

**Board Members:**

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



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

Regular Meeting  
Tuesday, September 12, 2023, 4:15 p.m.  
17 Market Square, #201  
Knoxville, Tennessee 37902

**AGENDA**

- I. Call to Order
- ACTION** II. Approval of Minutes from Previous Meeting
  - a) Regular Meeting – August 8, 2023
- ACTION** III. Review and Consideration of a Final Bond Resolution of the Board of Directors of The Health, Educational and Housing Facility Board of the County of Knox Relative to a Proposed Revenue Bond Issue for Ridgebrook Housing I, LLC in a Principal Amount Not to Exceed \$40,000,000 for the Purpose of financing improvements and renovations to the buildings and other facilities at Ridgebrook Apartments in Knox County, Tennessee
- ACTION** IV. Presentation and Consideration of Audited Financial Statements for Year Ended 3/31/23
- V. Old Business
- VI. New Business
  - a) Adoption of Public Forum Policy for Public Comment
- VII. Adjourn



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

August 8, 2023, 4:15 p.m.

The regular meeting of the Board of Directors of Health, Educational & Housing Facility Board of the County of Knox (the “Health, Ed Board” or “Board”) was held on Tuesday, August 8, 2023, at 4:15 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, Paul Fortunato (Chair), Tiffany Gardner (Vice Chair), Shannon Coleman Egle (Secretary), Alvin Nance, Terry Henley, Lisa Rottmann, Lou Moran, III, Charley Bible, and J. Ford Little.

Also, in attendance were Mac McWhorter (Knoxville Chamber), Karen Kakanis (Knoxville Chamber), Caroline Bailey (Knoxville Chamber), R. Christopher Trump (Legal Counsel – Egerton, McAfee, Armistead & Davis, P.C.), Katrina Vargas (Paralegal - Egerton, McAfee, Armistead & Davis, P.C.), Culver Schmid (Baker Donelson – Bond Counsel), and Soriya Gast (public observer).

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

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

II. Review/Approve Minutes from Previous Meeting. The Chair of the meeting asked if there were any changes to the minutes of the regular meeting held on June 13, 2023.

Upon a motion by Tiffany Gardner, and a second by Alvin Nance, the minutes of the June 13, 2023 meeting were unanimously approved. A copy of the minutes is attached hereto as Exhibit B.

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

Upon a motion by Tiffany Gardner, and a second by Alvin Nance, the Financial Report, as presented, was unanimously accepted. A copy of the financial statements presented during the report is collectively attached as Exhibit C.

IV. Nominating Committee Report for Board Officers and Committee Appointments and Related Appointments. The Chair addressed the Board regarding the proposed appointments

and, as a member of the Nominating Committee, presented the Committee's report to the Board. A copy of the Nominating Committee report is attached hereto as Exhibit D. The Chair opened the floor for additional nominations. None were made.

Upon a motion by Terry Henley and a second by Alvin Nance, the officer and committee appointments listed in the committee report were unanimously approved.

V. Review and Consideration of a Resolution Authorizing and Approving all Documents, Instruments, Actions, and Matters Necessary or Appropriate for, or Pertaining to, the Issuance, Sale, and Delivery of Multifamily Housing Revenue Bonds, Series 2023 (Sutherland 1 Apartments) in the aggregate Principal Amount not to exceed \$25,000,000. The Chair recognized Culver Schmid who addressed the Board regarding the proposed project and the proposed resolution, explaining the location and number of units involved with the project. Discussion was had. Mr. Little requested that additional information concerning the project and the developer be included in the board packet for similar requests. Chris Trump confirmed that the Board can be provided for future bond issuances a project summary and an overview of the developer. Mr. Trump stated that some of this information was included when the Board provided preliminary approval for the project. Mr. Schmid confirmed Truist will be holding the tax credit.

Upon a motion by Terry Henley and a second by Tiffany Gardner, the Resolution approving the Multifamily Housing Revenue Bonds, Series 2023 (Sutherland 1 Apartments) in the aggregate principal amount not to exceed \$25,000,000 was unanimously approved. A copy of the Resolution is attached hereto as Exhibit E.

VI. Review and Consideration of Consideration of a Resolution Authorizing and Approving all Documents, Instruments, Actions, and Matters Necessary or Appropriate for, or Pertaining to, the Issuance, Sale, and Delivery of Multifamily Housing Revenue Bonds, Series 2023 (Sutherland 2 Apartments) in the aggregate Principal Amount not to exceed \$25,000,000. The Chair recognized Culver Schmid who addressed the Board regarding the proposed project and the proposed resolution. Mr. Schmid explained that two different bond issuances were the result of the relative sizes of the two projects and stated that it made financial sense to separate them into two different issuances. Discussion was had.

Upon a motion by Tiffany Gardner and a second by Terry Henley, the Resolution approving the Multifamily Housing Revenue Bonds, Series 2023 (Sutherland 2 Apartments) in the aggregate principal amount not to exceed \$25,000,000 was unanimously approved. A copy of the Resolution is attached hereto as Exhibit F.

VII. Old Business. None.

VIII. New Business. None.

IX. Next Meeting. The next regular meeting of The Health, Ed Board of the County of Knox is scheduled for September 12, 2023, at 4:00 p.m. at the offices of The Development Corporation of Knox County located at 17 Market Square, #201, Knoxville, Tennessee.

X. 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 4:25 p.m.

\_\_\_\_\_  
Dated

\_\_\_\_\_  
Shannon Coleman Egle, Secretary

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## EXHIBITS

Exhibit A      Agenda – August 8, 2023

Exhibit B      Minutes – June 13, 2023

Exhibit C      Finance Report

Exhibit D      Nominating Committee Report

Exhibit E      Resolution Authorizing and Approving all Documents, Instruments, Actions, and Matters Necessary or Appropriate for, or Pertaining to, the Issuance, Sale, and Delivery of Multifamily Housing Revenue Bonds, Series 2023 (Sutherland 1 Apartments) in the aggregate Principal Amount not to exceed \$25,000,000.

Exhibit F      Resolution Authorizing and Approving all Documents, Instruments, Actions, and Matters Necessary or Appropriate for, or Pertaining to, the Issuance, Sale, and Delivery of Multifamily Housing Revenue Bonds, Series 2023 (Sutherland 2 Apartments) in the aggregate Principal Amount not to exceed \$25,000,000.

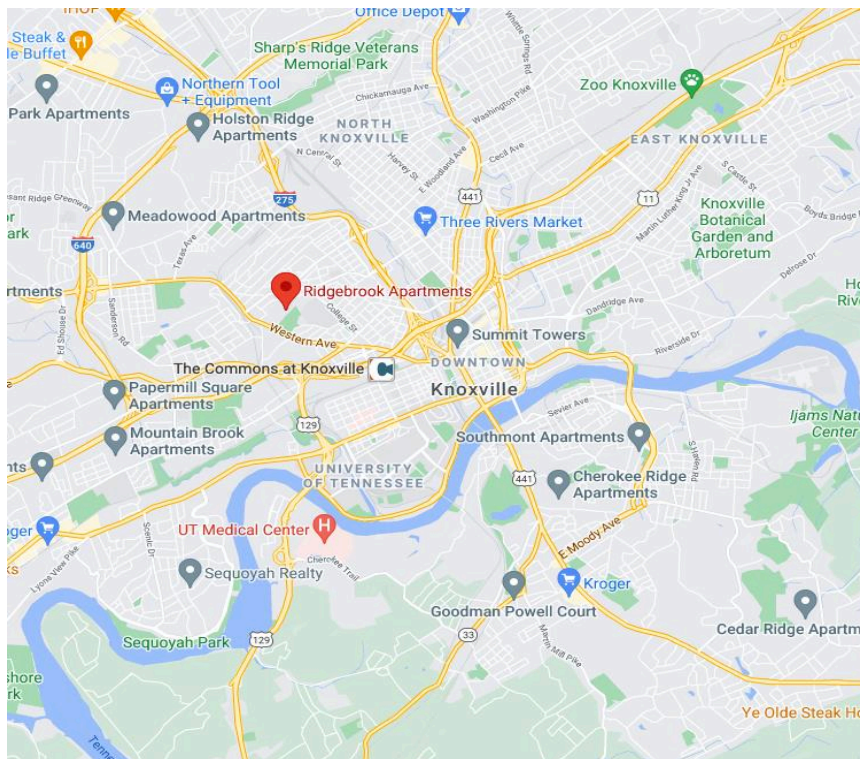


## Ridgebrook Apartments Executive Summary

### The Project

Ridgebrook Apartments is a multifamily apartment community located in Knoxville, TN (marked on the map below) which SDG Housing Partners intends to acquire and rehabilitate. The property is located at 2121 Ridgebrook Ln, Knoxville, TN 37921.

It is important to preserve Ridgebrook Apartments as quality, affordable housing. The redevelopment and large-scale improvements will not only benefit the current residents, but the surrounding neighborhood as well. The impact on the neighborhood will be minimal as there will be no ground up construction involved.



*Location Map, Ridgebrook Apartments*

### The Property

Ridgebrook Apartments consists of a 144-unit apartment community with 18 two-story apartment buildings located on a 9.2-acre lot. The buildings were originally constructed in 1968 and which consist of 72 two-bedroom apartments and 72 three-bedroom apartments.

Current property amenities include an onsite leasing, a community room, and business center. Parking is available onsite for 182 vehicles. The property consists of 3 parcels of land, located off of Western Ave. The property is walking distance of Knoxville College, Boys & Girls Club of



America and is located within the Western Heights Transformation Plan. It is a mere 2-mile drive to downtown Knoxville and the University of Tennessee and a 15-minute drive to McGhee Tyson Airport.



*Property Photo, Ridgebrook Apartments*

### **Rehabilitation**

The rehabilitation budget is approximately \$80,000 per unit. The rehabilitation will consist of a renovation of the current leasing office to include a new library, new business center, new fitness center, community space (with a TV, Piano, Pool Table), conference room & a leasing office with keyfob access. The property will receive substantial upgrades in site amenities including, new playground, new dog park, new sports court, renovated community garden, two new gas BBQ areas covered by a pergola with seating. Building exterior upgrades will include pressure washing buildings, brick repair, painting, replacement of siding, selective tuck pointing, replacement of gutters, new roofs, and new windows. The interior renovation will consist of new appliances, new LED lighting, new low flow toilets, new faucets, new showerheads, WIFI in units, new washer & dryers in units, new HVAC systems, converting 5% of units to ADA, new flooring, new painting, the addition of balcony for the 2<sup>nd</sup> level units and any necessary environmental mitigation (i.e., radon, asbestos, LBP). Additional items in the rehabilitation will include new signage, new security camera system, site wide perimeter wrought iron fencing, new sidewalks throughout the entire property including an ADA path of travel, upgraded landscaping throughout the property, new site lighting (post lights), new mailboxes, repaved parking lot & restriping, installation of speed bumps, new entry auto gate, and more.

With these upgrades, the project will provide housing comparable to the new developments in the market area and truly reshape a community that is in dire need of renovation. Pictured below are some before and after photos of completed Section 8 rehabilitations done by the sponsor, SDG Housing Partners.

SDG | HOUSING PARTNERS



*Granger Apartments – National City, CA*



*La Villa Puente Apartments – La Puente, CA*



*La Villa Puente Community Room*



*Park Western Community Room*



*Columbus Park Plaza – Kansas City, MO*



*Cathedral Square Towers – Kansas City, MO*



Park Western Estates – Los Angeles, CA



Cathedral Square Towers – Kansas City, MO



La Villa Puente Apartments – Los Angeles, CA



*Columbus Park Plaza – Kansas City, MO*



*La Villa Puente Apartments – Los Angeles, CA*

## **Sponsor**

SDG Housing Partners was founded to renovate and preserve affordable housing with the will and passion to re-create communities to the highest standards to make a difference for the residents of the property and the community at large by providing exceptional quality housing. The principals of SDG Housing Partners have completed over 45 acquisitions and rehabilitations of affordable housing properties in California, Texas, Missouri and Kansas. The company is based in Los Angeles, CA with a regional office located in Kansas City, MO.

## **Organizational Entities**

Beneficial title in the project will be held by Ridgebrook Housing I, LLC (a Tennessee LLC). The project developer will be SDG Housing Partners.

## **Project Timing**

The property renovation will commence immediately upon the bond closing and will be completed within 12 months thereafter.

## **For Additional Information**

Michael Arman, Development Associate

203-814-8171

[mike@sdghousing.com](mailto:mike@sdghousing.com)



**FINAL RESOLUTION AUTHORIZING AND APPROVING ALL DOCUMENTS, INSTRUMENTS, ACTIONS, AND MATTERS NECESSARY OR APPROPRIATE FOR, OR PERTAINING TO, THE ISSUANCE, SALE, AND DELIVERY BY THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE COUNTY OF KNOX OF ITS MULTIFAMILY HOUSING REVENUE NOTES, IN ONE OR MORE SERIES, IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$50,000,000, THE PROCEEDS OF WHICH WILL BE LOANED TO RIDGEBROOK HOUSING I, LLC TO FINANCE THE ACQUISITION, REHABILITATION AND EQUIPPING OF AN APPROXIMATELY 144 UNIT MULTIFAMILY HOUSING FACILITY KNOWN AS RIDGEBROOK APARTMENTS LOCATED AT 2121 RIDGEBROOK LANE IN KNOXVILLE, KNOX COUNTY, TENNESSEE**

WHEREAS, the Board of Directors of The Health, Educational and Housing Facility Board of the County of Knox (the “Issuer”), has met pursuant to proper notice on September 12, 2023; and

WHEREAS, Ridgebrook Housing I, LLC, a Tennessee limited liability company (the “Borrower”), has requested the Issuer to finance the acquisition, rehabilitation and equipping of an approximately 144-unit housing facility for low and moderate-income citizens located in Knox County, Tennessee known as Ridgebrook Apartments (the “Project”), which project is of the character and will accomplish the purposes of Part 3 of Chapter 101 of Title 48 of the Tennessee Code Annotated, as amended (the “Act”); and

WHEREAS, the Issuer proposes to finance the Project by the issuance and sale of its Multifamily Housing Revenue Notes, in one or more series, in an aggregate amount not to exceed \$50,000,000 (the “Governmental Notes”); and

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

WHEREAS, there have been submitted to the Issuer at the meeting on September 12, 2023, the forms of the following instruments which the Issuer proposes to execute to carry out the transactions described above, copies of which instruments shall be filed with the records of the Issuer (collectively, the “Documents”):

(a) Funding Loan Agreement (the “Funding Loan Agreement”) by and among Citibank, N.A. (or an affiliate thereof), as Funding Lender (the “Funding Lender”) and the Issuer;



(b) Borrower Loan Agreement (the “Borrower Loan Agreement”) between the Issuer and the Borrower; and

(c) The form of the Governmental Notes; and

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

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

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

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

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

5. The Documents shall be in substantially the forms submitted, which are hereby approved, with such completions, omissions, insertions and changes as may be approved by the officers executing them, their execution to constitute conclusive evidence of their approval of any such omissions, insertions and changes. In connection with the execution of such documents, the officer(s) are hereby expressly authorized to approve the maturities and interest rates on the Governmental Notes, provided that the interest rate of the Governmental Notes shall not exceed the maximum interest rate permitted by law, the aggregate principal amount of the Governmental Notes shall not exceed \$50,000,000 in the aggregate, and the final maturity of the Governmental Notes shall be no later than the maximum term permitted by law.

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

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

8. The Governmental Notes, and the interest payable thereon, shall be 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 Funding Loan Agreement. Neither the State of Tennessee, nor any other political subdivision thereof, shall be liable for the payment of the principal of, or the interest on, the Governmental Notes, or for the performance of any pledge, mortgage, obligation, agreement, or certification, of any kind whatsoever of the Issuer, and neither the Governmental Notes, nor any of the pledges, mortgages, agreements, obligations, or certifications of the Issuer shall be construed to constitute an indebtedness of the State of Tennessee, or any other political subdivision thereof, within the meaning of any constitutional or statutory provisions whatsoever. No recourse under, or upon, any statement, obligation, covenant, agreement, or certification, contained in any of the Documents or in any other document or certification executed by the Issuer in connection therewith; or under any judgment obtained against the Issuer or by the enforcement of any assessment or by any legal or equitable proceeding or by virtue of any constitution or statute or otherwise, or under any circumstances, under or independent of the Documents, shall be had against any incorporator, member, director, or officer, as such, past, present, or future, of the Issuer, either directly or through the Issuer, or otherwise, for the payment for, or to, the Issuer, or any receiver thereof,

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

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

Approved and adopted this 12<sup>th</sup> day of September, 2023.

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

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_



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

**FINANCIAL STATEMENTS**

**YEARS ENDED MARCH 31, 2023 AND 2022**

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

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

BOARD MEMBERS  
At March 31, 2023

Board Members

Paul Fortunato  
Tiffany Gardner  
Shannon Coleman Egle  
Terry Henley

Chairman  
Vice Chairman  
Secretary/Treasurer  
Asst. Secretary/Treasurer

Other Board Members

Alvin J. Nance  
Anthony Wise  
Charley Bible  
J. Ford Little  
Lisa Rottman  
Lou Moran, III  
Mike George

Legal Counsel

R. Christopher Trump

Legal Counsel to the Board



Independent Auditor's Report

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

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of The Health, Educational and Housing Facility Board of the County of Knox (the "Board"), which comprise the statements of net position as of March 31, 2023 and 2022, 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, 2023 and 2022, 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 Opinions***

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 opinions.

***Responsibilities of Management for the Financial Statements***

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



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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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



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

### ***Required Supplementary Information***

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

### ***Other Information***

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2023 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.

*Crosslin, PLLC*

Nashville, Tennessee  
August 18, 2023

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY  
BOARD OF THE COUNTY OF KNOX  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEARS ENDED MARCH 31, 2023 AND 2022

This section of the Health, Educational and Housing Facility Board of the County of Knox’s (the “Board”) annual financial report presents a discussion and analysis of the Board’s financial performance during the fiscal year ended March 31, 2023. Please read it in conjunction with the Board’s financial statements following this section. The 2022 and 2021 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 \$385,558 (net position). Net position amounted to \$379,629 and \$302,325 at March 31, 2022 and 2021, respectively. The Board’s net position is unrestricted and therefore, may be used to meet the Board’s ongoing purpose of providing economic development.
- The Board’s total net position increased by \$5,929 in 2023, \$77,304 in 2022, and \$20,023 in 2021. The increase in change of net position from 2022 to 2023, is primarily related to application fee revenue. The increase in change of net position from 2021 to 2022, is primarily related to new closing fees and PILOT revenue.

**Overview of the Financial Statements**

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

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

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

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

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

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

**Financial Analysis**

The table below provides a summary of the Board’s net position as of March 31, 2023, 2022, and 2021:

**Statements of Net Position**

|                                       | <u>2023</u>       | <u>2022</u>       | <u>2021</u>       |
|---------------------------------------|-------------------|-------------------|-------------------|
| Current assets                        |                   |                   |                   |
| Cash and cash equivalents             | \$ 424,184        | \$ 418,818        | \$ 302,892        |
| Accounts receivable                   | -                 | 2,000             | -                 |
|                                       | <u>424,184</u>    | <u>420,818</u>    | <u>302,892</u>    |
| Total assets                          |                   |                   |                   |
| Current liabilities                   |                   |                   |                   |
| Accounts payable and accrued expenses | 753               | 1,235             | 567               |
|                                       | <u>37,873</u>     | <u>39,954</u>     | <u>-</u>          |
| Total liabilities                     | <u>38,626</u>     | <u>41,189</u>     | <u>567</u>        |
| Unrestricted net position             | <u>\$ 385,558</u> | <u>\$ 379,629</u> | <u>\$ 302,325</u> |

At the close of the 2023 fiscal year, the Board’s assets exceeded liabilities by \$385,558. At the close of the 2022 and 2021 fiscal year, the Board’s assets exceeded liabilities by \$379,629 and \$302,325, respectively. The Board’s net position increased by \$5,929 during the year ended March 31, 2023. There was an increase from the 2022 and 2021 fiscal year changes in net position of \$77,304 and \$20,023, respectively. The increase in change of net position from 2020 to 2021 is related primarily to new closing fees and PILOT revenue. The increase in change in net position from 2021 to 2022 is primarily related to new closing fees and PILOT revenue, and a decrease in expenses related to professional fees. The increase in change in net position from 2022 to 2023 is primarily related to application fee revenue.

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

**Financial Analysis - Continued**

The Board’s unrestricted net position as of March 31, 2023 was \$385,558 which may be used to meet the Board’s ongoing objectives and obligations of promoting economic development in Knox County. The Board’s operating revenue primarily comes from fee income. The Board typically has a carryover from the prior year. The following table provides the changes in net position for fiscal years 2023, 2022, and 2021.

**Statements of Revenues, Expenses and Changes in Net Position**

|   | <u>2023</u>       | <u>2022</u>       | <u>2021</u>       |
|---|-------------------|-------------------|-------------------|
| Operating revenues                        |                   |                   |                   |
| Project revenue                           | \$ 24,000         | \$ 19,500         | \$ 35,000         |
| Agenda revenue                            | 1,500             | 1,500             | 2,000             |
| Closing revenue                           | -                 | 76,800            | 12,850            |
| Base rent revenue                         | 6,130             | 4,050             | 2,000             |
| PILOT                                     | <u>7,710</u>      | <u>5,000</u>      | <u>2,096</u>      |
| Total operating revenues                  | 39,340            | 106,850           | 53,946            |
| Operating expenses                        |                   |                   |                   |
| Insurance                                 | 7,250             | 6,425             | 5,653             |
| PILOT                                     | 7,710             | 5,000             | 2,096             |
| Professional                              | 8,300             | 8,300             | 16,800            |
| Advertising                               | 808               | 1,290             | 1,852             |
| Administrative                            | <u>10,037</u>     | <u>9,430</u>      | <u>9,717</u>      |
| Total operating expenses                  | 34,105            | 30,445            | 36,118            |
| Operating income                          | 5,235             | 76,405            | 17,828            |
| Non-operating expense                     |                   |                   |                   |
| Interest income                           | <u>694</u>        | <u>899</u>        | <u>2,195</u>      |
| Change in net position                    | 5,929             | 77,304            | 20,023            |
| Net position at the beginning of the year | <u>379,629</u>    | <u>302,325</u>    | <u>282,302</u>    |
| Net position at the end of the year       | <u>\$ 385,558</u> | <u>\$ 379,629</u> | <u>\$ 302,325</u> |

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

**Financial Analysis - Continued**

The following table provides a summary of cash receipts and disbursements for 2023, 2022, and 2021:

**Statements of Cash Flows**

|  | <u>2023</u>       | <u>2022</u>       | <u>2021</u>       |
|--|-------------------|-------------------|-------------------|
| Cash Flows from Operating Activities                   |                   |                   |                   |
| Cash received from customers                           | \$ 39,259         | \$ 144,804        | \$ 53,946         |
| Cash paid to vendors                                   | <u>(34,587)</u>   | <u>(29,777)</u>   | <u>(30,833)</u>   |
| Net cash flows provided by operating activities        | <u>4,672</u>      | <u>115,027</u>    | <u>23,113</u>     |
| Cash Flows from Investing Activities                   |                   |                   |                   |
| Interest received                                      | <u>694</u>        | <u>899</u>        | <u>2,195</u>      |
| Net cash flows provided by investing activities        | <u>694</u>        | <u>899</u>        | <u>2,195</u>      |
| Net change in cash and cash equivalents                | 5,366             | 115,926           | 25,308            |
| Cash and cash equivalents at the beginning of the year | <u>418,818</u>    | <u>302,892</u>    | <u>277,584</u>    |
| Cash and cash equivalents at the end of the year       | <u>\$ 424,184</u> | <u>\$ 418,818</u> | <u>\$ 302,892</u> |

**Request for Information**

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

**THE HEALTH, EDUCATIONAL AND HOUSING FACILITY  
BOARD OF THE COUNTY OF KNOX  
STATEMENTS OF NET POSITION  
MARCH 31, 2023 AND 2022**

|                                       | 2023       | 2022       |
|---------------------------------------|------------|------------|
| <b>ASSETS</b>                         |            |            |
| Current Assets                        |            |            |
| Cash and cash equivalents             | \$ 424,184 | \$ 418,818 |
| Accounts receivable                   | -          | 2,000      |
|                                       |            |            |
| Total assets                          | \$ 424,184 | \$ 420,818 |
| <b>LIABILITIES</b>                    |            |            |
| Current Liabilities                   |            |            |
| Accounts payable and accrued expenses | 753        | 1,235      |
| Unearned revenue                      | 37,873     | 39,954     |
|                                       |            |            |
| Total liabilities                     | 38,626     | 41,189     |
| <b>NET POSITION</b>                   |            |            |
| Unrestricted                          | 385,558    | 379,629    |
| Total net position                    | \$ 385,558 | \$ 379,629 |

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



**THE HEALTH, EDUCATIONAL AND HOUSING FACILITY  
BOARD OF THE COUNTY OF KNOX  
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION  
YEARS ENDED MARCH 31, 2023 AND 2022**

|   | 2023       | 2022    |
|---|------------|---------|
| Operating Revenue                         |            |         |
| Project revenue                           | 24,000     | 19,500  |
| Agenda revenue                            | 1,500      | 1,500   |
| Closing revenue                           | -          | 76,800  |
| Base rent revenue                         | 6,130      | 4,050   |
| PILOT                                     | 7,710      | 5,000   |
| Total operating revenues                  | 39,340     | 106,850 |
| Operating Expenses                        |            |         |
| Insurance                                 | 7,250      | 6,425   |
| PILOT                                     | 7,710      | 5,000   |
| Professional                              | 8,300      | 8,300   |
| Advertising                               | 808        | 1,290   |
| Administrative                            | 10,037     | 9,430   |
| Total operating expenses                  | 34,105     | 30,445  |
| Operating income                          | 5,235      | 76,405  |
| Non-Operating Income                      |            |         |
| Interest income                           | 694        | 899     |
| Total non-operating income                | 694        | 899     |
| Change in net position                    | 5,929      | 77,304  |
| Net position at the beginning of the year | 379,629    | 302,325 |
| Net position at the end of the year       | \$ 385,558 | 379,629 |

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

**THE HEALTH, EDUCATIONAL AND HOUSING FACILITY  
BOARD OF THE COUNTY OF KNOX  
STATEMENTS OF CASH FLOWS  
YEARS ENDED MARCH 31, 2023 AND 2022**

|  | 2023       | 2022       |
|--|------------|------------|
| <b>Cash Flows from Operating Activities</b>  |            |            |
| Cash received from customers   | \$ 39,259  | \$ 144,804 |
| Cash paid to vendors   | (34,587)   | (29,777)   |
| Net cash flows provided by operating activities  | 4,672      | 115,027    |
| <b>Cash Flows from Investing Activities</b>  |            |            |
| Interest received  | 694        | 899        |
| Net cash flows provided by investing activities  | 694        | 899        |
| Net change in cash and cash equivalents  | 5,366      | 115,926    |
| <b>Cash and cash equivalents at the beginning of the year</b>                                  | 418,818    | 302,892    |
| <b>Cash and cash equivalents at the end of the year</b>  | \$ 424,184 | \$ 418,818 |
| <br><b>Reconciliation of operating income<br/>to net cash provided by operating activities</b> |            |            |
| Operating income   | \$ 5,235   | \$ 76,405  |
| Change in assets and liabilities   |            |            |
| Decrease (increase) in accounts receivable   | 2,000      | (2,000)    |
| (Decrease) increase in accounts payable<br>and accrued expenses                                | (482)      | 668        |
| (Decrease) increase in deferred revenue  | (2,081)    | 39,954     |
| Net cash provided by operating activities  | \$ 4,672   | \$ 115,027 |

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

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY  
BOARD OF THE COUNTY OF KNOX  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED MARCH 31, 2023 AND 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization and Nature of Activities

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

Basis of Accounting

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

Cash and Cash Equivalents

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

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY  
BOARD OF THE COUNTY OF KNOX  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED MARCH 31, 2023 AND 2022

**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, 2023, the Board had the following conduit debt arrangements being tracked. Any such agreements entered into prior to the tracking implementation would have matured, or be close enough to maturity that management deems them to be immaterial.

- In December 2012, the Board approved a tax-exempt revenue bond for Covenant Health and affiliated entities in order to finance or refinance the acquisition, construction, and installation of certain renovations, expansions, buildings and equipment for healthcare facilities owned by Covenant and its affiliates. The bond will also cover financing to refund all the outstanding 2002A Bonds and to pay, in part, for the costs of such financing including fees, payments to financial advisors, fees and payments to investment bankers, and other legal, accounting and other necessary expenses in connection with such financing. The face amount of the debt obligation is \$145,430,000. The Board is not responsible for any of this amount.
- In July 2014, the Board approved a tax-exempt revenue bond for University Health Systems, Inc. which will be used to fund health facilities. The face amount of the debt obligation is \$10,000,000. The Board is not responsible for any of this amount.
- In August 2014, the Board approved a tax exempt revenue bonds for The Proton Therapy Center, LLC which will be used to fund therapy facilities. The face amount of the debt obligation is \$129,595,000. The Board is not responsible for any of this amount.
- In May 2015, the Board approved a tax-exempt revenue bond for Emerald Academy which will be used to fund education facilities. The face amount of the debt obligation is \$3,600,000. The Board is not responsible for any of this amount.
- In June 2015, the Board approved a tax-exempt revenue bond for Johnson University which will be used to fund education facilities. The face amount of the debt obligation is \$35,000,000. The Board is not responsible for any of this amount.

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY  
BOARD OF THE COUNTY OF KNOX  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED MARCH 31, 2023 AND 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

- In June 2015, the Board approved two tax exempt revenue bonds for UT Medical Center which will be used to fund capital expenditures. The face amount of the debt obligations is \$32,000,000 and \$58,000,000. The Board is not responsible for any of these amounts.
- In February 2016, the Board approved a tax-exempt revenue bond for The Episcopal School of Knoxville which will be used to fund education facilities. The face amount of the debt obligation is \$10,500,000. The Board is not responsible for any of this amount.
- In September 2016, the Board approved two tax exempt revenue bonds for University Health Systems which will be used to fund capital expenditures. The face amount of the debt obligations are \$110,960,000 and \$124,490,000. The Board is not responsible for any of these amounts.
- In October 2016, the Board approved two tax exempt revenue bonds for Covenant Health which will be used to fund capital expenditures. The face amount of the debt obligations are \$185,515,000 and \$74,000,000. The Board is not responsible for any of these amounts.
- In January 2017, the Board approved a tax-exempt revenue bond for The Trousdale Foundation which will be used to fund health facilities. The face amount of the debt obligations is \$2,850,000. The Board is not responsible for any of this amount.
- In December 2017, the Board approved a tax-exempt revenue bond for Hillcrest Healthcare Communities, which will be used to fund health facilities. The face amount of the debt obligation is \$6,000,000. The Board is not responsible for any of this amount.
- In December 2017, the Board approved a tax-exempt revenue bond for Grace Christian Academy of Knoxville which will be used to fund education facilities. The face amount of the debt obligation is \$6,000,000. The Board is not responsible for any of this amount.
- In December 2017, the Board approved two tax-exempt revenue bonds for Crown College Project which will be used to fund education facilities. The face amount of the debt obligations are \$9,250,000 and \$2,750,000. The Board is not responsible for any of these amounts.
- In February 2018, the Board approved a tax-exempt revenue bond for Broadway Towers Preservation, which will be used to fund capital expenditures. The face amount of the debt obligation is \$21,425,000. The Board is not responsible for any of this amount.
- In March 2019, the Board approved a tax-exempt revenue bond for East Tennessee Children's Hospital which will be used to fund health facilities. The face amount of this debt obligation is \$117,260,000. The Board is not responsible for any of this amount.

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY  
BOARD OF THE COUNTY OF KNOX  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED MARCH 31, 2023 AND 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

- In May 2019, the Board approved a tax-exempt revenue bond for Concord Christian School which will be used to fund capital expenditures. The face amount of this debt obligation is \$11,500,000. The Board is not responsible for any of this amount.
- In June 2019, the Board approved two tax-exempt revenue bonds for Young High LP Young High Flats Apartments Project, which will be used to fund capital expenditures. The face amount of the debt obligation is \$15,750,000. The Board is not responsible for any of this amounts.
- In June 2019, the Board approved two tax-exempt revenue bonds for EGC Pond Gap Pond Gap Flats Young High Flats Apartments Project, which will be used to fund capital expenditures. The face amount of these debt obligations are \$11,000,000 and \$500,000. The Board is not responsible for any of these amounts.
- In July 2019, the Board approved a tax-exempt revenue bond for Rosewood LP Meadowbrook Apartments Project, which will be used to fund capital expenditures. The face amount of the debt obligation is \$5,000,000. The Board is not responsible for any of this amount.
- In August 2019, the Board approved a tax-exempt revenue bond for Clear Springs II, L.P., which will be used to fund capital expenditures. The face amount of the debt obligation is \$15,000,000. The Board is not responsible for any of this amount.
- In November 2019, the Board approved a tax-exempt revenue bond for Webb School of Knoxville in order to refund existing bonds, as well as fund certain capital projects at the school. The face amount of the debt obligation is \$51,800,000. The Board is not responsible for any of this amount.
- In December 2019, the Board approved five tax exempt revenue bonds for Covenant Health which will be used to refund existing bonds, as well as fund health facilities. The face amount of the debt obligations are \$105,140,000, \$117,711,750, \$101,920,000, \$131,400,000 and \$78,000,000. The Board is not responsible for any of these amounts.
- In March 2020, the Board approved tax-exempt revenue bonds, which are remarketing of Series 2019A and 2019B, for ECG Moss Grove. The bonds will be used to fund capital expenditures. The face amount of the debt obligations is \$25,000,000. The Board is not responsible for any of this amount.
- In May 2020, the Board approved a tax-exempt revenue bond for University Health Systems, Inc. which will be used to fund capital expenditures. The face amount of the debt obligation is \$72,805,000. The Board is not responsible for any of this amount.

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY  
BOARD OF THE COUNTY OF KNOX  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED MARCH 31, 2023 AND 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

- In June 2020, the Board approved a tax-exempt revenue bond for Burlington Commons Apartment Project which will be used to fund capital expenditures. The face amount of the debt obligation is \$5,400,000. The Board is not responsible for any of this amount.
- In July 2020, the Board approved a tax-exempt revenue bond for Grace Christian Academy which will be used to fund capital expenditures. The face amount of the debt obligation is \$4,771,983. The Board is not responsible for any of this amount.
- In July 2020, the Board approved a tax-exempt revenue bond for Evergreen Villas Project which will be used to fund capital expenditures. The face amount of the debt obligation is \$4,310,000. The Board is not responsible for any of this amount.
- In August 2020, the Board approved a tax-exempt revenue bond for Covenant Village which will be used to fund capital expenditures. The face amount of the debt obligation is \$7,490,000. The Board is not responsible for any of this amount.
- In January 2021, the Board approved a tax-exempt revenue bond for University Health Systems, Inc. which will be used to fund capital expenditures. The face amount of the debt obligation is \$52,000,000. The Board is not responsible for any of this amount.
- In May 2021, the Board approved a tax-exempt revenue bond for Farragut Pointe which will be used to fund capital expenditures. The face amount of the debt obligation is \$18,000,000. The Board is not responsible for any of this amount.
- In June 2021, the Board approved two tax-exempt revenue bonds for Lakeview at Westland (2021A and 2021B) which will be used to finance the acquisition, construction and equipping of an multifamily housing facility. The face amount of the debt obligations are \$11,100,000 and \$4,086,000. The Board is not responsible for either of these amounts.
- In August 2021, the Board approved a tax-exempt revenue bond for Knoxville Christian School which will be used to finance the renovations and construction of educational facilities. The face amount of the debt obligation is \$2,300,000. The Board is not responsible for any of this amount.
- In August 2021, the Board approved a tax-exempt revenue bond for The Ammons at Asheville Highway Apartments which will be used to fund capital expenditures. The face amount of the debt obligation is \$10,500,000. The Board is not responsible for any of this amount.

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY  
BOARD OF THE COUNTY OF KNOX  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED MARCH 31, 2023 AND 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

- In November 2021, the Board approved a tax-exempt revenue bond for Inskip Flats L.P. which will be used to finance the acquisition, construction and equipping of a multifamily housing facility. The face amount of the debt obligation is \$9,000,000. The Board is not responsible for any of this amount.
- In October 2022, the Board approved a tax-exempt revenue bond for Webb School of Knoxville (Series 2022) which will be used to fund facility improvements. The face amount of the debt obligation is \$13,500,000. The Board is not responsible for any of this amount.
- In November 2022, the Board approved a tax-exempt revenue bond for Westview Towers Project (Series 2022) which will be used to finance the acquisition, construction and equipping of a multifamily housing facility. The face amount of the debt obligation is \$32,735,000. The Board is not responsible for any of this amount.
- In December 2022, the Board approved a tax-exempt revenue bond for Lakeview at Westland (2022) which will be used to finance the acquisition, construction and equipping of a multifamily housing facility. The face amount of the debt obligation is \$1,500,000. The Board is not responsible for any of this amount.
- In December 2022, the Board approved a tax-exempt revenue bond for Callahan Flats Project (2022) which will be used to finance the acquisition, construction and equipping of a multifamily housing facility. The face amount of the debt obligation is \$13,375,000. The Board is not responsible for any of this amount.
- In December 2022, the Board approved a tax-exempt revenue bond for Central Terrace Project which will be used to finance the acquisition, construction and equipping of a multifamily housing facility. The face amount of the debt obligation is \$16,000,000. The Board is not responsible for any of this amount.
- In December 2022, the Board approved a tax-exempt revenue bond for Tompaull Knoxville LL (Series 2022 Green Bonds) which will be used to finance the acquisition, construction and equipping of a facility for solid waste processing. The face amount of the debt obligation is \$47,100,000. The Board is not responsible for any of this amount.

As of March 31, 2023, the Board had total outstanding debt obligations, for the debt listed above, in the amount of \$1,937,115,772. The face value for the debt obligations total \$2,080,319,733.



THE HEALTH, EDUCATIONAL AND HOUSING FACILITY  
BOARD OF THE COUNTY OF KNOX  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED MARCH 31, 2023 AND 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Revenue Recognition and Accounts Receivable

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

Net Position Classification

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

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

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

**NOTE 2 - CONCENTRATIONS OF CREDIT RISKS**

As of March 31, 2023, the Board maintained one deposit account with Regions bank with a balance of \$199,598, and one deposit account with Pinnacle with a balance of \$224,586.

At March 31, 2023 and 2022, 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 HEALTH, EDUCATIONAL AND HOUSING FACILITY  
BOARD OF THE COUNTY OF KNOX  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED MARCH 31, 2023 AND 2022

**NOTE 3 - KNOX COUNTY PROPERTY TAX INCENTIVE PROGRAM**

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

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

The Board receives fees from the Program’s applicants for the various stages of the administration. During the fiscal year 2023, there were no closings and four current projects. During the fiscal year 2022, there were three closings and four current projects.

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY  
BOARD OF THE COUNTY OF KNOX  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED MARCH 31, 2023 AND 2022

**NOTE 4 - ADMINISTRATIVE SERVICES AGREEMENT**

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

**NOTE 5 - RISK MANAGEMENT**

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

**NOTE 6 – SUBSEQUENT EVENTS**

The Board has evaluated subsequent events through August 18, 2023, the date at which the financial statements were available for issuance, and has determined that there were no subsequent events requiring disclosure.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Health, Educational and Housing Facility Board of the County of Knox (the "Board"), as of and for the year ended March 31, 2023, 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 18, 2023.

**Report on Internal Control over Financial Reporting**

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

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

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



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

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Crosslin, PLLC*

Nashville, Tennessee  
August 18, 2023

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY  
BOARD OF THE COUNTY OF KNOX  
SCHEDULE OF PRIOR AUDIT FINDINGS  
YEARS ENDED MARCH 31, 2023

The Board had no prior year audit findings.

DRAFT