

**INDUSTRIAL DEVELOPMENT BOARD OF
SCOTT COUNTY, TENNESSEE**

Annual Financial Report

For the Year Ended June 30, 2023

INDUSTRIAL DEVELOPMENT BOARD OF SCOTT COUNTY, TENNESSEE

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INTRODUCTORY SECTION

INDUSTRIAL DEVELOPMENT BOARD OF SCOTT COUNTY, TENNESSEE

Roster of Officers

June 30, 2023

<u>Official</u>	<u>Title</u>
Greg Jeffers	Chairman
Don Billingsley	Vice - Chair
Phillips Jones	Treasurer
Kaleb Howard	Board Member
Anthony Newport	Board Member
Brian Strunk	Board Member
Dwight Murphy	Board Member
<u>Management</u> Stacy Swann	Executive Director

FINANCIAL SECTION

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

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(615) 822-4177

Independent Auditor's Report

Board of Directors
Industrial Development Board of Scott County, Tennessee
Huntsville, Tennessee

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the governmental activities and the major fund of the Industrial Development Board of Scott County (the "Board") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Board as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

This is a reissued audit report. The original audit report was dated December 27, 2023. Originally certain receivable, capital assets and long-term debt were reported on certain activities that management has now determined to be Conduit Debt Obligations. In accordance with Governmental Accounting Standards Board Statement 91 -Conduit Debt Obligations, these items have been removed from the financial statements and information related to these activities have been described in Notes to the financial Statements (6) on page 17. The 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 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 the 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

My 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 my 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 judgement 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, I:

- ❖ 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 my 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.

I am 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 I identified during the audit.

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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 Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. My opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The supplementary information section, as listed in the table of contents, 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 my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information – Introductory Section

Management is responsible for the Introductory Section included in the annual report. The Introductory Section, as listed in the table of contents, does not include the basic financial statements and my auditor's report thereon. My opinion on the basic financial statements does not cover the Introductory Section, and I do not express an opinion or any other assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated May 31, 2024, on my consideration of the Board's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Board's internal control over financial reporting and compliance.

Julie R Poole, CPA

May 31, 2024

BASIC FINANCIAL STATEMENTS

INDUSTRIAL DEVELOPMENT BOARD OF SCOTT COUNTY, TENNESSEE

Statement of Net Position

June 30, 2023

<u>Assets</u>		<u>Total</u>
Cash and cash equivalents	\$648,299	\$648,299
Accounts receivable	3,132	3,132
Loan receivable-- due in less than a year	30,000	30,000
Loan receivable-- due in more than a year	179,140	179,140
Capital assets, not depreciated	145,600	145,600
Capital assets, net of accumulated depreciation	<u>972,000</u>	<u>972,000</u>
Total Assets	<u><u>\$1,978,171</u></u>	<u><u>\$1,978,171</u></u>
 <u>Liabilities</u>		
Accounts payable	\$3,464	\$3,464
 Net Position:		
Net investment in capital assets	1,117,600	1,117,600
Restricted	493,771	493,771
Unrestricted	363,336	363,336
Total Net Position	<u><u>\$1,974,707</u></u>	<u><u>\$1,974,707</u></u>

See accompanying notes to financial statements.

INDUSTRIAL DEVELOPMENT BOARD OF SCOTT COUNTY, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2023

<u>Function/Programs</u>	Program Revenues			Net (Expenses) Revenue and <u>Changes in Net Position</u>		
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>	
General government - Industrial Park	455,518	503,570	286,161	0	334,213	334,213
Total Governmental Activities	<u>455,518</u>	<u>503,570</u>	<u>286,161</u>	<u>0</u>	<u>334,213</u>	<u>334,213</u>
General Revenues:						
Loss on disposal of property				(349,599)	(349,599)	
Other				6,636	6,636	
Total general revenues				<u>(342,963)</u>	<u>(342,963)</u>	
Changes in net position				<u>(8,750)</u>	<u>(8,750)</u>	
Net position - beginning of year				3,215,177	3,215,177	
Restatement				(1,231,720)	(1,231,720)	
Net position - beginning of year, as restated				1,983,457	1,983,457	
Net position - ending of year				<u>1,974,707</u>	<u>1,974,707</u>	

See accompanying notes to financial statements.

FUND FINANCIAL
STATEMENTS

INDUSTRIAL DEVELOPMENT BOARD OF SCOTT COUNTY, TENNESSEE

Balance Sheet

General Fund

June 30, 2023

Assets

Cash and cash equivalents	\$156,657
Cash and cash equivalents- restricted	491,642
Accounts receivable	3,132
Loan receivables	<u>209,140</u>
Total Assets	<u>\$860,571</u>

Liabilities and Fund Balance

Liabilities:

Accounts payable	<u>3,464</u>
Total Liabilities	<u>3,464</u>

Deferred inflows: note and loan receivable	<u>209,140</u>
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Fund balance:

Restricted-USDA activities	304,567
Restricted-Tibbais	189,204
Unassigned	<u>154,196</u>
Total Fund Balance	<u>647,967</u>

Total Liabilities, Deferred Inflows and Fund Balance	<u>\$860,571</u>
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The notes accompanying the financial statements are an integral part of these financial statements.

INDUSTRIAL DEVELOPMENT BOARD OF SCOTT COUNTY, TENNESSEE

**Reconciliation of the Balance Sheet to the Statement of Net Position
of Government Activities**

June 30, 2023

Amounts reported for fund balance - total governmental funds	\$ 647,967
Amounts reported for governmental activities in the statement of net position are different because the operating funds do not report:	
Investment in capital assets	1,117,600
Other long term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds	<u>209,140</u>
Net position of governmental activities	\$ <u>1,974,707</u>

See accompanying notes to financial statements.

INDUSTRIAL DEVELOPMENT BOARD OF SCOTT COUNTY, TENNESSEE

Governmental Fund
Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2023

Revenues:	
Rental income	\$ 622,543
Salvage sales	85,679
Administrative fee	4,488
Sale of property	275,000
Grant receipts	286,161
Interest income	1,230
Miscellaneous income	5,406
Total Revenues	<u>1,280,507</u>
Expenditures:	
Professional services	20,554
Advertisement	4,530
Utility	187,260
Grant expenses	123,089
Insurance	1,457
Repair and maintenance	34,618
Office expenses	4,154
Supplies	5,282
Miscellaneous	3,486
Debt service-principal	1,241,720
Debt service- interest	20,588
Capital outlay	113,500
Total Expenditures	<u>1,760,238</u>
Excess (deficiency) of revenues over expenditures	<u>(479,731)</u>
Fund Balance, Beginning of year	1,127,698
Fund Balance, End of year	<u>647,967</u>

See accompanying notes to financial statements.

INDUSTRIAL DEVELOPMENT BOARD OF SCOTT COUNTY, TENNESSEE

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Fund to the Statement of Activities

For the Year Ended June 30, 2023

Net change in fund balances - total governmental funds: \$ (479,731)

Amounts reported for governmental activities in the statement of net position are different because:

Operating funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Acquisition of capital assets	113,500
Loss on disposition of assets	(624,599)
Depreciation expense	(50,500)

Revenues and expenses in the operating funds that reduce long-term liabilities are not reported in the statement.

Receipt of lease payments	(209,140)
Principal payments	<u>1,241,720</u>

Change in net position of governmental activities \$ (8,750)

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Industrial Development Board of Scott County, Tennessee

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies

Change in Yearend

During the year the Board changed its yearend from August 31 to June 30.

Reporting Entity

The Industrial Development Board of Scott County, Tennessee (Board) was formed under Chapter 210 of the Public Works Acts of 1955 as codified in 6-2801, et seq., Tennessee Code Annotated and as amended by Chapter 222, Public Acts of 1959. The directors are elected by the governing body of Scott County, Tennessee. As an agency for the county, the Board has been delegated the authority to develop, operate and maintain industrial sites for the benefit of the community. Upon dissolution, the title of all funds and properties belonging to the Board will become funds and properties of Scott County Tennessee. The accounting policies of the Industrial Development Board of Scott County, Tennessee conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Government -Wide and Fund Financial Statements

The Government-wide financial statements, the statement of Net Position and the statement of activities report information on all of the financial activities of the Board.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (i) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Measurement Focus and Availability

Governmental fund revenues are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers most governmental revenues as available if received within 45 days of years end. Expenditures are recorded generally when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of checking accounts and a money market account. When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted resources as they are needed. When unrestricted funds are used the Board uses committed, assigned then unassigned funds.

Industrial Development Board of Scott County, Tennessee

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies, Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide 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.

The Board reports the following major fund:

General (Operating) Fund - The General (Operating) Fund is the general operating fund of the Industrial Development Board. It is used to account for all financial resources of the general government except those required to be accounted for in another fund.

Fund Balance

The Board implemented GASB 54 which addresses issues related to how fund balances are reported. Fund balances are now reported in the following manner:

Nonspendable fund balances – amounts that are not in a spendable form, Restricted fund balance – amounts constrained to specific purposes by their providers, provisions, or by enabling legislation, Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint, Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority, Unassigned fund balance – amounts that are available for any purpose; these amounts are reported only in the general fund. Only by Board approval can fund balance amounts be classified as committed or assigned.

Government Wide – Net Position

Net position is a component of equity and is displayed in the following three components:

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction, or improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination.

Restricted – Consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates, less any related liabilities. The restrictions are evident from the classification titles.

Unrestricted – All other net position that does not meet the description of the above categories.

Industrial Development Board of Scott County, Tennessee

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies, Continued

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds and are presented in the accompanying financial statements as other assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Credit Risk

Financial instruments that potentially subject the Board to significant concentrations of credit risk consist principally of cash and cash equivalents. The Board places its cash with federally-insured financial institutions or institutions participating in the State collateral pool.

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets consisting of certain improvements other than buildings are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Board as assets with an individual cost of \$5,000 and an estimated useful life in excess of three years. Donated fixed assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is provided over the estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

Land improvements	15 years
Buildings	30 years
Machinery and Equipment	5-15 years

Budget and Budgetary Accounting

The Board is not legally required to adopt a budget; therefore, no budget comparison is presented in these financial statements.

Industrial Development Board of Scott County, Tennessee

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies, Continued

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Board's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Estimates

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 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.

(2) Cash and Cash Equivalents

The Board is authorized to invest funds in Federal treasury bills and notes, State of Tennessee Local Government Investment Pool and financial institution demand deposit accounts and certificates of deposit. Deposits in financial institutions are required by State Statute to be secured and collateralized by the institutions. The Board has deposit policies to minimize custodial credit risks. The collateral must meet certain requirements and be deposited in an escrow account in a second bank for the benefit of the Board and must total a minimum 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. Cash and cash equivalents were adequately covered by federal depository insurance, insured by the depository bank's participation in the State of Tennessee Bank Collateral Pool or collateralized by securities, pledged for deposits, held by an independent third-party financial institution under the terms of a safekeeping collateral agreement in the Board's name. Investment policies of the Board follow state law and bond requirements prohibiting investments that are not secured or insured by the U.S. Government.

Industrial Development Board of Scott County, Tennessee

Notes to Financial Statements

June 30, 2023

(3) Capital Assets

A summary of changes in general capital assets as presented in the governmental activities column of the government-wide financial statements is as follows:

	<u>Balance</u> <u>June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>
Land	145,600	-	-	145,600
Building*	<u>5,074,706</u>	<u>113,500</u>	<u>4,064,706</u>	<u>1,123,500</u>
Total	<u>5,220,306</u>	<u>113,500</u>	<u>4,064,706</u>	<u>1,269,100</u>
Accumulated depreciation – buildings*	(2,272,458)			(151,500)
Capital assets – net	<u>2,947,848</u>			<u>1,117,600</u>

*The beginning balance of the buildings were restated to comply with the provisions of GASB 91 – Conduit Debt Obligations.

During the year the Board altered its agreement with two leases and as such the capital assets of \$4,064,706 and related loans were removed from the financial statements. Depreciation expenses for the year was \$50,500 for the building. All assets except land of \$145,600 is being depreciated.

(4) Notes Receivable

The beginning balance of Notes receivable of \$1,086,822 has been restated to comply with the provisions of GASB 91 – Conduit Debt Obligations.

Industrial Development Board of Scott County, Tennessee

Notes to Financial Statements

June 30, 2023

(5) Long Term Debt

A summary of changes in long-term debt as presented in the governmental activities column of the government-wide financial statements is as follows:

	<u>Balance</u> <u>June 30, 2022</u>	<u>Additions</u>	<u>Deletion</u>	<u>Balance</u> <u>June 30, 2023</u>
Takahata #1	12,995	-	12,995	-
Takahata #2	186,455	-	186,455	-
Takahata #3	<u>196,898</u>	<u>-</u>	<u>196,898</u>	<u>-</u>
Total*	<u>396,348</u>	<u>-</u>	<u>396,348</u>	<u>-</u>

During the year the Takahata loans were paid in full.

* The beginning balance of the Long-Term Debt were restated to comply with the provisions of GASB 91 – Conduit Debt Obligations.

Loans from East Tennessee Enterprises

	<u>Balance</u> <u>June 30, 2022</u>	<u>Additions</u>	<u>Deletion</u>	<u>Balance</u> <u>June 30, 2023</u>
USDA #1	454,019	-	454,019	-
USDA #2	<u>391,353</u>	<u>-</u>	<u>391,353</u>	<u>-</u>
Total	<u>845,372</u>	<u>-</u>	<u>845,372</u>	<u>-</u>

(6) Conduit Debt Obligations

To further economic development in the Scott County area, the Industrial Development Board of Scott County, Tennessee has issued loans that provide capital financing to private-sector entities for the acquisition and construction of industrial and commercial facilities. The properties financed are pledged as collateral, and the bonds are payable solely from payments received from the private-sector entities on the underlying loan. In addition, no commitments beyond the collateral, the payments from the private-sector entities, and maintenance of the tax-exempt status of the conduit debt obligation were extended by the Industrial Development Board of Scott County, Tennessee for any of these loans. At June 30, 2023, the loans have an aggregate outstanding principal amounts payable of \$2,016,099.

Industrial Development Board of Scott County, Tennessee

Notes to Financial Statements

June 30, 2023

(7) Loans Receivable

The Board inherited from East Tennessee Enterprises several business development loans receivable from different businesses in the area. The total amount of these loans at June 30, 2023 is \$455,628, with an allowance for doubtful collection of (\$246,488) leaving a net amount of \$209,140 which has been deferred in the General Fund Balance Sheet. Loan payments are due monthly, with \$30,699 collected in the current year.

(8) Commitments and Contingencies

Litigation:

There are no pending lawsuits in which the Board is involved which are significant to the financial statements.

Grants:

Amounts received from Grantor agencies are subject to audit and adjustment by Grantor agencies, principally the Federal government. Any disallowed claims including amounts already collected, could become a liability of the applicable fund.

(9) Insurance

The Board carries commercial insurance for the majority of risks of loss, including general liability, and property. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Restatement

The Board has restated its financial statements by (\$1,181,220) to comply with the provisions of GASB 91 – Conduit Debt Obligations and to defer certain receivable amounts that are not currently collectible.

SUPPLEMENTAL
INFORMATION

INDUSTRIAL DEVELOPMENT BOARD OF SCOTT COUNTY, TENNESSEE

Schedule of Debt Service Requirements

June 30, 2023

In this restated report the Taylor Medical loan and J&M Grading loans have been restated and removed.

INDUSTRIAL DEVELOPMENT BOARD OF SCOTT COUNTY, TENNESSEE

Schedule of Debt Service Requirements - From East Tennessee Enterprises

June 30, 2023

All amounts were paid off during the year.

INDUSTRIAL DEVELOPMENT BOARD OF SCOTT COUNTY, TENNESSEE

Schedule of Changes in Long-term Debt by Individual Issue

June 30, 2023

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2022	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2023
Governmental Activities									
NOTES PAYABLE									
Takahata #1	\$ 1,333,759	3.40%	6/30/2012	5/30/2022	\$ 12,995	-	\$ 12,995	-	\$0
Takahata #2	1,270,867	3.80%	8/1/2015	7/1/2025	\$ 186,455	-	\$ 186,455	-	\$0
Takahata #3	425,000	3.25%	8/17/2022	7/17/2022	196,898	-	\$ 196,898	-	\$0
Total Notes Payable					\$ 396,348	\$ -	\$ 396,348	\$ -	\$ -

In this restated report the Taylor Medical loan and J&M Grading loans have been restated and removed.

Governmental Activities- East Tennessee Enterprises

NOTES PAYABLE									
USDA #1	\$ 571,842	0.75%	9/01/2021	3/17/2026	\$ 454,019	-	\$ 454,019	-	\$0
USDA #2	443,084	0.75%	9/01/2021	3/13/2030	\$ 391,353	-	\$ 391,353	-	\$0
Total Notes Payable- Direct Borrowings					\$ 845,372	\$ -	\$ 845,372	\$ -	\$ -

INDUSTRIAL DEVELOPMENT BOARD OF SCOTT COUNTY, TENNESSEE

Schedule of State and Federal Financial Assistance

For the Year Ended June 30, 2023

<u>Assistance Listing Number</u>	<u>State Grant Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>	<u>Receivable (Deferred) Balance June 30, 2022</u>	<u>Grant Receipts</u>	<u>Reimbursements</u>	<u>Grant Expenditures</u>	<u>Receivable (Deferred) Balance June 30, 2023</u>
Federal Program:								
23.001	N/A	ARC	HUD thru the Appalachian Regional Development	<u>0</u>	<u>249,590</u>	<u>0</u>	<u>249,590</u>	<u>0</u>
State Program:								
N/A	13,372	Three Star	State of Tennessee Department of Economic and Community Dev.	<u>0</u>	<u>28,571</u>	<u>0</u>	<u>28,571</u>	<u>0</u>
N/A	2,510	Tourism	State of Tennessee Department of Economic and Community Dev.	<u>0</u>	<u>8,000</u>	<u>0</u>	<u>8,000</u>	<u>0</u>
Total State Program				<u>0</u>	<u>286,161</u>	<u>0</u>	<u>286,161</u>	<u>0</u>

Note: This schedule prepared on the accrual basis of accounting.

COMPLIANCE AND INTERNAL CONTROL

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

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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
Industrial Development Board of Scott County, Tennessee
Huntsville, Tennessee

I have audited the financial statements of the governmental activities and the major fund 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 Industrial Development Board of Scott County, Tennessee as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Industrial Development Board of Scott County, Tennessee's basic financial statements, and have issued a report thereon dated May 31, 2024.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Industrial Development Board of Scott County, Tennessee'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 an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Industrial Development Board of Scott County, Tennessee's internal control. Accordingly, I do not express an opinion on the effectiveness of the Industrial Development Board of Scott County, Tennessee'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 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.

My consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified. I did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as item 2023-001, that I consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Industrial Development Board of Scott County, Tennessee's financial statements are free of material misstatement, I 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 determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

The Industrial Development Board of Scott County, Tennessee's response to the finding identified in the audit is described in the Schedule of Findings and Responses. The Industrial Development Board of Scott County, Tennessee's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result 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.

Juli R Poole, CPA

May 31, 2024

Industrial Development Board of Scott County, Tennessee

Schedule of Findings and Responses

June 30, 2023

2023-001 - Separation of Duties

Condition: The Industrial Development Board of Scott County, Tennessee currently has one person that works in performing the majority of the accounting functions for the Board. Due to only having one person performing the accounting transactions there is currently an inadequate segregation of duties.

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

Cause: The Board has a limited number of office personnel to provide for a proper division of duties.

Effect: The risk of errors and irregularities occurring and not being detected in a timely manner along with the possibility of fraud or misappropriation of assets increases when accounting functions are not adequately segregated.

Recommendation: For adequate separation of duties, the employee who writes receipts, prepares and makes bank deposits, or writes checks should neither reconcile bank statements nor post to the cash receipts and disbursements journals.

Response: "We agree that the staff size will not allow the Board to segregate duties to the optimum level desired. There is only one person working in the department so it is virtually impossible to segregate duties unless more staff could be hired and due to our finances, we could not financially hire additional office help."

Industrial Development Board of Scott County, Tennessee

Schedule of Disposition of Prior Year Comments

June 30, 2023

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2022-001	Segregation of Duties	Continued.

Original finding number 2020-001. Current year finding number 2023-001.

Industrial Development Board of Scott County, Tennessee

P.O. Box 766 Helenwood, TN. 37755

Management's Corrective Action Plan

Audit period: June 30, 2023

The findings from the June 30, 2023, *Schedule of Findings and Responses* are discussed below.

2023-001 Segregation of Duties (Internal Control)

Contact person: Stacy Swann

Planned Corrective Action: It is not economically feasible at this time to hire a sufficient number of people to adequately separate the duties. The Board of Officers continues to monitor our finances and internal control.

Anticipated Completion Date: At the current time, due to our size, we do not believe we can fully segregate these duties. We will continue to improve and strengthen our internal controls, but we cannot give a definite date.

Signature: _____

Stacey Swann