

**THE INDUSTRIAL DEVELOPMENT
BOARD OF THE CITY OF LEXINGTON,
TENNESSEE**

**ANNUAL FINANCIAL REPORT
JUNE 30, 2022 AND 2021**

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF LEXINGTON
ANNUAL FINANCIAL REPORT
JUNE 30, 2022 AND 2021**

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**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF LEXINGTON
ROSTER OF BOARD OF DIRECTORS
JUNE 30, 2022 AND 2021**

Board Members

Jeff Lewis, Chairman (2022)

Bobby Dyer, Chairman (2021)

Rob Helms, Vice Chairman

Wib Evans, Secretary/Treasurer

Rick Odle

Cole Wood

Phillip Wood



Independent Auditor's Report

The Industrial Development Board of the City of Lexington, Tennessee
Lexington, Tennessee

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of The Industrial Board of the City of Lexington, Tennessee (IDB) a component of the City of Lexington, Tennessee, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the IDB's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the business-type activities of the IDB as of June 30, 2022 and 2021, and the respective changes in financial positions and, where applicable, cash flows thereof 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 the IDB and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 9, the IDB has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which has an effective date of June 30, 2022. GASB 87 establishes a single approach to accounting for and reporting leases by state and local governments. The IDB early implemented this standard as of June 30, 2021. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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 the IDB'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 IDB'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 IDB'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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the IDB and are not intended to present fairly the financial positions of the City of Lexington, Tennessee, as of June 30, 2022 and June 30, 2021, the changes in its financial positions or, where applicable, its cash flows for the years ended June 30, 2022 and June 30, 2021, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 8 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the IDB's basic financial statements. The supplemental information on pages 19 through 21 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information in the annual report. The other information comprises the introductory section 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 May 15, 2023, on our consideration of the IDB'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 IDB's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the IDB's internal control over financial reporting and compliance.



May 15, 2023

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF LEXINGTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

As management of The Industrial Development Board of the City of Lexington, Tennessee (the IDB), we offer readers the IDB's financial statements this narrative overview and analysis of the financial activities of the IDB for the years ended June 30, 2022 and 2021. Readers are encouraged to consider the information presented here in conjunction with the IDB's financial statements.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the IDB's financial statements and supplementary information. The financial statements consist of two components: 1) the financial statements and 2) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the financial statements themselves.

The *Statements of Net Position* present financial information on all of the IDB's assets and liabilities with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indication or whether the financial position of the IDB is improving or deteriorating.

The *Statements of Revenues, Expenses, and Changes in Net Position* present the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This statement measures the IDB's profitability.

The *Statements of Cash Flows* present changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipt and cash disbursement information, without consideration of the earnings event, when an obligation arises.

The *Notes to the Financial Statements* provide required disclosures and other information that is essential to a full understanding of the data provided in the IDB's financial statements. The notes to the financial statements can be found on pages 12 - 18.

Other supplemental information concerning the IDB is required by the State of Tennessee. This other supplemental information can be found on pages 19 - 21 of this report.

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF LEXINGTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

Statement of Net Position

	<u>June 30, 2022</u>	<u>Percent of Total</u>	<u>June 30, 2021</u>	<u>Percent of Total</u>
Current and other assets	\$ 504,177	19.56%	\$ 791,455	30.43%
Capital assets	2,073,361	80.44%	1,809,125	69.57%
Total assets	<u>2,577,538</u>	<u>100.00%</u>	<u>2,600,580</u>	<u>100.00%</u>
Current liabilities	44,687	7.04%	215,695	25.83%
Long-term liabilities	589,983	92.96%	619,395	74.17%
Total liabilities	<u>634,670</u>	<u>100.00%</u>	<u>835,090</u>	<u>100.00%</u>
Deferred Inflows	<u>514,879</u>	<u>100.00%</u>	<u>703,760</u>	<u>100.00%</u>
Net position				
Net investment in capital assets	1,453,966	101.82%	1,161,246	109.37%
Unrestricted	(25,977)	-1.82%	(99,516)	-9.37%
Total net position	<u>\$ 1,427,989</u>	<u>100.00%</u>	<u>\$ 1,061,730</u>	<u>100.00%</u>

The changes in the IDB's net position are described below:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Revenues		
Operating revenues	\$ 144,600	\$ 516,769
Expenses		
Professional services	81,532	164,662
Legal fees	2,458	1,791
Operating expenses	20,857	16,795
Repairs and maintenance	6,393	29,364
Depreciation expense	41,204	24,600
Total expenses	<u>152,444</u>	<u>237,212</u>
Operating income (loss)	(7,844)	279,557
Nonoperating revenue (expenses)	<u>374,103</u>	<u>137,090</u>
Change in net position	<u>366,259</u>	<u>416,647</u>
Net position - beginning of year, original	1,061,730	754,796
Prior period adjustment	<u>-</u>	<u>(109,713)</u>
Net position - beginning of year, restated	<u>1,061,730</u>	<u>645,083</u>
Net position - end of year	<u>\$ 1,427,989</u>	<u>\$ 1,061,730</u>

The IDB had a positive change in net position in the current year and prior year. The prior year change in net position was higher than the current year due to the IDB receiving greater contributions from the City of Lexington.

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF LEXINGTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2022 and 2021, the IDB's net capital assets were \$2,073,361 and \$1,809,125, respectively. Additional information on capital assets is in Note 2.

Debt

At year-end June 30, 2022 and 2021, the IDB had \$619,395 and \$647,879, respectively, in outstanding long-term debt. This debt is used to pay of the building debt and is financed by lease revenues.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES AND RATES

The IDB is dependent on contributions from the City of Lexington and is a component unit of the City of Lexington.

Operations are expected to remain comparable to the current year in the next year.

CONTACTING SIDC'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, investors and creditors with a general overview of the IDB's finances and to show the IDB's accountability for the money it receives. If you have any questions about this report or need additional information, contact the IDB in Lexington, Tennessee.

Jeff Lewis
Chairman

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF LEXINGTON, TENNESSEE
STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021**

ASSETS		
CURRENT ASSETS	2022	2021
Cash	\$ 47,085	\$ 19,094
Grant receivable	-	191,188
Lease receivable, current portion	90,185	124,082
TOTAL CURRENT ASSETS	137,270	334,364
CAPITAL ASSETS		
Land	803,070	803,070
Construction in Progress	16,664	80,511
Buildings and Improvements	1,808,275	1,438,987
Less: Accumulated Depreciation	(554,648)	(513,443)
NET CAPITAL ASSETS	2,073,361	1,809,125
OTHER ASSETS		
Lease receivable, long-term portion	366,907	457,091
TOTAL OTHER ASSETS	366,907	457,091
TOTAL ASSETS	2,577,538	2,600,580
LIABILITIES		
CURRENT LIABILITIES		
Grant payable	-	171,936
Due to general fund	15,275	15,275
Notes payable, current portion	29,412	28,484
TOTAL CURRENT LIABILITIES	44,687	215,695
LONG-TERM LIABILITIES		
Notes payable, net of current portion	589,983	619,395
TOTAL LONG-TERM LIABILITIES	589,983	619,395
TOTAL LIABILITIES	634,670	835,090
DEFERRED INFLOWS		
Deferred revenue - Auto Zone	57,787	122,587
Deferred revenue related to lease receivable	457,092	581,173
TOTAL DEFERRED INFLOWS	514,879	703,760
NET POSITION		
Investment in capital assets, net of related debt	1,453,966	1,161,246
Unrestricted net position	(25,977)	(99,516)
TOTAL NET POSITION	\$ 1,427,989	\$ 1,061,730

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF LEXINGTON, TENNESSEE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

OPERATING REVENUES	2022	2021
Service Contract Revenue	\$ 1,800	\$ 3,550
Contributions - City of Lexington	92,800	463,219
Contributions - Lexington Gas System	25,000	25,000
Contributions - Lexington Electric	25,000	25,000
TOTAL OPERATING REVENUES	144,600	516,769
OPERATING EXPENSES		
Consultant's Services	7,125	-
Engineering and Surveying Service	74,407	161,171
Legal Fees	2,458	1,791
Meals and Entertainment	446	72
Office Supplies	320	64
Operating Expenses	40	22
Other Professional Services	-	3,491
Permit Fees	2,975	1,000
Property Insurance	17,018	15,275
Public Notices	58	362
R & M Grounds	6,085	22,846
R& M Buildings	308	1,718
R& M Other	-	4,800
Depreciation expense	41,204	24,600
TOTAL OPERATING EXPENSES	152,444	237,212
NET OPERATING REVENUE (EXPENSE)	(7,844)	279,557
NONOPERATING REVENUE (EXPENSE)		
Capital Contributions	252,602	41,077
Gain on Disposal of Assets	-	501
Grant Revenue	1,108,342	946,833
Grant Expense	(1,098,124)	(957,051)
Lease Revenue	124,082	130,286
Interest Income	12,718	6,514
Interest Expense	(25,517)	(31,070)
TOTAL NONOPERATING REVENUE (EXPENSES)	374,103	137,090
CHANGE IN NET POSITION	366,259	416,647
NET POSITION - BEGINNING OF YEAR, as originally stated	1,061,730	754,796
PRIOR PERIOD ADJUSTMENT	-	(109,713)
NET POSITION - BEGINNING OF YEAR, as restated	1,061,730	645,083
NET POSITION - END OF YEAR	\$ 1,427,989	\$ 1,061,730

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

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF LEXINGTON, TENNESSEE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 144,600	\$ 516,769
Payments to suppliers	(111,240)	(355,778)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>33,360</u>	<u>160,991</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grant revenue	1,299,530	755,645
Grant expense	(1,270,060)	(972,493)
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	<u>29,470</u>	<u>(216,848)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(305,440)	(370,404)
Grant revenues	252,602	41,077
Lease revenue	59,282	65,486
Interest paid on long-term debt	(25,517)	(31,070)
Payments on notes payable	(28,484)	(27,584)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(47,557)</u>	<u>(322,495)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	12,718	6,514
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>12,718</u>	<u>6,514</u>
INCREASE (DECREASE) IN CASH	27,991	(371,838)
CASH - BEGINNING OF YEAR	<u>19,094</u>	<u>390,932</u>
CASH - END OF YEAR	<u>\$ 47,085</u>	<u>\$ 19,094</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	<u>\$ 25,517</u>	<u>\$ 31,070</u>
SCHEDULE OF NONCASH NONCAPITAL AND CAPITAL AND RELATED FINANCING ACTIVITIES		
Lease revenues in current year	124,082	\$ 130,286
Less: Reduction of deferred revenue	(64,800)	(64,800)
Net cash received	<u>\$ 59,282</u>	<u>\$ 65,486</u>
Grant revenues in current year	\$ 1,360,944	\$ 987,910
Add: Grant revenues recorded in prior year and received in current year	191,188	-
Less: Grant revenues recorded in current year and received in next year	-	(191,188)
Net cash received	<u>\$ 1,552,132</u>	<u>\$ 796,722</u>
Grant expenses in current year	\$ (1,098,124)	\$ (957,051)
Add: Grant payables recorded in prior year and paid in current year	(171,936)	(187,378)
Less: Grant payables recorded in current year and paid in next year	-	171,936
Net cash paid	<u>\$ (1,270,060)</u>	<u>\$ (972,493)</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating revenue (expense)	\$ (7,844)	\$ 279,557
Adjustments to reconcile net position to net cash provided by operations		
Depreciation expense	41,204	24,600
Changes in Assets and Liabilities		
Due to General Fund	-	(143,166)
Prepaid expenses	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 33,360</u>	<u>\$ 160,991</u>

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF LEXINGTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 – GENERAL INFORMATION

The Industrial Development Board of the City of Lexington, Tennessee (IDB) is a nonprofit organization located in Lexington, Tennessee. Its purpose is to increase employment opportunities by promoting industry, trade, commerce, tourism and recreation in Henderson County, Tennessee. The IDB is a component unit of the City of Lexington since (1) board members are appointed by the City Commission and (2) it receives a significant portion of its funding from the City of Lexington. Accordingly, this financial data is incorporated into the City's financial statements. The City Commission determines the amount of money to contribute each year to the IDB.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accounts of the IDB are organized on the basis of funds. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses, as appropriate. The accounts in the financial statements in this report fall under one broad fund category as follows:

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The IDB's financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

Cash and Cash Equivalents

Cash and cash equivalents, as used in the Statements of Cash Flows, includes demand deposit accounts and certificates of deposit with maturities of three months or less when purchased, in accordance with GASB Statement No. 9.

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues that are not generated from daily operations are defined as non-operating.

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF LEXINGTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The IDB does not have any items that qualify for reporting in this category as of June 30, 2022 and 2021.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The IDB has items that qualify for reporting in this category as of June 30, 2022 and 2021. Accordingly, the items are reported in the enterprise fund balance sheet. These items are for deferred revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption

Sometimes the IDB will fund outlays for a particular purpose from both restricted (e. g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the IDB's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Net Position

In the IDB's financial statements, equity is classified as net position and displayed in three components:

- a. Investment in Capital Assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints place on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of restricted or net investment in capital assets.

Capital assets

Capital assets are reported at cost (except for donated property which is reported at fair value as of the date of donation) and includes improvements that significantly add to utility or extend useful lives. Costs for maintenance and repairs are charged to expense. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in earnings for the period. The IDB does not have a formal capitalization policy. Depreciation is computed using the straight-line method to allocate the cost of buildings over an estimated useful life of 50 years and improvements over 20 years.

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF LEXINGTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Capital asset activity for the years ended June 30, 2022 and 2021, was as follows:

	<u>Balance 7/1/21</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Balance 6/30/22</u>
Capital assets not being depreciated				
Land	\$ 803,070	\$ -	\$ -	\$ 803,070
Construction in progress	80,511	305,440	(369,288)	16,663
Total capital assets not being depreciated	<u>883,581</u>	<u>305,440</u>	<u>(369,288)</u>	<u>819,733</u>
Capital assets being depreciated				
Buildings and improvements	1,438,987	369,288	-	1,808,275
Total capital assets being depreciated	<u>1,438,987</u>	<u>369,288</u>	<u>-</u>	<u>1,808,275</u>
Less accumulated depreciation for:				
Buildings and improvements	(513,443)	(41,204)	-	(554,647)
Total accumulated depreciation	<u>(513,443)</u>	<u>(41,204)</u>	<u>-</u>	<u>(554,647)</u>
Total capital assets, being depreciated, net	<u>925,544</u>	<u>264,236</u>	<u>(369,288)</u>	<u>1,253,628</u>
Capital assets, net	<u>\$ 1,809,125</u>	<u>\$ 264,236</u>	<u>\$ (369,288)</u>	<u>\$ 2,073,361</u>

	<u>Balance 7/1/20</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Balance 6/30/21</u>
Capital assets not being depreciated				
Land	\$ 493,340	\$ 309,730	\$ -	\$ 803,070
Construction in progress	-	80,511	-	80,511
Total capital assets not being depreciated	<u>493,340</u>	<u>390,241</u>	<u>-</u>	<u>883,581</u>
Capital assets being depreciated				
Buildings and improvements	1,438,987	-	-	1,438,987
Total capital assets being depreciated	<u>1,438,987</u>	<u>-</u>	<u>-</u>	<u>1,438,987</u>
Less accumulated depreciation for:				
Buildings and improvements	(488,843)	(24,600)	-	(513,443)
Total accumulated depreciation	<u>(488,843)</u>	<u>(24,600)</u>	<u>-</u>	<u>(513,443)</u>
Total capital assets, being depreciated, net	<u>950,144</u>	<u>365,641</u>	<u>-</u>	<u>925,544</u>
Capital assets, net	<u>\$ 1,443,484</u>	<u>\$ 365,641</u>	<u>\$ -</u>	<u>\$ 1,809,125</u>

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U. S. Government or Government Agency securities, certain State of Tennessee or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the IDB must have a written collateral agreement approved by the board of directors or loan committee. The IDB has no policy regarding custodial credit risk for deposits.

The IDB's investment policies are governed by State statute. Permissible investments include direct obligations of the U. S. Government and agency securities, certificates of deposits, and savings accounts. Collateral is required for demand deposits, certificates of deposits, and repurchase agreements at 105% of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its subdivisions. The IDB has no policy that further limits allowable investments.

At June 30, 2022 the carrying amount and the bank balances of the IDB's deposits were \$47,085 and \$659,492, respectively. At June 30, 2021 the carrying amount and the bank balances of the IDB's deposits were \$19,094 and \$42,636, respectively. The IDB's deposits at June 30, 2022 and 2021 were not exposed to custodial credit risk due to being entirely covered by federal depository insurance and collateralized by the State Bank Collateral Pool.

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF LEXINGTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 4 - ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 5 – DEBT

LONG-TERM DEBT

Direct Borrowing and Direct Placements – The IDB issues other loans from a local bank to provide funds for the acquisition and construction of major capital facilities. Loans are direct obligations and pledge the full faith, credit, and taxing authority of the government. The loans outstanding were issued for original terms of up to 15 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All loans included in long-term debt as of June 30, 2022 and 2021, will be retired from the enterprise fund of the IDB.

On August 27, 2010 the IDB secured a term promissory note for \$950,000 with First Bank. Payments began on 10/1/2010 with an original maturity date on 10/1/2015. The note has been amended five times with the latest amendment terms at 4% with monthly payments of \$4,500 with the final payment due 5/31/2026. The First Bank notes payable is secured by a lien on real property on the Garner Building in Lexington, TN.

Long-term debt consists of the following notes payable at June 30, 2022 and June 30, 2021:

Business Type Activites

Note Payable - 2022

First Bank - 4.00%; payable in monthly payments of \$4,500

\$ 619,395

Note Payable - 2021

First Bank - 4.00%; payable in monthly payments of \$4,500 with final balance due on 5/31/2026 unless extended

\$ 647,879

The following is a summary of changes in long-term debt for the year ended June 30, 2022:

	<u>Balance 7/1/2021</u>	<u>Issues or Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Balance 6/30/2022</u>	<u>Due within one year</u>
Direct Borrowings	\$ 647,879	\$ -	\$ 28,484	\$ 619,395	\$ 29,412

The following is a summary of changes in long-term debt for the year ended June 30, 2021:

	<u>Balance 7/1/2020</u>	<u>Issues or Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Balance 6/30/2021</u>	<u>Due within one year</u>
Direct Borrowings	\$ 675,463	\$ -	\$ 27,584	\$ 647,879	\$ 28,484

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF LEXINGTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

The annual aggregate maturities for notes payable for the years subsequent to June 30, 2022 and June 30, 2021 are as follows:

Notes Payable - 2022

Year Ending June 30,	Principal	Interest	Total
2023	29,412	24,586	53,998
2024	30,563	23,438	54,001
2025	31,891	22,211	54,102
2026	527,529	19,077	546,606
Total	<u>\$ 619,395</u>	<u>\$ 89,312</u>	<u>\$ 708,707</u>

Notes Payable - 2021

Year Ending June 30,	Principal	Interest	Total
2022	28,484	25,676	54,160
2023	29,412	24,586	53,998
2024	30,563	23,438	54,001
2025	31,891	22,211	54,102
2026	527,529	19,077	546,606
Total	<u>\$ 647,879</u>	<u>\$ 114,988</u>	<u>\$ 762,867</u>

NOTE 6 – STEWARDSHIP AND ACCOUNTABILITY

The State of Tennessee discourages the creation of a deficit fund balance in any individual fund. IDB's total net position had a positive balance at year-end with the unrestricted net position having a deficit fund balance at June 30, 2022 and June 30, 2021.

NOTE 7 – RISK MANAGEMENT

It is the policy of the IDB to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability and theft. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF LEXINGTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 8 – LEASE AGREEMENT

On September 9, 2016, the IDB signed a lease with AutoZone Texas, LLC for Auto Lease to occupy a building owned by the IDB for 5 years but extended another 9 years and 3 months. The rent agreed upon was \$5,500 per month through 12/31/19, \$11,400 per month January 2020 - December 2023, and \$6,000 per month January 2024 – August 31, 2030. In 2020, the lease was amended to reduce monthly payments by \$5,400 to \$6,000 per month March 2020 – June 30, 2023 and \$7,613 per month May 2023 for AutoZone to recoup \$208,987 incurred by AutoZone to replace the roof on the building. This has been booked as an improvement on the IDB's books as of 2/6/2020 and the rent was calculated at the gross amount (\$11,400 per month) with the initial \$208,987 credit recorded as deferred revenue and decreased yearly as earned. Since there was no stated interest rate, it was determined that to calculate the net present of payments for 2020 – 2030 (when GASB 87 was implemented), the prime rate of 5.00% per JPMorgan Chase on 9/19/19 would be used was chosen because it was closest to the official date of the beginning of the lease at 9/23/19.

Following is a table of the future cash flows at net present value for of the lease with AutoZone as of June 30, 2022:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 90,185	\$ 14,215	\$ 104,400
2024	59,234	12,766	72,000
2025	56,414	15,586	72,000
2026	53,728	18,272	72,000
2027	51,169	20,831	72,000
2028	48,732	23,268	72,000
2029	46,412	25,588	72,000
2030	44,202	27,798	72,000
2031	7,016	4,984	12,000
Total	<u>\$ 457,092</u>	<u>\$ 163,308</u>	<u>\$ 620,400</u>

Following is a table of the future cash flows at net present value for of the lease with AutoZone as of June 30, 2021:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 124,082	\$ 12,718	\$ 136,800
2023	90,185	14,215	104,400
2024	59,234	12,766	72,000
2025	56,414	15,586	72,000
2026	53,727	18,273	72,000
2027	51,169	20,831	72,000
2028	48,732	23,268	72,000
2029	46,412	25,588	72,000
2030	44,202	27,798	72,000
2031	7,016	4,984	12,000
Total	<u>\$ 581,173</u>	<u>\$ 176,027</u>	<u>\$ 757,200</u>

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF LEXINGTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

In the financial statements of the IDB, revenues of \$136,800 (\$130,286 principal and \$6,514 interest) have been recognized from AutoZone during the year ended June 30, 2021. In the financial statements of the IDB, revenues of \$136,800 (\$124,082 principal and \$12,718 interest) have been recognized from AutoZone during the year ended June 30, 2022. The entire amount of the balance for the lease receivable at June 30, 2022 and 2021, is offset by deferred inflows of resources of the IDB.

NOTE 9 – GASB 87

Provisions of Governmental Accounting Standards Board (GASB) Statement No, 87, *Leases* became effective for the year ended June 30, 2022. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The IDB early adopted this Statement as of June 30, 2021 as reflected on the IDB's financial statements.

NOTE 10 – PRIOR PERIOD ADJUSTMENT

During the fiscal year ended June 30, 2021, the IDB failed to properly record transactions. This was corrected as of June 30, 2021 as a prior period adjustment when discovered during the initial audit. The transactions requiring the prior period adjustment were as follows:

Net Position - Beginning of year, original - 7/1/2021	\$ 754,796
Prior Period Adjustments:	
Expenses paid by General Fund not booked by IDB	(140,171)
Adjust N/P to actual per bank	677,556
Reverse receivable deemed not collectible	(48,000)
Reverse due from other funds incorrectly recorded	(1,388)
Book 2019 property insurance originally paid by City	(18,270)
Capitalize prior year assets incorrectly expensed	19,182
Record purchase of property 2018	56,000
Record depreciation from prior years not booked	(488,844)
2020 payables not properly booked	(160,800)
2020 payables not properly booked	(26,578)
2020 reduction of deferred revenue	21,600
Total of prior period adjustments	<u>(109,713)</u>
Net Position - Beginning of year, restated - 7/1/2021	<u><u>\$ 645,083</u></u>

There were no prior period adjustments in fiscal year ended June 30, 2022.

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF LEXINGTON,
TENNESSEE
SCHEDULES OF LONG-TERM DEBT, PRINCIPAL, AND INTEREST REQUIREMENTS
BY FISCAL YEAR
JUNE 30, 2022 AND 2021**

Year Ending June 30,	2022		2021	
	Note Payable - First Bank		Note Payable - First Bank	
	Principal	Interest	Principal	Interest
2022	\$ -	\$ -	\$ 28,484	\$ 25,676
2023	29,412	24,586	29,412	24,586
2024	30,563	23,438	30,563	23,438
2025	31,891	22,211	31,891	22,211
2026	527,529	19,077	527,529	19,077
	<u>\$ 619,395</u>	<u>\$ 89,312</u>	<u>\$ 647,879</u>	<u>\$ 114,988</u>

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

THE INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF LEXINGTON, TENNESSEE

SCHEDULES OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

JUNE 30, 2022 AND 2021

Business-Type Activities

Description of Indebtedness	Original Amount Of Issue	Interest Rate	Date of Issue	Last Maturity Date	Oustanding 7/1/2021	Issued During Period	Matured During Period	Refunded During Period	Oustanding 6/30/2022
NOTES PAYABLE									
Payable through the Industrial Development Board Fund									
First Bank Notes Payable	\$ 950,000	4.00%	10/1/2010	5/30/2026	\$ 647,879	\$ -	\$ 28,484	\$ -	\$ 619,395
TOTAL NOTES PAYABLE - Payable through Industrial Development Board Fund					<u>647,879</u>	<u>-</u>	<u>28,484</u>	<u>-</u>	<u>619,395</u>
TOTAL LONG-TERM DEBT					<u>\$ 647,879</u>	<u>\$ -</u>	<u>\$ 28,484</u>	<u>\$ -</u>	<u>\$ 619,395</u>

Description of Indebtedness	Original Amount Of Issue	Interest Rate	Date of Issue	Last Maturity Date	Oustanding 7/1/2020	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Oustanding 6/30/2021
NOTES PAYABLE									
Payable through the Industrial Development Board Fund									
First Bank Notes Payable	\$ 950,000	4.00%	10/1/2010	5/30/2026	\$ 675,463	\$ -	\$ 27,584	\$ -	\$ 647,879
TOTAL NOTES PAYABLE - Payable through Industrial Development Board Fund					<u>675,463</u>	<u>-</u>	<u>27,584</u>	<u>-</u>	<u>647,879</u>
TOTAL LONG-TERM DEBT					<u>\$ 675,463</u>	<u>\$ -</u>	<u>\$ 27,584</u>	<u>\$ -</u>	<u>\$ 647,879</u>

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF LEXINGTON, TENNESSEE
SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2022 AND 2021**

<u>Federal Grantor/Pass- Through Grantor/ Program Title</u>	<u>Federal Assistance Listings Number</u>	<u>Contract Number</u>	<u>2022 Expenditures</u>	<u>2021 Expenditures</u>
FEDERAL AWARDS				
Delta Area Economic Development	90.201	N/A	\$ -	\$ 25,194
TOTAL FEDERAL AWARDS			<u>-</u>	<u>25,194</u>
STATE FINANCIAL ASSISTANCE				
Tennessee Department of Economic and Community Development				
Site Development Grant Program	N/A	33007-44820	252,602	41,077
Select Tennessee/Certified Site Program	N/A	33007-22821	10,218	-
FastTrack Economic Development Grant Program - Adient US LLC	N/A	N/A	495,855	921,639
FastTrack Economic Development Grant Program - JMG Thermal, LLC	N/A	N/A	102,269	-
FastTrack Economic Development Grant Program - AutoZone Texas, LLC	N/A	N/A	<u>500,000</u>	<u>-</u>
TOTAL STATE AWARDS			<u>1,360,944</u>	<u>962,716</u>
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			<u>\$ 1,360,944</u>	<u>\$ 987,910</u>

Note 1: Basis of Presentation

The accompanying schedules of expenditures of federal awards and state financial assistance summarized the expenditures of the IDB under programs of the federal and state governments for the years ended June 30, 2022 and 2021. The schedule is presented using the modified accrual basis of accounting.

Note 2: Indirect Cost Rate

The IDB has elected to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

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



**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**

Board of Directors
The Industrial Development Board of the City of Lexington, Tennessee
Lexington, Tennessee

We have audited, 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, the financial statements of the business-type activities of The Industrial Development Board of the City of Lexington, Tennessee (the IDB), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the IDB's basic financial statements, and have issued our report thereon dated May 15, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the IDB'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 IDB's internal control. Accordingly, we do not express an opinion on the effectiveness of the IDB'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control described as 2022-001 and 2022-002 that we consider to be material weaknesses.

2022-001 INADEQUATE SEGREGATION OF DUTIES

Condition: Due to lack of personnel, there is not sufficient segregation of duties to accomplish an adequate internal control structure.

Criteria: Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the internal controls are effective.

Cause: Lack of accounting staff.

Effect: The risk of errors or irregularities occurring and not being detected in a timely manner increases when accounting functions are not adequately segregated.

Recommendation: Management should try to compensate for this by requiring the preparation of monthly reports in key areas. These reports should be reviewed and maintained by management. Management should ensure that bank reconciliations and other key documents are reviewed by someone other than the person preparing them.

Management's Response: We agree and will work to segregate duties further and have appropriate oversight of duties not segregated.

2022-002 GENERAL LEDGER MATERIALLY MISSTATED BEFORE ADJUSTMENTS

Condition: The financial statements were materially misstated before audit adjustments due to a failure to properly record a grant receivable, failure to book improvements and capital assets, failure to book a grant payable properly, and the note payable not being adjusted to proper balances.

Criteria: Generally accepted accounting principles require that accounting transactions be posted properly.

Cause: Oversight of IDB personnel.

Effect: Material adjustments were required because the IDB's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records.

Recommendation: We recommend that the financial statements be materially stated.

Management's Response: End of year procedure checklist has been modified to ensure these entries are recorded properly.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the IDB'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 several instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

2022-003 UNTIMELY CLOSING OF BOOKS/GENERAL LEDGER

Condition: The IDB failed to close their books within sixty days of year end.

Criteria: Section 9-2-102, *Tennessee Code Annotated*, was amended to require all local governments to close their official accounting records and to have those records available for audit no later than two (2) months after the close of their fiscal year end.

Cause: Oversight.

Effect: The IDB is in violation of TCA Code 9-2-102.

Recommendation: Account transactions and balances should be recorded in a timely manner, all closing entries posted, and the records be made available for audit no later than two (2) months after the close of the fiscal year.

Management's Response: We concur and will correct these deficiencies.

2022-004 UNTIMELY RECONCILIATIONS OF ACCOUNTS

Condition: The IDB failed to reconcile bank accounts within thirty days of receipt of the bank statement.

Criteria: Section 6-56-110, *Tennessee Code Annotated*, requires the IDB to reconcile bank accounts timely for proper internal controls. Additionally, the banks are not responsible for any errors noted by the IDB after 30 days of the bank statement's issuance date.

Cause: Oversight.

Effect: Weak internal controls and potential of financial loss if bank errors are noted and are not required by the bank to be corrected as well as noncompliance with TCA Code 6-56-110.

Recommendation: The IDB is required to reconcile bank accounts within thirty days of receipt of the bank statements.

Management's Response: We concur and will correct these deficiencies.

2022-005 INTERFUND RECEIVABLES NOT LIQUIDATED WITHIN ONE YEAR

Condition: The IDB failed to liquidate interfund receivables within one year of origination.

Criteria: Section 9-21-408, *Tennessee Code Annotated*, requires the IDB to liquidate interfund receivables within one year of origination. If the interfund receivables are not liquidated within one year, they are considered long-term debt that requires approval by the Comptroller of the Treasury, State and Local Finance Division.

Cause: Oversight.

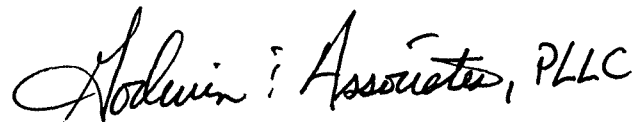
Effect: Noncompliance with TCA Code 9-21-408.

Recommendation: We recommend that all interfund receivables be liquidated within one year of origination.

Management's Response: We concur and will correct these deficiencies.

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.



May 15, 2023

THE INDUSTRIAL DEVELOPMENT BOARD OF
THE CITY OF LEXINGTON, TENNESSEE

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Financial Statement Findings

Finding Number	Finding Title	Status
NONE		

Lexington Industrial Development Board

P.O. Box 1699 • 33 First Street
Lexington, Tennessee 38351
(731) 968-6657 • Fax (731) 968-3238

"Central City of Southern Industry"



MANAGEMENT'S CORRECTIVE ACTION PLAN JUNE 30, 2022 AND 2021

2022-001 INADEQUATE SEGREGATION OF DUTIES

Responsible party:

Cody Wood, City Recorder and Jeff Lewis, Chairman

Corrective action planned:

We will segregate duties as much as possible and require monthly reports to be approved by management and the board.

Anticipated completion date:

June 30, 2023

2022 - 002 GENERAL LEDGER MATERIALLY MISSTATED BEFORE ADJUSTMENTS

Responsible party

Cody Wood, City Recorder and Jeff Lewis, Chairman

Corrective action planned

The City Recorder will post all entries to properly reflect the IDB's financial position including grants and year-end entries in the future before the fiscal year end or close of the books.

Anticipated completion date

June 30, 2023

2022 - 003 UNTIMELY CLOSING OF BOOKS/GENERAL LEDGER

Responsible party

Cody Wood, City Recorder and Jeff Lewis, Chairyman

Corrective action planned

The City Recorder will close the general ledger within the sixty-day time frame mandated by TCA.

Anticipated completion date

June 30, 2023

2022 - 004 UNTIMELY RECONCILIATIONS OF ACCOUNTS

Responsible party

Cody Wood, City Recorder and Jeff Lewis, Chairman

Corrective action planned

The City Recorder or his designee will reconcile each bank account to the general ledger in a timely manner.

Anticipated completion date

June 30, 2023

2022-005 INTERFUND RECEIVABLES NOT LIQUIDATED WITHIN ONE YEAR

Responsible party

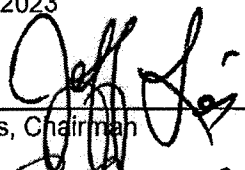
Cody Wood, City Recorder and Jeff Lewis, Chairman

Corrective action planned

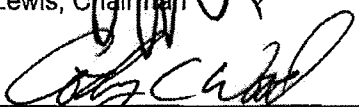
The City Recorder or his designee will liquidate interfund receivables within one year of origination or obtain the Comptroller of the Treasury, State and Local Finance Division's approval to issue long-term debt.

Anticipated completion date

June 30, 2023



Jeff Lewis, Chairman



Cody Wood, City Recorder