

Board Members:

Charley Bible
Shannon Coleman Egle
Janet Testerman
Tiffany Gardner
Bill Fox
Terry Henley
J. Ford Little
Lou Moran, III
Alvin Nance
Lisa Rottmann
L. Anthony Wise, Jr.



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

Regular Meeting
Tuesday, October 15, 2024, 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 – September 10, 2024
- ACTION** III. Finance Report
- ACTION** IV. Presentation and Consideration of Audited Financial Statements for Year Ended 3/31/24
- ACTION** V. Presentation and Consideration of Audited Financial Statements for Year Ended 6/30/24
- VI. Old Business
- VI. New Business
- VII. Adjourn

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

September 10, 2024, 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, September 10, 2024 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 located at 17 Market Square, #201, Knoxville, Tennessee, 37902.

The following Directors were present at the meeting, Tiffany Gardner (Chair), Lou Moran, III (Vice Chair), Dr. Anthony Wise (Secretary), Alvin Nance, J. Ford Little, and Janet Testerman.

Also, in attendance were Mike Odom (Knoxville Chamber), Mac McWhorter (Knoxville Chamber), Karen Kakanis (Knoxville Chamber), Joshua Ford (Knoxville Chamber), Samuel C. Louderback (Legal Counsel – Egerton, McAfee, Armistead & Davis, P.C.), Herbert H. Slatery (Legal Counsel – Egerton, McAfee, Armistead & Davis, P.C.), and Katrina Vargas (Paralegal – Egerton, McAfee, Armistead & Davis, P.C.).

I. Tiffany Gardner, 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 July 9, 2024.

Hearing no changes, upon a motion by Lou Moran, and a second by Anthony Wise, the Minutes of the July 9, 2024 meeting were unanimously approved. A copy of the Minutes is attached hereto as Exhibit B.

III. Old Business.

(a) Report on Closing Bluegrass PILOT. Mr. Louderback provided a report to the Board regarding the closing and execution of the PILOT Lease for the property located at 1645 Ebenezer Road in Knox County, Tennessee, with DGA Bluegrass LP.

IV. New Business. None.

V. Next Meeting. The next regular meeting of The Health, Ed Board of the County of Knox is scheduled for October 15, 2024, at 4:00 p.m. at the offices of the Knoxville Chamber located at 17 Market Square, #201, Knoxville, Tennessee.

VI. Adjournment. No further business having come before the Board and upon motion duly made and seconded, the Board voted unanimously to adjourn the meeting at 5:16 p.m.

Dated

L. Anthony Wise, Jr., Secretary

DRAFT

EXHIBITS

Exhibit A Agenda – September 10, 2024

Exhibit B Minutes – July 9, 2024

DRAFT

The Health, Educational and Housing Facility Board of the County of Knox
Balance Sheet
As of September 30, 2024

	As of Sep 30, 2024	As of Sep 30, 2023 (PY)	Change	% Change
ASSETS				
Current Assets				
Bank Accounts				
100-000 Cash - Checking	-	180,881.59	(180,881.59)	-100.00%
101-000 First Horizon Checking	10,468.69	-	10,468.69	
102-000 Cash - Savings	169,650.21	-	169,650.21	
104-000 Cash - Money Market	228,674.64	225,807.38	2,867.26	1.27%
Total Bank Accounts	\$ 408,793.54	\$ 406,688.97	\$ 2,104.57	0.52%
Accounts Receivable				
125-000 Accounts Receivable	71,522.56	15,969.39	55,553.17	347.87%
Total Accounts Receivable	\$ 71,522.56	\$ 15,969.39	\$ 55,553.17	347.87%
Other Current Assets				
127-000 Prepaid Insurance	3,020.81	3,020.81	-	0.00%
Total Other Current Assets	\$ 3,020.81	\$ 3,020.81	\$ -	0.00%
Total Current Assets	\$ 483,336.91	\$ 425,679.17	\$ 57,657.74	13.54%
TOTAL ASSETS	\$ 483,336.91	\$ 425,679.17	\$ 57,657.74	13.54%
LIABILITIES AND EQUITY				
Liabilities				
Current Liabilities				
Accounts Payable				
200-000 Accounts Payable	61,844.14	7,710.00	54,134.14	702.13%
Total Accounts Payable	\$ 61,844.14	\$ 7,710.00	\$ 54,134.14	702.13%
Total Current Liabilities	\$ 61,844.14	\$ 7,710.00	\$ 54,134.14	702.13%
Long-Term Liabilities				
250-000 Deferred Revenue	33,616.87	35,760.51	(2,143.64)	-5.99%
Total Long-Term Liabilities	\$ 33,616.87	\$ 35,760.51	\$ (2,143.64)	-5.99%
Total Liabilities	\$ 95,461.01	\$ 43,470.51	\$ 51,990.50	119.60%
Equity				
300-000 Opening Balance Equity	44,772.55	44,772.55	-	0.00%
320-000 Retained Earnings	341,249.46	336,579.87	4,669.59	1.39%
Net Income	1,853.89	856.24	997.65	116.52%
Total Equity	\$ 387,875.90	\$ 382,208.66	\$ 5,667.24	1.48%
TOTAL LIABILITIES AND EQUITY	\$ 483,336.91	\$ 425,679.17	\$ 57,657.74	13.54%

**The Health, Educational and Housing Facility Board of the County of Knox
Budget Variance Report
For the 3 Periods Ended September 30, 2024**

	July 2024- September 2024			July 2024 - June 2025	
	Actual	Budget	Variance	Budget	Remaining
Income					
410-000 Interest Revenue	1,854	1,500	354	6,000	69%
415-000 Chamber Contribution	3,308	3,827	(519)	15,307	78%
420-000 Base Rent Revenue	8,393	2,098	6,295	8,393	0%
Total Income	\$ 13,556	\$ 7,425	\$ 6,131	\$ 29,700	54%
Expenses					
502-001 Operating Expenses	-	338	(338)	1,350	100%
503-001 Advertising Expenses	139	275	(136)	1,100	87%
507-001 Insurance Expense	1,813	1,813	0	7,250	75%
511-001 Accounting Expense	9,000	2,750	6,250	11,000	18%
512-001 Legal Expense	750	750	-	3,000	75%
Total Expenses	\$ 11,702	\$ 5,925	\$ 5,777	\$ 23,700	51%
Net Operating Income	\$ 1,854	\$ 1,500	\$ 354	\$ 6,000	

The Health, Educational and Housing Facility Board of the County of Knox
Income Statement with Prior Year Comparison
For the 3 Periods Ended September, 2024

	<u>Jul - Sep, 2024</u>	<u>Jul - Sep, 2023 (PY)</u>	<u>Change</u>	<u>% Change</u>
Income				
410-000 Interest Revenue	1,853.89	856.24	997.65	116.52%
415-000 Chamber Contribution	3,308.24	4,111.19	(802.95)	-19.53%
420-000 Base Rent Revenue	8,393.47	6,260.16	2,133.31	34.08%
Total Income	\$ 13,555.60	\$ 11,227.59	\$ 2,328.01	20.73%
Gross Profit	\$ 13,555.60	\$ 11,227.59	\$ 2,328.01	20.73%
Expenses				
502-001 Operating Expenses	-	82.71	(82.71)	-100.00%
503-001 Advertising Expenses	139.20	226.13	(86.93)	-38.44%
507-001 Insurance Expense	1,812.51	1,812.51	-	0.00%
511-001 Accounting Expense	9,000.00	7,500.00	1,500.00	20.00%
512-001 Legal Expense	750.00	750.00	-	0.00%
Total Expenses	\$ 11,701.71	\$ 10,371.35	\$ 1,330.36	12.83%
Net Operating Income	\$ 1,853.89	\$ 856.24	\$ 997.65	116.52%
Other Income				
430-000 PILOT Revenue	61,844.14	7,710.00	54,134.14	702.13%
Total Other Income	\$ 61,844.14	\$ 7,710.00	\$ 54,134.14	702.13%
Other Expenses				
587-001 PILOT Payment Expense	61,844.14	7,710.00	54,134.14	702.13%
Total Other Expenses	\$ 61,844.14	\$ 7,710.00	\$ 54,134.14	702.13%
Net Other Income	\$ -	\$ -	\$ -	
Net Income	\$ 1,853.89	\$ 856.24	\$ 997.65	116.52%

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

FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2024 AND 2023

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

Table of Contents

	<u>Page</u>
BOARD MEMBERS.....	ii
INDEPENDENT AUDITOR’S REPORT.....	1 - 3
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	4 - 7
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 - 19
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	20 - 21
SCHEDULE OF PRIOR YEAR FINDINGS	22

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

BOARD MEMBERS
At March 31, 2024

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
Bill Fox

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, 2024 and 2023, 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, 2024 and 2023, 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

Management is responsible for the other information included in the annual report. The other information comprise the schedule of board members but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2024 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Board's internal control over financial reporting and compliance.

Nashville, Tennessee
July 22, 2024

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEARS ENDED MARCH 31, 2024 AND 2023

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, 2024. Please read it in conjunction with the Board’s financial statements following this section. The 2023 and 2022 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 \$384,197 (net position). Net position amounted to \$385,558 and \$379,629 at March 31, 2023 and 2022, 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 decreased by \$1,361 in 2024, increased by \$5,929 in 2023, and increased by \$77,304 in 2022. The change of net position from 2023 to 2024, is primarily related to a decline in project revenue. The change of net position from 2022 to 2023, is primarily related to application fee 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, 2024, 2023, and 2022:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<u>Statements of Net Position</u>			
Current assets			
Cash and cash equivalents	\$ 410,222	\$ 424,184	\$ 418,818
Accounts receivable	3,211	-	2,000
Prepaid expenses	6,646	-	-
Total assets	<u>420,079</u>	<u>424,184</u>	<u>420,818</u>
Current liabilities			
Accounts payable and accrued expenses	120	753	1,235
	<u>35,762</u>	<u>37,873</u>	<u>39,954</u>
Total liabilities	<u>35,882</u>	<u>38,626</u>	<u>41,189</u>
Unrestricted net position	<u>\$ 384,197</u>	<u>\$ 385,558</u>	<u>\$ 379,629</u>

At the close of the 2024 fiscal year, the Board’s assets exceeded liabilities by \$384,197. At the close of the 2023 and 2022 fiscal year, the Board’s assets exceeded liabilities by \$385,558 and \$379,629, respectively. The Board’s net position decreased by \$1,361 during the year ended March 31, 2024. There was an increase from the 2023 and 2022 fiscal year changes in net position of \$5,929 and \$77,304, respectively. The increase in change of 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 decrease in change in net position from 2023 to 2024 is primarily related to project 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, 2024 was \$384,197 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 2024, 2023, and 2022.

Statements of Revenues, Expenses and Changes in Net Position

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating revenues			
Project revenue	\$ -	\$ 24,000	\$ 19,500
Agenda revenue	500	1,500	1,500
Closing revenue	-	-	76,800
Base rent revenue	6,260	6,130	4,050
PILOT	7,710	7,710	5,000
Chamber Contribution	10,096	-	-
Total operating revenues	<u>24,566</u>	<u>39,340</u>	<u>106,850</u>
Operating expenses			
Insurance	7,250	7,250	6,425
PILOT	7,710	7,710	5,000
Professional	10,500	8,300	8,300
Advertising	739	808	1,290
Administrative	2,948	10,037	9,430
Total operating expenses	<u>29,147</u>	<u>34,105</u>	<u>30,445</u>
Operating (loss) income	(4,581)	5,235	76,405
Non-operating expense			
Interest income	<u>3,220</u>	<u>694</u>	<u>899</u>
Change in net position	(1,361)	5,929	77,304
Net position at the beginning of the year	<u>385,558</u>	<u>379,629</u>	<u>302,325</u>
Net position at the end of the year	<u>\$ 384,197</u>	<u>\$ 385,558</u>	<u>\$ 379,629</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 2024, 2023, and 2022:

	2024	2023	2022
Cash Flows from Operating Activities			
Cash received from customers	\$ 9,148	\$ 39,259	\$ 144,804
Cash received from contributions and support	10,096	-	-
Cash paid to vendors	(36,426)	(34,587)	(29,777)
Net cash flows (used in) provided by operating activities	(17,182)	4,672	115,027
Cash Flows from Investing Activities			
Interest received	3,220	694	899
Net cash flows provided by investing activities	3,220	694	899
Net change in cash and cash equivalents	(13,962)	5,366	115,926
Cash and cash equivalents at the beginning of the year	424,184	418,818	302,892
Cash and cash equivalents at the end of the year	\$ 410,222	\$ 424,184	\$ 418,818

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, 2024 AND 2023**

	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 410,222	\$ 424,184
Accounts receivable	3,211	-
Prepaid expenses	6,646	-
Total assets	\$ 420,079	\$ 424,184
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	120	753
Unearned revenue	35,762	37,873
Total liabilities	35,882	38,626
NET POSITION		
Unrestricted	384,197	385,558
Total net position	\$ 384,197	\$ 385,558

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, 2024 AND 2023**

	2024	2023
Operating Revenue		
Project revenue	\$ -	\$ 24,000
Agenda revenue	500	1,500
Base rent revenue	6,260	6,130
PILOT	7,710	7,710
Chamber Contribution	10,096	-
Total operating revenues	24,566	39,340
 Operating Expenses		
Insurance	7,250	7,250
PILOT	7,710	7,710
Professional	10,500	8,300
Advertising	739	808
Administrative	2,948	10,037
Total operating expenses	29,147	34,105
Operating (loss) income	(4,581)	5,235
 Non-Operating Income		
Interest income	3,220	694
Total non-operating income	3,220	694
 Change in net position	(1,361)	5,929
 Net position at the beginning of the year	385,558	379,629
 Net position at the end of the year	\$ 384,197	\$ 385,558

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, 2024 AND 2023**

	2024	2023
Cash Flows from Operating Activities		
Cash received from customers	\$ 9,148	\$ 39,259
Cash received from contributions and support	10,096	-
Cash paid to vendors	(36,426)	(34,587)
Net cash flows (used in) provided by operating activities	(17,182)	4,672
Cash Flows from Investing Activities		
Interest received	3,220	694
Net cash flows provided by investing activities	3,220	694
Net change in cash and cash equivalents	(13,962)	5,366
Cash and cash equivalents at the beginning of the year	424,184	418,818
Cash and cash equivalents at the end of the year	\$ 410,222	\$ 424,184
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities		
Operating (loss) income	\$ (4,581)	\$ 5,235
Change in assets and liabilities		
(Increase) decrease in accounts receivable	(3,211)	2,000
Increase in prepaid expenses	(6,646)	-
Decrease in accounts payable and accrued expenses	(633)	(482)
Decrease in deferred revenue	(2,111)	(2,081)
Net cash (used in) provided by operating activities	\$ (17,182)	\$ 4,672

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, 2024 AND 2023

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, 2024 AND 2023

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, 2024, 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 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.
- 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.

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2024 AND 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- 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 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.
- 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.

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2024 AND 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- 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 a tax-exempt revenue bond for EGC Pond Gap Pond Gap Flats Young High Flats Apartments Project, which will be used to fund capital expenditures. The face amount of this debt obligation is \$11,000,000. The Board is not responsible for any of this amounts.
- 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.
- 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 \$4,824,639. 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, 2024 AND 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2024 AND 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- 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 May 2023, the Board approved a tax-exempt revenue bond for Callahan Flats Project (Series 2023) which will be used to finance the acquisition, construction, and equipping of a multifamily housing facility. The face amount of the debt obligation is \$2,913,000. The Board is not responsible for any of this amount.
- In August 2023, the Board approved a tax-exempt revenue bond for Sutherland 1 Apartments (Series 2023) which will be used to finance the acquisition, construction, and equipping of a multifamily housing facility. The face amount of the debt obligation is \$24,362,000. The Board is not responsible for any of this amount.
- In August 2023, the Board approved a tax-exempt revenue bond for Sutherland 2 Apartments (Series 2023) which will be used to finance the acquisition, construction, and equipping of a multifamily housing facility. The face amount of the debt obligation is \$18,721,000. The Board is not responsible for any of this amount.
- In September 2023, the Board approved two tax-exempt revenue bonds for Ridgebrook Housing I, LLC which will be used to finance improvements and renovations to the buildings and other facilities at Ridgebrook Apartments. The face amount of the debt obligations are \$27,996,000 and \$10,000,000. The Board is not responsible for either of these amounts.
- In November 2023, the Board approved tax-exempt revenue bonds for The Village at Inskip, which will be used to finance the acquisition, construction, and equipping of a multifamily housing facility. The face amount of the debt obligations are \$12,138,000 and \$5,422,000. The Board is not responsible for any of these amounts.

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2024 AND 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- In December 2023, the Board approved tax-exempt revenue bonds for Group-UTK Properties LLC-University of Tennessee, which will be used to finance the acquisition, construction and equipping of student housing. The face amount of the debt obligations are \$217,835,000 and \$2,510,000. The Board is not responsible for any of these amounts.

As of March 31, 2024, the Board had total outstanding debt obligations, for the debt listed above, in the amount of \$2,122,730,977. The face value for the debt obligations total \$2,306,869,390.

Revenue Recognition and Accounts Receivable

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

Net Position Classification

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

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

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

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2024 AND 2023

NOTE 2 - CONCENTRATIONS OF CREDIT RISKS

As of March 31, 2024, the Board maintained two deposit accounts with First Horizon Regions bank with a balance of \$182,783, and one deposit account with Pinnacle with a balance of \$227,439.

At March 31, 2024 and 2023, all of the Board's bank accounts were fully insured either by the FDIC or by the Board's participation in the State of Tennessee's collateral pool.

NOTE 3 - KNOX COUNTY PROPERTY TAX INCENTIVE PROGRAM

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

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

The Board receives fees from the Program's applicants for the various stages of the administration. During the fiscal year 2024, there were no closings and four current projects. During the fiscal year 2023, 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, 2024 AND 2023

NOTE 4 – RELATED PARTY TRANSACTIONS

During the fiscal years ended March 31, 2024 and 2023, the Board received contributions of \$10,096 and \$-0-, respectively, from the Knoxville Chamber to support its operating activities. The Knoxville Chamber also provides various management and economic development services to the Board.

NOTE 5 - RISK MANAGEMENT

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

NOTE 6 - SUBSEQUENT EVENTS

The Board has evaluated subsequent events through July 22, 2024, 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, 2024, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated July 22, 2024.

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.

Nashville, Tennessee
July 22, 2024

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
SCHEDULE OF PRIOR AUDIT FINDINGS

The Board had no prior year audit findings.

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

FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2024

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2024

Table of Contents

	<u>Page</u>
BOARD MEMBERS.....	ii
INDEPENDENT AUDITOR’S REPORT.....	1 - 3
FINANCIAL STATEMENTS	
Statement of Net Position	4
Statement of Revenue, Expenses, and Changes in Net Position	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 15
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>	16 - 17
SCHEDULE OF PRIOR YEAR FINDINGS	18

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2024

BOARD MEMBERS

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
Bill Fox

Legal Counsel

R. Christopher Trump

Legal Counsel to the Board



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Health, Educational and Housing Facility Board of the County of Knox (the "Board"), which comprise the statement of net position as of June 30, 2024, and the related statements of revenue, expenses, and changes in net position, and cash flows for the three month period ended June 30, 2024, 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 June 30, 2024, and the respective changes in financial position and cash flows for the three month period ended June 30, 2024 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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.



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 audit.

Required Supplementary Information

Management has omitted the management’s discussion and analysis that the accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government 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. Our opinion on the basic financial statements is not affected by this missing information.

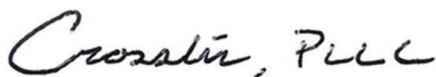
Other Information

Management is responsible for the other information included in the annual report. The other information comprise the schedule of board members but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2024 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
September 4, 2024

**THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
STATEMENT OF NET POSITION
JUNE 30, 2024**

ASSETS

Current Assets

Cash and cash equivalents	\$	406,120
Accounts receivable		13,885
Prepaid expenses		4,833

Total assets	\$	424,838
--------------	----	---------

LIABILITIES

Current Liabilities

Accounts payable and accrued expenses		3,055
Unearned revenue		35,762

Total liabilities		38,817
-------------------	--	--------

NET POSITION

Unrestricted		386,021
--------------	--	---------

Total net position	\$	386,021
--------------------	----	---------

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

**THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2024**

Operating Revenue	
Chamber contribution	<u>\$ 13,764</u>
Total operating revenues	<u>13,764</u>
Operating Expenses	
Insurance	1,813
Professional	11,750
Advertising	161
Administrative	<u>40</u>
Total operating expenses	<u>13,764</u>
Operating income	<u>-</u>
Non-Operating Income	
Interest income	<u>1,824</u>
Total non-operating income	<u>1,824</u>
Change in net position	1,824
Net position - beginning of year	<u>384,197</u>
Net position - end of year	<u><u>\$ 386,021</u></u>

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

**THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2024**

Cash Flows from Operating Activities	
Cash received from contributions and support	\$ 3,090
Cash paid to vendors	<u>(9,016)</u>
Net cash flows used in operating activities	<u>(5,926)</u>
 Cash Flows from Investing Activities	
Interest received	<u>1,824</u>
Net cash flows provided by investing activities	<u>1,824</u>
Net change in cash and cash equivalents	(4,102)
Balances - beginning of the year	<u>410,222</u>
Balances - end of the year	<u><u>\$ 406,120</u></u>
 Reconciliation of operating income to net cash used in operating activities	
Operating income	\$ -
Change in assets and liabilities	
Increase in accounts receivable	(10,674)
Decrease in prepaid expenses	1,813
Increase in accounts payable and accrued expenses	<u>2,935</u>
Net cash used in operating activities	<u><u>\$ (5,926)</u></u>

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
FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2024

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 Statement 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
FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2024

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 June 30, 2024, 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 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.
- 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.

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- 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 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.
- 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.

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- 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 a tax-exempt revenue bond for EGC Pond Gap Pond Gap Flats Young High Flats Apartments Project, which will be used to fund capital expenditures. The face amount of this debt obligation is \$11,000,000. The Board is not responsible for any of this amounts.
- 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.
- 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 \$4,824,639. 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
FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- 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 May 2023, the Board approved a tax-exempt revenue bond for Callahan Flats Project (Series 2023) which will be used to finance the acquisition, construction, and equipping of a multifamily housing facility. The face amount of the debt obligation is \$2,913,000. The Board is not responsible for any of this amount.
- In August 2023, the Board approved a tax-exempt revenue bond for Sutherland 1 Apartments (Series 2023) which will be used to finance the acquisition, construction, and equipping of a multifamily housing facility. The face amount of the debt obligation is \$24,362,000. The Board is not responsible for any of this amount.
- In August 2023, the Board approved a tax-exempt revenue bond for Sutherland 2 Apartments (Series 2023) which will be used to finance the acquisition, construction, and equipping of a multifamily housing facility. The face amount of the debt obligation is \$18,721,000. The Board is not responsible for any of this amount.
- In September 2023, the Board approved two tax-exempt revenue bonds for Ridgebrook Housing I, LLC which will be used to finance improvements and renovations to the buildings and other facilities at Ridgebrook Apartments. The face amount of the debt obligations are \$27,996,000 and \$10,000,000. The Board is not responsible for either of these amounts.
- In November 2023, the Board approved tax-exempt revenue bonds for The Village at Inskip, which will be used to finance the acquisition, construction, and equipping of a multifamily housing facility. The face amount of the debt obligations are \$12,138,000 and \$5,422,000. The Board is not responsible for any of these amounts.

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- In December 2023, the Board approved tax-exempt revenue bonds for Group-UTK Properties LLC-University of Tennessee, which will be used to finance the acquisition, construction and equipping of student housing. The face amount of the debt obligations are \$217,835,000 and \$2,510,000. The Board is not responsible for any of these amounts.

As of June 30, 2024, the Board had total outstanding debt obligations, for the debt listed above, in the amount of \$2,122,730,977. The face value for the debt obligations total \$2,306,869,390.

Revenue Recognition and Accounts Receivable

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

Net Position Classification

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

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

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

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2024

NOTE 2 - CONCENTRATIONS OF CREDIT RISKS

As of June 30, 2024, the Board maintained two deposit accounts with First Horizon Regions bank with a bank balance of \$186,023, and one deposit account with Pinnacle with a bank balance of \$228,096.

At June 30, 2024, all of the Board's bank accounts were fully insured either by the FDIC or by the Board's participation in the State of Tennessee's collateral pool.

NOTE 3 - KNOX COUNTY PROPERTY TAX INCENTIVE PROGRAM

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

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

The Board receives fees from the Program's applicants for the various stages of the administration. During the three month period ended June 30, 2024, there were no closings and four current projects.

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2024

NOTE 4 – RELATED PARTY TRANSACTIONS

During the three month period ended June 30, 2024, the Board received contributions of \$13,764, from the Knoxville Chamber to support its operating activities. The Knoxville Chamber also provides various management and economic development services to the Board.

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 September 4, 2024, 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 three month period ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 4, 2024.

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 or significant deficiencies may exist that have not been identified.



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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Nashville, Tennessee
September 4, 2024

THE HEALTH, EDUCATIONAL AND HOUSING FACILITY
BOARD OF THE COUNTY OF KNOX
SCHEDULE OF PRIOR AUDIT FINDINGS

The Board had no prior year audit findings.