuer Documents") shall approve, which approval shall be conclusively evidenced by the execution of the Issuer Documents by such officer as hereinafter provided.

4. The Financing Documents presented to, considered and adopted by the Board of Directors shall be filed in the permanent records of the Issuer.

5. The Chair (or Vice Chair) or the Secretary (or Assistant Secretary) of the Issuer are each hereby authorized and directed to execute, acknowledge and deliver the Issuer Documents for and on behalf of and in the name of the Issuer. The Secretary or an Assistant Secretary of the Issuer is hereby authorized and directed to attest the same. Any prior execution of the Issuer Documents by any of the aforesaid officers is hereby ratified and confirmed.

6. The Chair and/or Vice Chair, and the Secretary and/or the Assistant Secretary of the Issuer, or any of them, are hereby authorized and directed to execute, deliver and file such related financing documents and security agreements as may be necessary or desirable to carry out the provisions of this resolution or complete the financing herein authorized; and execute and deliver to the Lender and counsel thereto such certified copies of proceedings of the Issuer and such closing papers, proofs and statements containing such representations of fact and law as may be necessary to demonstrate the validity of the Financing Documents, the absence of any pending or threatened litigation with respect to such instruments or any matter referred to therein or in this resolution.

7. It is understood and agreed by and between the Issuer and the User that the provisions of this Resolution and of the execution and delivery of the Financing Documents are not intended to, and shall not be construed or interpreted to, (a) obligate, or authorize the expenditure of, any funds or monies of the Issuer derived from any source whatsoever other than the proceeds from execution and delivery of the Financing Documents as provided for in this Resolution, or otherwise from revenues and funds

pledged for payment of amounts due under the Financing Documents, (b) obligate the Issuer to pay any costs incurred in connection with the execution and delivery of the Financing Documents, including, without limitation the Issuer's attorneys' fees, from any source other than the execution and delivery of the Financing Documents or payment by the User, (c) constitute a debt or a pledge of the faith and credit or taxing power of Knox County, Tennessee, or any other county, municipality or other political subdivision of the State of Tennessee, or (d) create any personal liability of any past, present or future elected official, officer, director, member, employee or counsel of Knox County, Tennessee, or of the Issuer.

No recourse under, or upon, any statement, obligation, covenant, agreement, or certification, contained in any of the foregoing documents, including, without limitation, the obligations, and the Indenture; or in any other document or certification whatsoever; or under any judgment obtained against the Issuer or by the enforcement of any assessment or by any legal or equitable proceeding or by virtue or any constitution or statute or otherwise, or under any circumstances, under or independent of the foregoing documents, including, without limitation the obligations, and the Indenture; or any other document or certification, whatsoever, shall be had against any incorporator, member, director, or officer, as such, past, present, or future, of the Issuer, either directly or through the Issuer, or otherwise, for the payment for, or to, the Issuer, or any receiver thereof, or from, or to, the owner of the obligations for any sum that may be due and unpaid by the Issuer upon the obligations, or the interest payable thereon. Any and all personal liability of every nature, whether at common law or in equity or by statute or by constitution or otherwise, of any such incorporator, member, director, or officer, as such, to respond by reason of any act or omission on his or her part of otherwise for, directly or indirectly, the payment for, or to, the Issuer or any receiver thereof, or for, or to, the owners of the obligations, of the principal of, or the premium, if any, or interest on, the obligations shall be deemed to have been waived and released as a condition of, and consideration for, the execution of the aforesaid documents and the issuance of the obligations.

8. In connection with the issuance of the Obligations, the Issuer also approves the execution and delivery of the Report on Debt Obligation to be executed by the Chairman and filed with the Office of the Comptroller of the State of Tennessee and IRS Form 8038 to be executed by the Chairman and filed with the Internal Revenue Service, within the timeframe provided in the pertinent regulations.

APPROVED and ADOPTED, by the Issuer in public session this the 10th day of August, 2021.

**STATE OF TENNESSEE
COUNTY OF KNOX**

I, Tiffany E. Gardner, Secretary of THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE COUNTY OF KNOX (the "Board") do hereby certify that the foregoing is a true and complete extract of the minutes of the Board of Directors of the Board at a meeting duly called and held on August 10, 2021, and sets forth so much of said minutes as in any way relates to the introduction, consideration and passage of the resolution therein set forth. Public notice of said meeting was given pursuant to and in compliance with all provisions of law.

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

Tiffany E. Gardner, Secretary

Dated: August 10, 2021

DATE: July 22, 2021

THE HEALTH, EDUCATION & HOUSING FACILITY BOARD OF THE COUNTY OF KNOX
17 Market Square, #201
Knoxville, TN 37902-1405

The Board meets monthly on the second Tuesday at 4:15 p.m. in the offices of The Development Corporation located at 17 Market Square, #201, Knoxville, TN 37902-1405.

PROJECT APPLICATION

PROJECT NAME: Knoxville Christian School

LOCATION: 11549 Snyder Road, Knoxville, TN 37932

SUBMITTED BY: (If a partnership, applicant should provide the partners' names, addresses, and status, whether limited or general partner.)

David B. Ringlestein, Esq. (Bond Counsel) of Maynard Cooper & Gale, P.C.
1901 6th Avenue North, Suite 1700
Birmingham, AL 35203

AUTHORIZATION – AMOUNT ASKING FOR: \$2,500,000 maximum principal amount

ESTIMATED PROJECT COST AND BREAKDOWN (i.e., land, building, equipment, etc.)

Refinance existing taxable bank loan debt outstanding in the approximate amount of \$2,200,000 incurred to finance building improvements at the schools existing campus.

PROCEDURE FOR SALE OF BONDS (Private vs. Public Placement, etc. See also Paragraphs 5 (3) (4) and (5) Private placement.

PURCHASER: Renasant Bank

GUARANTOR: None

FISCAL AGENT (if selected): Not Applicable

ATTORNEY (if selected): Maynard Cooper & Gale, P.C. (Bond and Bank Counsel)

TRUSTEE (if selected): Not Applicable

BRIEF DESCRIPTION OF PROJECT: (including the purpose, employment created, economic impact, size of buildings, land, etc., and other appropriate comments to fully explain.) The proceeds of the loan will be used to refinance existing taxable debt originally incurred for campus improvements located at 11549 Snyder Road, Knoxville, TN, and 11609 Snyder Road, Knoxville, TN (main campus address is 11549 Snyder Road, Knoxville, Tennessee). The expected interest rate savings will be used by the applicant to the extent they are reinvested in the applicant's nonprofit mission of providing educational services, on a nonprofit basis, to the greater Knoxville area. The applicant currently employs approximately 30 people.

FINANCIAL STATEMENTS: If public placement is requested, include with the above: (1) financial summary of past 5 years; (2) current audit; (3) 3-5 year financial projections.

RULES: Compliance with the rules on the following page is the responsibility of Applicant. The Board reserves the right to amend or waiver any Rule without notice.

RULES

1. **Procedure** – The Project Application must be filed with the Secretary of the Board fourteen days prior to meeting so that copies can be mailed to all Board Members and counsel to the Board one week prior to Board meeting.
 - (1) If a TEFRA hearing is requested, the completed TEFRA form and Application **MUST BE RECEIVED** by the Secretary not less than 20 days prior to the meeting.
 - (2) If no TEFRA hearing is requested, the Application **MUST BE RECEIVED** by the Secretary not less than 14 days prior to the meeting.

2. **Fee Schedule** – Appropriate fees must be submitted with the request:

Projects and Bond Issues: The Industrial Development Board of the County of Knox and The Health, Educational and Housing Facility Board of the County of Knox

Agenda Fee: \$500. This fee is assessed on matters considered by the Board of Directors at a regular meeting of the Directors. It is not assessed if (i) the Applicant has paid a Project Fee and (ii) the action requested is related to the same Project or Bond Issue for which the Project Fee was paid. If an Applicant requests further action related to an outstanding Bond Issue, the Agenda Fee will be due and payable.

Project Fee: 10 basis points (0.10%) of the Total Project/Bond Issue with a minimum of \$2,000 and a maximum of \$4,000.

Special Meeting Fee: \$5,000 per Applicant.

Interlocal Agreement Fee: \$1,000 per Applicant.

All fees are due and payable fourteen days before the meeting and should be payable to the applicable Board and delivered to the Board at its office located at 17 Market Square, #201, Knoxville, TN 37902-1405.

3. **Housing** – For housing and similar issues, the Board will require a feasibility study to be filed with the original application or for consideration at a regular meeting not less than one month prior to final approval. If consideration is at a regular meeting, the study must be mailed to members and counsel not less than 10 days prior to the meeting.

4. **Refinancing** – Generally, except for manufacturing or regional warehouse facilities, the Board requires that in any refinancing of existing debt, 25% of the bond proceeds be used for new construction or renovations.

5. **General**

- (1) Projects are approved and extended for 6 month periods.
- (2) Regardless of property ownership, applicants will be required to pay all property taxes as if owned by the applicant.
- (3) In the event applicant requests approval of a public placement, he should clearly designate such request on the application and should be prepared to provide reasons therefore at the appropriate Board meeting. A rating of AA or better will normally be required.
- (4) Unless otherwise designated, the Board will consider all requests for new issues to be request for private placements. Private placements shall mean that the bonds may not be sold, transferred or assigned by the holder thereof except (1) to an institutional investor and then only for the investment account of such institutional investor, or (2) an individual investor and then only for the account of such individual investor. For this purpose, an institutional investor shall mean a bank, savings and loan association, insurance company, or other financial institution having a combined capital and surplus of not less than \$5,000,000. For this purpose, an individual investor shall mean one whose net worth is certified to be not less than \$1,000,000. Bonds, notes and other documents shall bear an appropriate legend to reflect these restrictions. As a substitute for this, the Board will consider restrictions limiting the minimum bond size to \$100,000.
- (5) In the event that the Board approves a public issue, it will not execute in connection therewith official statements or similar documents deemed by counsel to create unacceptable obligations.
- (6) Documents to be executed by the Board will include the following or similar paragraph:

No recourse under or upon any obligation, covenant, or agreement or in any Bond or coupon, or under any judgment obtained against the Issuer, or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under any circumstances, shall be had against any incorporator member, director or officer, as such, past, present, or future, of the Issuer, either directly or through the Issuer, or otherwise, for the payment for or to the Issuer or any receiver thereof, or for or to the holder of any Bond or coupon issue, of any sum that may be due and unpaid by the Issuer upon any such Bond or coupon. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such incorporator, member, director or officer, as such to respond by reason of any act or omission on his part or otherwise for the payment for or to the Issuer or any receiver thereof, or for or to the holder of any Bond or coupon , of any sum that may remain due and unpaid upon the Bonds and coupons or any of them, is hereby expressly waived and released as a condition of and consideration for the execution of this Indenture and the issue of such bonds and coupons.

The County of Knox, Tennessee, shall not in any event be liable for the payment of the principal of, premium, if any, or interest on any of the Bonds issued, or for the performance of any pledge, mortgage, obligation or agreement of any kind whatsoever herein or indebtedness by the Issuer, and none of the Bonds of the Issuer issued or any of its agreements or obligations herein or otherwise shall be construed to constitute an indebtedness of the County of Knox, Tennessee, within the meaning of any constitutional or statutory provision whatsoever.



*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, 2021 Audit*





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August 10, 2021

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, 2021.

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 "David Hunt". The signature is written in a cursive style.

David Hunt
Principal



***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, 2021 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, 2021, and will issue our reports thereon dated August 10, 2021.

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	Lead Principal
Erica Saeger	Concurring Review
Curtis Payne	Audit Senior Manager
Jane Nutter	Audit Senior

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 2021. 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 and reclassifying entries 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 10, 2021, 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, 2020 through the date of our opinion.

We hereby confirm that as of August 10, 2021, 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 10, 2021

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, 2021 and 2020, 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, 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) 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 in agreement with the adjusting journal entries you have proposed, and they have been posted to the accounts.
- 9) 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.
- 10) Guarantees, whether written or oral, under which the Board is contingently liable, if any, have been properly recorded or disclosed.
- 11) 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

- 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 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.

- 13) All material 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 the risk that the financial statements may be materially misstated as a result of fraud.
- 15) 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.
- 16) 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.
- 17) 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.
- 18) 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.
- 19) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Government—specific

- 20) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 21) The Board has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net position.
- 22) 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.
- 23) 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.

- 24) 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.
- 25) 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.
- 26) 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.
- 27) 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.
- 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) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 39) Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility. No impairment reserves are necessary.
- 40) 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.
- 41) 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.
- 42) 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).
- 43) 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.

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

- a) Assumed all management responsibilities.
- b) Designated Brannon McNeillie, 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

Brannon McNeillie
CPA, Abacus Hive

Board Member

August 10, 2021

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 Health, Education and Housing Facility Board of the County of Knox (the “Board”), which comprise the statements of net position as of March 31, 2021 and 2020, 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 Brannon McNeillie, 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

Brannon McNeillie
CPA, Abacus Hive

Board Member

The Industrial Development Board of the County of Knox

Year End: March 31, 2021

Adjusting journal entries

Date: 4/1/2020 To 3/31/2021

Number	Date	Name	Account No	Reference	Debit	Credit	Recurrence	Misstatement
1	3/31/2021	Accrued Expenses	218-000-000	50-1	12,293.00			
1	3/31/2021	Legal Expense	512-001-000	50-1		12,293.00		
		To reverse the accrued legal fee and legal expense that had been accounted for twice.						
2	3/31/2021	Closing Fee - Historic Knoxville High	128-000-000	C	74,919.00			
2	3/31/2021	Long-Term Closing Fee - Knox High	180-000-000	C		74,919.00		
		To reclassify LT receivable of Knox High closing fees as current.						
					87,212.00	87,212.00		
		Net Income (Loss)	(68,996.00)					

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

Year End: March 31, 2021

Adjusting journal entries

Date: 4/1/2020 To 3/31/2021

Number	Date	Name	Account No	Reference	Debit	Credit	Recurrence	Misstatement
1	3/31/2021	Prepaid Insurance	127-000-000	G-1		5,821.00		
1	3/31/2021	Accounts Payable	200-000-000	G-1	5,821.00			
To reverse FY2022 prepaid insurance expense payment from prepaids and accounts payable.								
					5,821.00	5,821.00		
Net Income (Loss)			20,023.00					