

Board Members:

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



The Industrial Development Board of the County of Knox

Regular Meeting
Tuesday, August 9, 2022, 4:00 p.m.
17 Market Square, #201
Knoxville, Tennessee 37902

AGENDA

- I. Call to Order
- II. Welcome New Board Members – Lisa Rottmann, Lou Moran, III, Charley Bible, and Ford Little
- III. Approval of Minutes from Previous Meeting
 - ACTION** A) Regular Meeting – July 12, 2022
- IV. Presentation and Consideration of Agreed Upon Procedures for 12/31/21 for the Knox County Property Tax Incentive Program
 - ACTION**
- V. Presentation and Consideration of Audited Financial Statements for Year Ended 3/31/22
 - ACTION**
- VI. Review and Consideration of a Resolution Authorizing the issuance of solid waste disposal revenue bonds (Tompaul Knoxville, LLC Recycling Project) tax-exempt (AMT) series 2022 (Green Bonds) in a principal amount not to exceed \$48,500,000 for the benefit of Tompaul Knoxville, LLC to finance the acquisition, construction and equipping of a facility for solid waste processing proposed to be located at 2609 Asbury Road in Knox County, Tennessee.
 - ACTION**
- VII. Old Business
- VIII. New Business
 - A) Committee Appointments at September 13, 2022 Mtg.
 - B) Discussion Regarding Knox County Code of Ethics and State Conflicts of Interest Requirements
- IX. Adjourn

**MINUTES OF THE REGULAR MEETING OF
THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX**

July 12, 2022, 4:00 p.m.

The regular meeting of the Board of Directors of The Industrial Development Board of the County of Knox (the “Industrial Development Board” or “Board”) was held on Tuesday, July 12, 2022, at 4:00 p.m., pursuant to notice duly provided to the Directors and the public. The meeting was held at the offices of the Knoxville Chamber and The Development Corporation of Knox County located at 17 Market Square, #201, Knoxville, Tennessee, 37902.

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

Also, in attendance were Mike Odom (The Development Corporation), Brenda Wilson Spence (The Development Corporation), Mac McWhorter (Knoxville Chamber), Karen Kakanis (Knoxville Chamber), R. Christopher Trump (Legal Counsel – Egerton, McAfee, Armistead & Davis, P.C.), Katrina Vargas (Paralegal - Egerton, McAfee, Armistead & Davis, P.C.), James P. Moneyhun, Jr. (Bass Berry & Sims), Jenni Snodgrass (Fresenius), Caleb Knight (Knoxville Chamber), Doug Lawyer (Knoxville Chamber), Regina Murray (Hall Housing), Culver Schmid (Baker Donelson), Jonathan Mayfield (Home Federal), Kelsey Livingstone (Sparkz), Brian Wanamaker (Hitachi).

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

The Industrial Development Board then discussed the following matters and took the following actions as noted:

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

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

Upon a motion by Tiffany Gardner and a second by Dr. Anthony Wise, the Financial Report as of June 30, 2022 was unanimously accepted. A copy of the financial statements so presented during the report are attached hereto collectively as Exhibit C.

IV. Review and Consideration of a Resolution Regarding an Amendment to Certain Financing Documents Related to Previously Issued Revenue Bonds (Change Center Project), Series 2017.

The Chair recognized Mr. Moneyhun, bond counsel for Applicant, who explained that the intent is to amend bonds previously issued by the Board to finance the construction of The Change Center. Mr. Moneyhun introduced Jonathan Mayfield, from Home Federal Bank., the current bondholder and stated that the amendments will include an extension of the maturity date for an additional three years at an interest rate equal to 4.5%, with 1/3 principal balance to be paid down each year. Discussion was had.

Upon a motion to approve the resolution and waive the application fee by Paul Fortunato, and a second by Tiffany Gardner, the Resolution amending previously issued revenue bonds for The Change Center Project, was unanimously approved. A copy of the resolution as approved is attached hereto as Exhibit D.

V. Review and Consideration of Resolution and Related Agreements Regarding Workforce Training Funds in the total Amount of \$75,000 (\$35,000 for the benefit of Hitachi Zosen Inova USA, LLC, and \$40,000 for the benefit of Sparkz, Inc.).

Doug Lawyer explained the Chamber's Economic Development team has been working with Hitachi Zosen Inova, LLC ("Hitachi") on expanding and locating its North American headquarters in Knoxville at Century Business Park. Mr. Lawyer recognized Brian Wanamaker, legal counsel for Hitachi which is in the business of creating massive waste to energy systems with corporate headquarter expansion on the horizon and providing an average wage \$120k per year and an expected 70 new jobs which will require certain training to equip such employees for the jobs being filled. Mr. Lawyer stated that Sparkz, Inc. ("Sparkz") is a start-up originating from Knoxville, licensing technology developed by ORNL to produce cobalt free lithium-ion batteries. Mr. Lawyer stated that Sparkz is expecting to add 80 new jobs and that such will require certain training to equip such employees for the jobs being filled.

Brian Wanamaker gave a brief overview of the Hitachi Corporation, the parent corporation for Hitachi, stating that Hitachi is a renewable energy division of parent and that Hitachi's corporate headquarters have been located in Knoxville since 2019. Discussion was had.

Abby Rodriguez and Kelsey Livingston gave an overview on Sparkz, battery manufacturing and supply chain, reengineer supply chain and talent pipeline. Sparkz is removing some of the dangerous materials and processing from the manufacturing process. The Knoxville location will be focused on prototyping. Further discussion was had.

Upon a motion by Paul Fortunato, and a second by Tiffany Gardner, the resolution and related agreements regarding workforce training funds for the benefit of Hitachi Zosen Inova USA, LLC, and Sparkz, Inc.) was unanimously approved. A copy of the resolution as approved is attached hereto as Exhibit E.

VI. Review and Consideration of Resolution Regarding Extension of the Measurement

Date for PILOT Lease Agreement with respect to a payment-in-lieu-of-taxes (PILOT) arrangement for Lifetime Products, Inc. for property located at 2015 Eastbridge Boulevard, Mascot, TN 37806.

Mike Odom addressed the Board, explaining a year ago the Board was asked to move the measurement period to expiration in 2022. Mr. Odom introduced Brian Slagel of Lifetime to the Board. Mr. Slagel stated that Lifetime is requesting more time as a result of their difficulty in hiring the requisite number of employees to satisfy the PILOT requirements, such difficulty being due primarily related to COVID. He stated that they also plan on expanding on an additional 35-40 acre tract adjacent to the property subject to the PILOT. Lifetime is requesting another year extension of the measurement period for the PILOT to provide additional time to hire employees. Mr. McWhorter asked for Mr. Slagel to explain if the temporary employees are a product of the market or part of their business model. Mr. Slagel clarified that the company's business model is to hire temporary employees and then subsequently convert them to permanent employment. Mr. Fortunato asked what the percentage of retention of the temporary employees, and Mr. Slagel stated that it is 55.9%. Mr. Odom also stated that because this matter is in part related to COVID that he is recommending that the agenda fee be waived. Discussion was had.

Upon a motion to approve the resolution and waive the agenda fee by Tiffany Gardner, and a second by Mike George, the Resolution regarding extension of the measurement date for PILOT lease agreement with respect to a payment-in-lieu-of-taxes (PILOT) arrangement for Lifetime Products, Inc., and waiver of the agenda fee was unanimously approved. A copy of the resolution as approved is attached hereto as Exhibit F.

VII. Review and Consideration of Resolution Regarding Extension of the Term of a PILOT Lease Agreement with respect to payment-in-lieu-of-taxes (PILOT) arrangement for Fresenius USA Manufacturing, Inc. for property located at 5105 S. National Dr., Knoxville, TN, 37914.

Mike George abstained from the voting and the discussion. Mike Odom explained Fresenius received an 8 year PILOT in 2015, and that the measurement period under the Lease is set to expire in August 2022. Mr. Odom stated that workforce challenges have resulted in additional automation of a significant portion of their facility, requiring less employees than the amount required under the PILOT lease. He stated that Fresenius incurred significantly higher capital investment and has hired employees at a significantly higher wage rate, as a result of needing more technical, in each case, as required under the PILOT lease. He stated if you scored the PILOT now, that Fresenius would be entitled to a two (2) year extension, despite the inability to meet the employment requirements in the Lease. Mr. Trump explained that in August, Fresenius will be required to submit supporting documentation for capital investment, employment and wages, but that Fresenius does not expect to meet the employment target. He stated that Fresenius would not be entitled to the extension unless the potential default is waived. Mr. Odom also stated that because this matter is in part related to COVID that he is recommending that the agenda fee be waived. Discussion was had.

Upon a motion to approve the resolution and waive the application fee by Tiffany Gardner, and a second by Dr. Anthony Wise, the Resolution regarding extension of the term of the PILOT lease agreement with respect to a payment-in-lieu-of-taxes (PILOT) arrangement for Fresenius

USA Manufacturing, Inc., and waiver of application fee was unanimously approved. A copy of the resolution as approved is attached hereto as Exhibit G.

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

The Chair stated that the resolution regarding Signature Card Authorizations is in the Board's packet and that the resolution is before the Board for its approval. The Chair asked if there were any comments or questions. With the revision of title for Mike Odom to include "Interim" in title. Upon a motion made by Julie Wheeler and seconded by Dr. Anthony Wise, the signature card resolution with revision was unanimously approved. A copy of the resolution as approved is attached hereto as Exhibit H.

IX. Review and Consideration of a Resolution Regarding the Appointment of a Representative to the Greater Knoxville Foreign Trade Zone Advisory Council.

Mr. Odom proposed Cody Chasen to be added to the Greater Knoxville Foreign Trade Zone Advisory Council as board representative. Mr. Trump stated that the resolution provided in the Board packet accomplishes this appointment. Upon a motion made by Tiffany Gardner and seconded by Mike George, the resolution attached hereto as Exhibit I was unanimously approved.

X. Old Business. Mr. Fortunato presented a plaque to Ms. Wheeler and Chair, Greg McWhorter as a retiring board members. Mr. Fortunato wanted to acknowledge their service on behalf of the Board. Mr. McWhorter presented a "gavel" to Paul Fortunato for his upcoming service as Chair.

XI. New Business. None.

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

XIII. 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 4:53 p.m.

Dated

Tiffany E. Gardner, Secretary

EXHIBITS

- Exhibit A Agenda – July 12, 2022
- Exhibit B Meeting Minutes – June 14, 2022
- Exhibit C Financial Report
- Exhibit D Resolution Regarding an Amendment to Certain Financing Documents Related to Previously Issued Revenue Bonds (Change Center Project), Series 2017
- Exhibit E Resolution and Related Agreements Regarding Workforce Training Funds in the total Amount of \$75,000 (Hitachi Zosen Inova USA, LLC and Sparkz, Inc.)
- Exhibit F Resolution Regarding Extension of the Measurement Date for PILOT Lease Agreement with respect to a payment-in-lieu-of-taxes (PILOT) arrangement for Lifetime Products, Inc.
- Exhibit G Resolution Regarding Extension of the Term of a PILOT Lease Agreement with respect to payment-in-lieu-of-taxes (PILOT) arrangement for Fresenius USA Manufacturing, Inc.
- Exhibit H Resolution Regarding the Appointment of Authorized Signatories for Banking Matters

**THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF KNOX**

AGREED-UPON PROCEDURES

DECEMBER 31, 2021

Independent Accountant's Report on Applying Agreed-Upon Procedures

The Board of Directors and Senior Management
The Industrial Development Board of the County of Knox
Knoxville, Tennessee

We have performed the procedures enumerated below, which were agreed to by The Industrial Development Board of the County of Knox (the "Board"), solely to assist the Board in assessing whether all applicable information has been submitted and whether the lessees have complied with the requirements of the leases as of December 31, 2021. The Board's management is responsible for the administration of the leases.

The Board has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting the Board in assessing whether all applicable information has been submitted and whether the lessees have complied with the requirements of the leases as of December 31, 2021. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

Our procedures and findings are as follows:

1. We reviewed the listing of companies participating in the Property Tax Incentive Program to determine if all companies have submitted the required information as per the lease sections as follows:
 - a. 6.11 for Ridgebrook II, L.P. - No exceptions noted.
 - b. 7.4 for Green Mountain Coffee Roasters, Inc. - No exceptions noted.
 - c. 7.4 for Oakwood Senior Living, LLC - No exceptions noted.
 - d. 5.06 for Markets at Choto, LLC - No exceptions noted.
 - e. 5.06 for Marble Alley Lofts, LLC - No exceptions noted.
 - f. 5.06 for Lifetime Products, Inc. - No exceptions noted.
 - g. 5.06 for Fresenius USA Manufacturing, Inc. - No exceptions noted.

- h. 5.06 for America's Collectibles Network, Inc. – No exception noted.
 - i. 7.4 for Dover Development Corp. (Knox High Independent Living) - No exceptions noted.
 - j. 7.4 for White Oak Crossing, L.P. - No exceptions noted.
 - k. 5.06 for SCAPA Tapes North America, LLC - No exceptions noted.
 - l. 4.02 for ELO Touch Solutions, Inc. - No exceptions noted.
2. We reviewed the annual Property Tax Incentive Program Performance Reports (“Performance Report”) submitted to verify the documents are complete and properly certified as evidenced by a signature - No findings noted. Reports appeared complete and properly certified when filed.
3. We reviewed the information contained in the Property Tax Incentive Program Performance Reports and compared it to the application data to verify the participant has complied with the project investment, the job requirements, and the wage requirements within the specified time frame as well as the environmental requirements as stated in the lease sections as follows:
- a. 6.11(d) for Ridgebrook II, L.P. - No exceptions noted.
 - b. 10.1(b) for Green Mountain Coffee Roasters, Inc. - No exceptions noted.
 - c. 3.2 for Oakwood Senior Living, LLC - No exceptions noted.
 - d. 2.01 for Markets at Choto, LLC - No exceptions noted.
 - e. 9.01(b) for Marble Alley Lofts, LLC - No exceptions noted.
 - f. 3.01 for Lifetime Products, Inc. - No exceptions noted as Lifetime Products compliance with project investment, job requirements, and wage requirements are not yet required. Lifetime was approved a one-year extension of the Measurement Period to meet its employment and capital investment thresholds through July 29, 2022. The applicant has submitted a request for an additional one-year extension through July 29, 2023.
 - g. 3.01 for Fresenius USA Manufacturing, Inc. - While Fresenius USA has well exceeded the capital improvements and wages requirement under the lease agreement, the applicant has not satisfied the number of jobs required by the lease agreement. The applicant has requested the Board waive all defaults and an extension of the lease agreement for an additional two years, or until December 31, 2024. The Board has approved the extension; therefore, compliance is not required until December 31, 2024.

- h. 3.01 for America's Collectibles Network, Inc. - No exceptions noted.
 - i. 3.1 for Dover Development Corp. (Knox High Independent Living) - No exceptions noted.
 - j. 3.1 for White Oak Crossing, L.P. - No exceptions noted.
 - k. 5.06 (c) for SCAPA Tapes North America, LLC - No exceptions noted.
 - l. 9.01 (b) for ELO Touch Solutions, Inc. - No exceptions noted.
4. We compared the information contained in the certificate of liability insurance and verified if it is adequate as compared to the requirements in the lease sections as follows:
- a. 6.4(c) and 6.4(f) for Ridgebrook II, L.P. - No exceptions noted.
 - b. 8.1 and 8.2 for Green Mountain Coffee Roasters, Inc. - No exceptions noted.
 - c. 8.1 and 8.2 for Oakwood Senior Living, LLC - No exceptions noted.
 - d. 7.01 and 7.02 for Markets at Choto, LLC - No exceptions noted.
 - e. 7.01 and 7.02 for Marble Alley Lofts, LLC - No exceptions noted.
 - f. 7.01 and 7.02 for Lifetime Products, Inc. - No exceptions noted.
 - g. 7.01 and 7.02 for Fresenius USA Manufacturing, Inc. - No exceptions noted.
 - h. 7.01 and 7.02 for America's Collectibles Network, Inc. - No exceptions noted.
 - i. 8.1 and 8.2 for Dover Development Corp. (Knox High Independent Living) - No exceptions noted.
 - j. 8.1 and 8.2 for White Oak Crossing, L.P. - No exceptions noted.
 - k. 7.01 for SCAPA Tapes North America, LLC - No exceptions noted.
 - l. 7.01 for ELO Touch Solutions, Inc. - No exceptions noted.

* * * * *

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the compliance with the leases. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than the specified party.

Nashville, Tennessee
August XX, 2022



*The Industrial Development Board
of the County of Knox*

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

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





Table of Contents

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



August 9, 2022

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

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

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

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

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

Very truly yours,

CROSSLIN, PLLC

A handwritten signature in black ink that reads "Curtis Payne". The signature is written in a cursive style with a large, stylized "C" and "P".

Curtis Payne
Director



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



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

Report on Financial Statements

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

Required Communications

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

Our Responsibility under U.S. Generally Accepted Auditing Standards

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

Our responsibility, as prescribed by professional standards, is to plan and perform our audits to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audits, we considered the internal control of the Boards solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

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



Planned Scope and Timing of the Audit

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

Engagement Personnel

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

Significant Accounting Policies

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

Accounting Estimates

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

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



Audit Adjustments

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

Disagreements with Management

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

Representations Required from Management

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

Consultations with Other Independent Accountants

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

Issues Discussed Prior to our Selection as Independent Auditors

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



Difficulties Encountered in Performing the Audit

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

Fraud and Illegal Acts

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

Independence

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

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

Other Written Communications

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

August 9, 2022

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

This representation letter is provided in connection with your audit of the financial statements of the Industrial Development Board of the County of Knox (the “Board”), which comprise the statements of net position as of March 31, 2022 and 2021, and the respective statements of revenue, expenses and changes in financial position and cash flows for the years then ended, and the related notes to the financial statements (collectively, the “financial statements”), for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

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

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

Financial Statements

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

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

Information Provided

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

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

Government—specific

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

the audit objectives, and any other instances that warrant the attention of those charged with governance.

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

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

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

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

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

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

THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX

Karen Kakanis
Director of Financial Operations
Knoxville Chamber

Mike Odom
President & CEO, Knoxville Chamber

August 9, 2022

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

This representation letter is provided in connection with your audits of the financial statements of The Health, Education and Housing Facility Board of the County of Knox (the “Board”), which comprise the statements of net position as of March 31, 2022 and 2021, and the respective statements of revenue, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

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

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

Financial Statements

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

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

Information Provided

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

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

Government—specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) The Board has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net position.
- 21) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

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

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

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

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

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

Karen Kakanis
Director of Financial Operations
Knoxville Chamber

Mike Odom
President & CEO, Knoxville Chamber

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

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

RESOLUTION AUTHORIZING ISSUANCE OF NOT TO EXCEED \$48,500,000 SOLID WASTE DISPOSAL REVENUE BONDS (TOMPAUL KNOXVILLE, LLC RECYCLING PROJECT) TAX-EXEMPT (AMT) SERIES 2022 (GREEN BONDS)

WHEREAS, The Industrial Development Board of the County of Knox (the “Issuer”) is an industrial development corporation created by Knox County, Tennessee and is duly incorporated pursuant to Sections 7-53-101 *et seq.*, Tennessee Code Annotated (the “Act”);

WHEREAS, the Issuer has been requested to assist Tompaul Knoxville, LLC, a Tennessee limited liability company (the “Borrower”), which is a wholly owned subsidiary of Tompaul Joint Ventures, LLC (which, in turn, is a wholly owned subsidiary of Tompaul Industries, LLC, a Delaware limited liability company), to finance the construction, acquisition, installation, furnishing, and equipping of an automotive shredder residue processing and recycling facility and related facilities to be located at 2609 Asbury Road in the City of Knoxville, Knox County, Tennessee (the “Project”); and

WHEREAS, the Issuer proposes to lend money to the Borrower for such purposes, all on the terms and conditions contained in a Loan Agreement (the “Loan Agreement”) to be entered into by and between the Issuer and the Borrower; and

WHEREAS, in order to obtain funds for such purposes, the Issuer proposes to authorize the issuance, sale, and delivery, pursuant to the provisions of the Act, of its Solid Waste Disposal Revenue Bonds (Tompaul Knoxville, LLC Recycling Project) Tax-Exempt (AMT) Series 2022 (Green Bonds) in the principal amount of not to exceed \$48,500,000 (the “Bonds”), to be secured by and to contain such terms and provisions as are set forth in a Placement Agreement (the “Placement Agreement”) to be entered into among the Issuer, the Borrower, and B.C. Ziegler and Company, as placement agent (the “Placement Agent”), and a Trust Indenture (the “Trust Indenture”) to be entered into between the Issuer and UMB Bank, N.A., as trustee (the “Trustee”), with the proceeds from the sale of the Bonds to be disbursed as set forth in the Trust Indenture and the Loan Agreement; and

WHEREAS, the officers of the Issuer have caused to be presented to this meeting the following documents which the Issuer proposes to accept or to execute and deliver:

1. The form of Loan Agreement between the Issuer and the Borrower.
2. The form of Trust Indenture between the Issuer and the Trustee.
3. The form of a promissory note in the principal amount of up to \$48,500,000 (the “Note”) to be executed by the Borrower, delivered to the Issuer pursuant to the Loan Agreement.
4. The form of Placement Agreement by and among the Issuer, the Borrower, and the Placement Agent.
5. The form of the Bonds.

6. The form of Preliminary Limited Offering Memorandum (the “Preliminary Limited Offering Memorandum”) of the Issuer.

WHEREAS, it appears that each of the instruments above referred to which is now before this meeting is in appropriate form and is an appropriate instrument to be accepted or executed and delivered by this Issuer for the purposes intended.

NOW, THEREFORE, BE, AND IT IS HEREBY RESOLVED, by the Board of Directors of The Industrial Development Board of the County of Knox as follows:

RESOLVED, That the form, terms and provisions of the Loan Agreement, the Trust Indenture, the Placement Agreement, and the Preliminary Limited Offering Memorandum which are before this meeting be and they are hereby approved and the Chair or Vice Chair and Secretary or Assistant Secretary of the Issuer be and they are hereby authorized, empowered, and directed to execute, acknowledge, and deliver the Loan Agreement, the Trust Indenture, the Placement Agreement, and the Preliminary Limited Offering Memorandum in the name and on behalf of the Issuer; that said instruments are to be in substantially the forms now before this meeting and hereby approved, or with such changes therein as shall be approved by the officers of the Issuer executing the same, their execution thereof to constitute conclusive evidence of their approval of any and all changes or revisions therein, including but not limited to such changes as may be necessary to accommodate a limited public offering or private placement of the Bonds; and that from and after the execution and delivery of said instruments the officers of the Issuer are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of said instruments as executed; and, further,

RESOLVED, That the form, terms and provisions of the Note which is before this meeting be and it is hereby approved, and the Chair or Vice Chair and Secretary or Assistant Secretary of the Issuer be and they are hereby authorized, empowered and directed to accept delivery of said instrument (and to endorse the Note) on behalf of the Issuer in substantially the form now before this meeting and hereby approved, or with such changes therein as shall be approved by the officers of the Issuer executing the Loan Agreement, their execution of the Loan Agreement to constitute conclusive evidence of their approval of any and all such changes or revisions; and, further,

RESOLVED, That the form, terms and provisions of the Bonds which are before this meeting be and they are hereby approved and the Chair or the Vice Chair and the Secretary or the Assistant Secretary of the Issuer be and they are hereby authorized, empowered, and directed to execute and acknowledge the Bonds in the name and on behalf of the Issuer, and thereupon to deliver the Bonds to the purchaser thereof upon payment therefor as provided in the Placement Agreement and the Trust Indenture; that the Bonds are to be in substantially the form now before this meeting and hereby approved, or with such changes therein as shall be approved by the officers of the Issuer executing the same, their execution thereof to constitute conclusive evidence of their approval of any and all changes or revisions therein from the form of Bonds now before this meeting; and, further,

RESOLVED, That the Bonds, and the interest payable thereon, are limited obligations 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 Trust Indenture; and, further,

RESOLVED, That neither Knox County, Tennessee (the "Local Government") nor 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 Bonds, or for the performance of any pledge, mortgage, obligation, agreement, or certification, of any kind whatsoever of the Issuer, and neither the Bonds nor any of the pledges, mortgages, agreements, obligations, or certifications of the Issuer shall be construed to constitute an indebtedness of the Local Government, or any other political subdivision thereof, within the meaning of any constitutional or statutory provisions whatsoever; and, further,

RESOLVED, That no recourse under, or upon, any statement, obligation, covenant, agreement, or certification, contained in any of the foregoing documents, including, without limitation, the Bonds, the Trust Indenture, the Loan Agreement, the Placement Agreement, and the Preliminary Limited Offering Memorandum 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 of any constitution or statute or otherwise, or under any circumstances, under or independent of the foregoing documents, including, without limitation the Bonds; 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 Bonds, for any sum that may be due and unpaid by the Borrower upon the Bonds 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 owner of the Bonds, of the principal of, or the premium, if any, or interest on, the Bonds, 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 Bonds; and further

RESOLVED, That all acts of any of the officers of the Issuer which are in conformity with the purposes and intent of this resolution and in furtherance of the issuance and sale of the Bonds, including without limitation, the execution and delivery of other documents in connection therewith, shall be and the same hereby are in all respects, approved, and confirmed.

STATE OF TENNESSEE

COUNTY OF KNOX

I, _____, _____ of The Industrial Development Board of the County of Knox (the "Issuer") do hereby certify that the foregoing is a true and complete extract of the minutes of the Board of Directors of the Issuer at a meeting duly called and held on _____, 2022, 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 INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF KNOX**

Dated: _____, 2022

HOUSE BILL 831

By Kumar

AN ACT to amend Tennessee Code Annotated, Title 7,
Chapter 53, relative to the board of directors of
industrial development corporations.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE: SECTION

1. Tennessee Code Annotated, Section 7-53-301, is amended by designating the existing language as subsection (a) and adding the following as a new subsection (b):

(b) Each director of an industrial development corporation board shall complete a conflict of interest statement acknowledging that the director has received a copy of § 12-4-101. The statement must include acknowledgements that the director understands that the director is required to refrain from voting on matters in which the director is directly interested and that the director must disclose any matter in which the director is indirectly interested before voting on the matter. The Tennessee ethics commission shall publish a sample conflict of interest statement on its public website.

SECTION 2. This act takes effect July 1, 2021, the public welfare requiring it.

HB0831
000798
- 1 -

CONFLICT OF INTEREST STATEMENT

In accordance with Tenn. Code Ann. § 7-53-301 and as a member of the board of directors of The Industrial Development Board of the County of Knox an industrial development corporation, I hereby acknowledge and affirm my understanding of the following:

1. I have received a copy of Tenn. Code Ann. § 12-4-101.
2. I understand that I am required to refrain from voting on matters in which I am directly interested, as defined by Tenn. Code Ann. § 12-4-101(a)(1), and that I must disclose any interest in any matter in which I am indirectly interested, as defined by Tenn. Code Ann. § 12-4-101(b), before voting on the matter.

Signature

Date

**THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF KNOX**

FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2022 AND 2021

DRAFT

THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX

Table of Contents

	<u>Page</u>
BOARD MEMBERS.....	ii
INDEPENDENT AUDITOR’S REPORT.....	1
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	4
FINANCIAL STATEMENTS	
Statements of Net Position.....	8
Statements of Revenue, Expenses, and Changes in Net Position.....	9
Statements of Cash Flows.....	10
Notes to Financial Statements	11
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	17
SCHEDULE OF PRIOR YEAR FINDINGS	19

THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX

BOARD MEMBERS

At March 31, 2022

Board Members

Greg McWhorter
Paul Fortunato
Tiffany Gardner
Julie Wheeler

Chairman
Vice Chairman
Secretary/Treasurer
Asst. Secretary/Treasurer

Other Board Members

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

Legal Counsel

R. Christopher Trump

Legal Counsel to the Board

Independent Auditor's Report

To the Board of Directors of
The Industrial Development Board of the County of Knox
Knoxville, Tennessee

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

To the Board of Directors of
The Industrial Development Board of the County of Knox

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

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

To the Board of Directors of
The Industrial Development Board of the County of Knox

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The schedule of board members on page ii, as required by the State of Tennessee, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of board members has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2022 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Board's internal control over financial reporting and compliance.

Nashville, Tennessee
August xx, 2022

THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED MARCH 31, 2022 AND 2021

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

Financial Highlights

- The assets of the Board exceeded its liabilities at the close of the most recent fiscal year by \$610,068 (net position). Net position amounted to \$687,578 and \$760,322 at March 31, 2020 and 2019, respectively.
- The Board's net position decreased by \$77,510, \$72,744, and \$45,713 in 2022, 2021, and 2020, respectively. The decrease in 2020 is due to a decrease in contribution and closing revenue. The decrease in 2021 is primarily related to the decrease in PILOT and fee revenue. The decrease in 2022 is primarily related to no closing revenue occurring during the year.
- The Board's total liabilities increased by \$858,019 in 2022 and decreased by \$870,205 in 2021. The fluctuation for both years is related to the ending funds held for the Grassy Creek Project.

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 associated with the programs, contributions, and sale of land. Operating expenses include the cost of the land sold, land maintenance costs, contractual services, and professional fees. Revenues and expenses also include lease payments under the Knox County Property Tax Incentive Program (also referred to as the payments in lieu of property taxes or PILOT program). Previously, lease payments were made directly to the taxing authority but are now collected by the Board to ensure compliance with the lease agreement.

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

THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)

Overview of the Financial Statements - Continued

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.

Financial Analysis

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

	<u>Statements of Net Position</u>		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 161,797	\$ 436,685	\$ 299,700
Funds held for others	1,752,159	620,339	1,661,155
Accounts receivable	-	2,000	3,748
Other receivables	-	74,919	37,459
Prepaid expenses	3,934	3,438	3,349
Total current assets	<u>1,917,890</u>	<u>1,137,381</u>	<u>2,005,411</u>
Other receivables, long-term	<u>450,000</u>	<u>450,000</u>	<u>524,919</u>
Total assets	<u>2,367,890</u>	<u>1,587,381</u>	<u>2,530,330</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	5,663	279,464	108,853
Other liabilities	<u>1,752,159</u>	<u>620,339</u>	<u>1,661,155</u>
Total liabilities	<u>1,757,822</u>	<u>899,803</u>	<u>1,770,008</u>
NET POSITION			
Unrestricted	<u>610,068</u>	<u>687,578</u>	<u>760,322</u>
Total net position	<u>\$ 610,068</u>	<u>\$ 687,578</u>	<u>\$ 760,322</u>

- At the close of the 2022 fiscal year, the Board’s assets exceeded liabilities by \$610,068. At the close of the 2021 and 2020 fiscal years, the Board’s assets exceeded liabilities by \$687,578 and \$760,322, respectively. The Board’s net position decreased by \$77,510, \$72,744, and \$45,713 in 2022, 2021, and 2020, respectively. The decrease in 2020 is due to a decrease in contribution and closing revenue. The decrease in 2021 is due to the decreases in PILOT and fee revenue. The decrease in 2022 is primarily related to no closing revenue occurring during the year.

THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis - Continued

The following table provides a summary of the changes in net position for fiscal year 2022, 2021 and 2020:

Statements of Revenues, Expenses and Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenue			
Closing revenue	\$ -	\$ 11,325	\$ -
PILOT	409,924	365,333	407,849
Base rent revenue	10,700	8,700	8,700
Oakwood Senior Living	77,000	77,000	77,000
Fees	4,000	-	22,000
Agenda revenue	-	500	500
Grant revenue	1,724,755	-	-
Total operating revenue	<u>2,226,379</u>	<u>462,858</u>	<u>516,049</u>
Operating Expenses			
PILOT	409,924	365,333	407,849
Professional services	37,563	34,038	22,500
Administrative	49,000	49,000	49,000
Insurance	3,796	3,661	3,663
Operating	1,001	911	887
Advertising	924	1,971	1,036
Bad debt	-	3,748	-
Grant expense	1,724,755	-	-
Total operating expenses	<u>2,226,963</u>	<u>458,662</u>	<u>484,935</u>
Operating (loss) income	(584)	4,196	31,114
Non-Operating (Expense) Income			
Contribution of investments to outside entity	(77,000)	(77,000)	(77,000)
Interest income	74	60	173
Total non-operating expense, net	<u>(76,926)</u>	<u>(76,940)</u>	<u>(76,827)</u>
Change in net position	(77,510)	(72,744)	(45,713)
Net position at the beginning of the year	<u>687,578</u>	<u>760,322</u>	<u>806,035</u>
Net position at the end of the year	<u>\$ 610,068</u>	<u>\$ 687,578</u>	<u>\$ 760,322</u>

The Board's net position as of March 31, 2022 totaled \$610,068. The unrestricted balance may be used to meet the Board's ongoing objectives and obligations of promoting economic development in Knox County.

THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis - Continued

The Board’s operating revenue continues to come from two sources: fee and closing income and interest on investments, with other revenues representing flow through transactions. The following table provides a summary of cash receipts and disbursements for fiscal years 2022, 2021, and 2020:

Statements of Cash Flows

	2022	2021	2020
Cash Flows from Operating Activities			
Receipts from PILOT program	\$ 409,924	\$ 365,333	\$ 407,849
Receipts from base rent revenue	10,700	8,700	8,700
Receipts from closing revenue	-	11,325	-
Receipts from agenda revenue	-	500	500
Receipt from third party building renovations	77,000	77,000	77,000
Receipt from fees	6,000	35,459	24,874
Receipts from grant revenue	1,724,755	-	-
Payments for grant expense	(1,724,755)	-	-
Payments for PILOT program	(409,924)	(239,910)	(311,766)
Payments to vendors	(317,581)	(32,941)	(23,433)
Payments to administrators	(49,000)	(49,000)	(49,000)
	<u>(272,881)</u>	<u>176,466</u>	<u>134,724</u>
Net cash flows (used in) provided by operating activities			
Cash Flows from Investing Activities			
Contribution of funds to related party	(77,000)	(77,000)	(77,000)
Receipt of long-term receivable	74,919	37,459	37,459
Advance to TDC	-	-	(450,000)
Interest received	74	60	173
	<u>(2,007)</u>	<u>(39,481)</u>	<u>(489,368)</u>
Net cash flows used in investing activities			
Net change in cash and cash equivalents	(274,888)	136,985	(354,644)
Cash and cash equivalents at the beginning of the year	<u>436,685</u>	<u>299,700</u>	<u>654,344</u>
Cash and cash equivalents at the end of the year	<u>\$ 161,797</u>	<u>\$ 436,685</u>	<u>\$ 299,700</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 Industrial Development Board of the County of Knox, 17 Market Square, #201, Knoxville, Tennessee 37902-1405.

THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX
STATEMENTS OF NET POSITION
MARCH 31, 2022 AND 2021

	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 161,797	\$ 436,685
Funds held for others	1,752,159	620,339
Accounts receivable	-	2,000
Other receivables	-	74,919
Prepaid expenses	3,934	3,438
Total current assets	1,917,890	1,137,381
Other receivables, long-term	450,000	450,000
Total assets	2,367,890	1,587,381
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	5,663	279,464
Other liabilities	1,752,159	620,339
Total liabilities	1,757,822	899,803
NET POSITION		
Unrestricted	610,068	687,578
Total net position	\$ 610,068	\$ 687,578

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

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED MARCH 31, 2022 AND 2021**

	2022	2021
Operating Revenue		
Closing revenue	\$ -	\$ 11,325
PILOT	409,924	365,333
Base rent revenue	10,700	8,700
Oakwood Senior Living	77,000	77,000
Fees	4,000	-
Agenda revenue	-	500
Grant revenue	1,724,755	-
	2,226,379	462,858
Operating Expenses		
PILOT	409,924	365,333
Professional services	37,563	34,038
Administrative	49,000	49,000
Insurance	3,796	3,661
Operating	1,001	911
Advertising	924	1,971
Bad debt	-	3,748
Grant expense	1,724,755	-
	2,226,963	458,662
Operating (loss) income	(584)	4,196
Non-Operating (Expense) Income		
Contribution of investments to outside entity	(77,000)	(77,000)
Interest income	74	60
	(76,926)	(76,940)
Change in net position	(77,510)	(72,744)
Net position at the beginning of the year	687,578	760,322
Net position at the end of the year	\$ 610,068	\$ 687,578

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

THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2022 AND 2021

	2022	2021
Cash Flows from Operating Activities		
Receipts from PILOT program	\$ 409,924	\$ 365,333
Receipts from base rent revenue	10,700	8,700
Receipts from closing revenue	-	11,325
Receipts from agenda revenue	-	500
Receipt from third party building renovations	77,000	77,000
Receipt from fees	6,000	35,459
Receipts from grant revenue	1,724,755	-
Payments for grant expense	(1,724,755)	-
Payments for PILOT program	(409,924)	(239,910)
Payments to vendors	(317,581)	(32,941)
Payments to administrators	(49,000)	(49,000)
	<u>(272,881)</u>	<u>176,466</u>
Net cash flows (used in) provided by operating activities		
Cash Flows from Investing Activities		
Contribution of funds to related party	(77,000)	(77,000)
Receipt of long-term receivable	74,919	37,459
Interest received	74	60
	<u>(2,007)</u>	<u>(39,481)</u>
Net cash flows used in investing activities		
Net change in cash and cash equivalents	(274,888)	136,985
Cash and cash equivalents at the beginning of the year	<u>436,685</u>	<u>299,700</u>
Cash and cash equivalents at the end of the year	<u>\$ 161,797</u>	<u>\$ 436,685</u>
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities		
Operating (loss) income	\$ (584)	\$ 4,196
Decrease in accounts receivable	2,000	1,748
(Decrease) increase in accounts payable	(273,801)	170,611
	<u>(272,881)</u>	<u>176,466</u>
Net cash (used in) provided by operating activities	<u>\$ (272,881)</u>	<u>\$ 176,466</u>

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

THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity

The Industrial Development 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 7-53-101 et seq (the “Act”). The Board performs public functions on behalf of Knox County (the “County”) and its purpose is to undertake the financing and development of projects deemed by the Act to promote industry, trade, commerce, tourism and recreation, and housing construction. The Board participates in economic development activities by serving as a non-recourse conduit for taxable or tax-free financing for industrial projects. Some projects are structured as lease transactions, with the Board holding title to the property and leasing the property to the tenant. The lease may then be pledged to a lender to secure project financing. In other cases, title of the property remains in the leasing business entity, and the Board serves as a conduit lender, with the real estate project pledged as collateral.

The Board periodically issues tax exempt revenue bonds in accordance with the Board’s enabling legislation. The bonds are payable solely from the revenues of the projects and the assets of the applicable borrower.

Financial Reporting Entity

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.

In evaluating how to define the Board for financial reporting purposes, management has determined there are no entities over which the Board exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the Board. Therefore, the Board has no component units.

THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 non-operating 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 fee income associated with the programs, contributions, remittance of property tax, property leasing income, and sale of land. Operating expenses include the cost of the land sold, land maintenance costs, contractual services, remittance of property tax and professional fees. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Net Position Classification

Net position represents the difference between assets and liabilities. Net position is classified into three components as defined below:

- 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." These net positions are available for current use by the Board.
- 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.

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.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Board considers certificates of deposit and highly liquid instruments with original maturities of three months or less when purchased to be cash equivalents.

THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Conduit Debt Obligations

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

- In September 2011, the Board approved a tax increment financing for Northshore Market Investors, LLC for the Northshore Town Center Project. The notes are to be paid from the increase in tax revenue in the plan area. The Board will receive, as a conduit, \$6,000,000 from the County and \$3,000,000 from the City in tax increment revenue. As of March 31, 2022, the \$3,000,000 from the City has been retired and the \$6,000,000 from the County has been refinanced at \$2,507,841. The tax increment notes mature October 5, 2027. The Board has no obligation to pay if they do not receive the monies from the City and County.
- In July 2017, the Board approved a tax-exempt revenue bond for The Change Center which will be used to fund capital expenditures. The face amount of the debt obligation is \$2,300,000. The Board is not responsible for any of this amount.
- In August 2019, the Board approved a tax-exempt revenue bond for the Knoxville Zoological Garden, Inc. 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 September 2019, the Board approved a tax-exempt revenue bond for the Young Men's Christian Assistance of East Tennessee to refund existing bonds. The face of the debt obligation is \$5,500,000. The Board is not responsible for this amount.
- In November 2019, the Board approved a tax-exempt revenue bond for Grassy Creek to fund capital expenditures. The face of the debt obligation is \$2,500,000. The Board is not responsible for this amount.
- In February 2020, the Board approved a tax-exempt revenue bond for the Boys & Girls Club of the Tennessee Valley to refund existing bonds. The face of the debt obligation is \$8,792,873. The Board is not responsible for this amount.

THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

As of March 31, 2022, the Board had total outstanding debt obligations, for the debt listed above, in the amount of \$12,928,570. The face value for the debt obligations totaled \$36,600,714.

Revenue Recognition

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.

Contributions

From time to time, the Board receives contributions from other governments to promote projects that benefit the region. These funds are then utilized by the Board or contributed to local developers or others who facilitate the projects.

Use of Estimates

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

NOTE 2 - CONCENTRATIONS OF CREDIT RISKS

As of March 31, 2022, the Board maintained one deposit account with Regions bank with a balance of \$543,129. In addition, the Board maintains two deposit accounts with Pinnacle Bank for a total balance of \$1,370,397, and one deposit account with SmartBank for a total balance of \$430. Deposit accounts total \$1,913,956 and are reported in the statements of net position as cash and cash equivalents of \$161,797 and funds held for others of \$1,752,159.

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

THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2022 AND 2021

NOTE 3 - ADMINISTRATIVE SERVICES AGREEMENT

The Board has an administrative services agreement with The Development Corporation. The Development Corporation provides administrative services to the Board for a fee of \$4,083 per month (\$49,000 per year). These services include clerical and personnel services and other ordinary, necessary services for the Board, including the retention and maintenance of records. The fee will be paid from the proceeds from the sale or lease of all or any part of the Board's properties or as a result of any agreement entered into. 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 such properties sufficient to pay the same, and after payment of any expenses incurred by the Board in connection with such properties. 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 4 - KNOX COUNTY PROPERTY TAX INCENTIVE PROGRAM

In January 2003, Knox County, Tennessee approved policies related to the establishment of a Property Tax Incentive Program (the "Program"), to be administered by the Board. The Program is an economic development incentive that can be provided to industrial, pollution control, distribution, office and service projects based on the potential economic benefit to the City/County. The primary role the Board serves for the County is to determine whether a project is in the public interest, according to objective criteria based upon the economic and physical development policies of the County, and to determine the term of the tax incentive transaction for each project. Under the Program, City and County property values are normally frozen at 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. 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. There were no closings during fiscal year 2022 and a total of twelve current projects. There was one closing during fiscal year 2021.

THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2022 AND 2021

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 xx, 2022, the date at which the financial statements were available for issuance, and has determined that there were no subsequent events requiring disclosure.

DRAFT

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 Industrial Development 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 Industrial Development Board of the County of Knox (the "Board"), as of and for the year ended March 31, 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated August xx, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors of
The Industrial Development 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 Board'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 xx, 2022

THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED MARCH 31, 2022

The Board had no prior year audit findings.

DRAFT