

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

**BASIC FINANCIAL STATEMENTS
WITH REQUIRED AND OTHER
SUPPLEMENTARY INFORMATION**

For the Fiscal Year Ended June 30, 2023

and

INDEPENDENT AUDITOR'S REPORT

INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF SEVIERVILLE, TENNESSEE

BASIC FINANCIAL STATEMENTS
WITH REQUIRED AND OTHER SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2023

TABLE OF CONTENTS

<u>INTRODUCTORY SECTION</u>	<u>Page</u>
Roster of Officials	1
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	2 – 4
Required Supplementary Information: Management's Discussion and Analysis	5 – 8
Statement of Net Position	9
Statement of Revenues, Expenses, and Change in Net Position	10
Statement of Cash Flows	11
Notes to Basic Financial Statements	12 – 16
<u>OTHER SUPPLEMENTARY INFORMATION SECTION</u>	
Schedule of Long-Term Debt Principal and Interest Requirements	17
Schedule of Changes in Long-Term Debt by Individual Issue	18
<u>INTERNAL CONTROL AND COMPLIANCE SECTION</u>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19 – 20
Schedule of Prior Year Findings	21

INTRODUCTORY SECTION

INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF SEVIERVILLE, TENNESSEE

ROSTER OF OFFICIALS

June 30, 2023

Andrew Temple	Chairman
Rodney Tarwater	Vice Chairman
Brenda McCroskey	Secretary/Treasurer
James S. Medlin	Member
Howard Murrell	Member
Jessica Ratcliff	Member
Micheal D. Sutton	Member

FINANCIAL SECTION

BROWN JAKE & McDANIEL, PC

CERTIFIED PUBLIC ACCOUNTANTS
2607 KINGSTON PIKE, SUITE 110
KNOXVILLE, TENNESSEE 37919-3336
865/637-8600 • fax: 865/637-8601
www.bjmpe.com

JOE L. BROWN, CPA, CGFM, CGMA
FRANK D. McDANIEL, CPA, CGFM, CGMA
TERRY L. MOATS, CPA, CGFM, CGMA
JAMES E. BOOHER, CPA, CGMA
HALEY S. SLAGLE, CPA, CGMA

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Members of the Board
Industrial Development Board of the
City of Sevierville, Tennessee

Opinion

We have audited the accompanying financial statements of the Industrial Development Board of the City of Sevierville, 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 the City of Sevierville, Tennessee'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 financial position of the Industrial Development Board of the City of Sevierville, Tennessee, as of June 30, 2023, and the changes in its financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Industrial Development Board of the City of Sevierville, Tennessee 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.

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 Industrial Development Board of the City of Sevierville, Tennessee'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 opinion. 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 Industrial Development Board of the City of Sevierville, Tennessee'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 Industrial Development Board of the City of Sevierville, Tennessee's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 – 8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Industrial Development Board of the City of Sevierville, Tennessee's basic financial statements. The accompanying schedules of long-term debt principal and interest requirements and changes in long-term debt by individual issue, are presented for purposes of additional analysis and are 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 schedules of long-term debt principal and interest requirements and changes in long-term debt by individual issue are 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 included 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 opinion on the basic financial statements does 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 December 19, 2023, on our consideration of the Industrial Development Board of the City of Sevierville, Tennessee'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 Industrial Development Board of the City of Sevierville, Tennessee'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 Industrial Development Board of the City of Sevierville, Tennessee's internal control over financial reporting and compliance.

Brown Jake E. McDaniel, PC

Knoxville, Tennessee
December 19, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Industrial Development Board of the City of Sevierville, Tennessee's (the "Board") annual financial report presents our discussion and analysis of the Board's financial performance during the fiscal year ended June 30, 2023. This information should be considered within the context of the accompanying financial statements and note disclosures.

Financial Highlights

- The Board's net position was \$69,678 at June 30, 2023 and 2022.
- The Board entered into an agreement with a developer to facilitate the construction of a shopping center in the City. The Board has entered into an agreement to provide \$2,025,000 in funding from the Board for payments to the developer for construction assistance. As of June 30, 2022, \$2,025,000 of this commitment has been paid. Further details are included in Note 3.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Board's basic financial statements and notes that follow this section and should be read in conjunction with them.

The *statement of net position* presents information on all of the Board's assets, liabilities and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating.

The *statement of revenues, expenses, and changes in net position* presents information showing how net position changed during the most recent fiscal 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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *statement of cash flows* presents cash receipts and cash disbursements for the fiscal year ended June 30, 2023.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 12 to 16 of this report.

Other Information. Other supplementary information is found on pages 17 to 18 of this report.

Financial Analysis

Table 1 below provides a summary of the Board's net position as of June 30, 2023 and 2022.

Table 1
Statements of Net Position

	<u>2023</u>	<u>2022</u>
Assets		
Current assets	\$ 214,927	\$ 209,343
Noncurrent assets	<u>1,067,811</u>	<u>1,214,083</u>
Total assets	<u>1,282,738</u>	<u>1,423,426</u>
Liabilities:		
Current liabilities	165,249	159,665
Noncurrent liabilities	<u>954,776</u>	<u>1,101,048</u>
Total liabilities	<u>1,120,025</u>	<u>1,260,713</u>
Deferred inflows of resources	<u>93,035</u>	<u>93,035</u>
Net position:		
Net investment in capital assets	20,000	20,000
Unrestricted	<u>49,678</u>	<u>49,678</u>
Total net position	<u>\$ 69,678</u>	<u>\$ 69,678</u>

Statement of Net Position

Current assets includes cash held by the City of Sevierville, the current portion of payments in lieu of taxes receivable, and accrued interest as further discussed in Note 3.

The fiscal year 2023 and 2022 reduction in payments in lieu of taxes receivable is due to current year principal payments received. Decrease in liabilities primarily represents payments made on long-term debt.

Table 2 below provides a summary of the change in net position for fiscal year 2023 and 2022.

Table 2
Statements of Revenues, Expenses, and Change in Net Position

	<u>2023</u>	<u>2022</u>
Revenues:		
Interest from capital lease	\$ 72,361	\$ 80,450
Total revenues	<u>72,361</u>	<u>80,450</u>
Expenses:		
Interest expense	<u>72,361</u>	<u>80,450</u>
Total expenses	<u>72,361</u>	<u>80,450</u>
Change in net position	-	-
Net position, beginning	<u>69,678</u>	<u>69,678</u>
Net position, ending	<u>\$ 69,678</u>	<u>\$ 69,678</u>

Statement of Revenues, Expenses, and Change in Net Position

Operating interest income and expense are both generated from the payments in lieu of taxes and related bond issue from the developer agreement as further discussed in Note 3.

Future Outlook

Revenues and expenses for 2024 are projected to be consistent with 2023.

No other facts, decisions or conditions are currently known which would have a significant impact on the financial condition and results of operations of the Board during the fiscal year ending June 30, 2023.

The Industrial Development Board has entered into nine payment in lieu of tax (PILOT) agreements as authorized by the Sevierville Board of Mayor and Aldermen. The purpose of the agreements is to facilitate the development of work-force housing units within the City limits. The PILOT agreements include a lease mechanism; however, the property tax abatement will not have a significant impact on the financial condition of the Industrial Development Board.

Requests for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Industrial Development Board of the City of Sevierville, P.O. Box 5500, Sevierville, Tennessee 37864-5500.

INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF SEVIERVILLE, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2023

ASSETS

CURRENT ASSETS

Accrued interest receivable	\$ 22,320
Due from local government	49,678
Payments in lieu of tax receivable - current	<u>142,929</u>

Total current assets	<u>214,927</u>
----------------------	----------------

NONCURRENT ASSETS

Payments in lieu of tax receivable - noncurrent	1,047,811
Equipment	<u>20,000</u>

Total noncurrent assets	<u>1,067,811</u>
-------------------------	------------------

TOTAL ASSETS	<u>\$ 1,282,738</u>
--------------	---------------------

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

CURRENT LIABILITIES

Accrued interest payable	\$ 22,320
Long-term debt - current	<u>142,929</u>

Total current liabilities	165,249
---------------------------	---------

NONCURRENT LIABILITIES

Long-term debt - noncurrent	<u>954,776</u>
-----------------------------	----------------

Total liabilities	<u>1,120,025</u>
-------------------	------------------

DEFERRED INFLOWS OF RESOURCES

Payments in lieu of tax receivable	<u>93,035</u>
------------------------------------	---------------

NET POSITION

Invested in capital assets	20,000
Unrestricted	<u>49,678</u>

Total net position	<u>69,678</u>
--------------------	---------------

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 1,282,738</u>
---	---------------------

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

INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF SEVIERVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

For the Fiscal Year Ended June 30, 2023

OPERATING REVENUES:	
Interest from payments in lieu of tax	\$ 72,361
OPERATING EXPENSES:	
Interest expense	<u>(72,361)</u>
Operating income	<u>-</u>
CHANGE IN NET POSITION	-
NET POSITION, BEGINNING	<u>69,678</u>
NET POSITION, ENDING	<u>\$ 69,678</u>

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

INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF SEVIERVILLE, TENNESSEE

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:	
Collection of payments in lieu of tax representing interest	\$ 75,165
Payments for operating interest	<u>(75,165)</u>
Net cash provided (used) by operating activities	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal paid on debt maturities	<u>(137,884)</u>
Net cash provided (used) by capital and related financing activities	<u>(137,884)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Collection of payments in lieu of tax	<u>137,884</u>
Net cash provided (used) by investing activities	<u>137,884</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS, BEGINNING	<u>-</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ -</u>
Reconciliation of change in net position to net cash provided (used) by operating activities:	
(Increase) decrease in assets:	
Accrued interest receivable	\$ 2,804
Increase (decrease) in liabilities:	
Accrued interest payable	<u>(2,804)</u>
Net cash provided (used) by operating activities	<u>\$ -</u>

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

INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF SEVIERVILLE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The Industrial Development Board of the City of Sevierville, Tennessee (the “Board”) is a non-profit corporation formed pursuant to the specific authority granted at Tennessee Code Annotated Section (TCA) 7-53-101 et seq. The members of the Board are appointed by the Board of Mayor and Aldermen of the City of Sevierville. The Board performs public functions on behalf of the City of Sevierville, Tennessee (the “City”) and its purpose is to undertake the financing and development of projects deemed by TCA to promote industry, trade, commerce, tourism and recreation and housing construction. The Board participates in economic development activities by serving as a conduit for financing commerce and tourism projects.

Basis of Presentation - The financial statements of the Board have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

GAAP established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position, a statement of revenues, expenses, and changes in net position and a statement of cash flows. It requires the classification of net position into three components - net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets - This component of net position 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 to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted Net Position - This component of net position consists of restrictions placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - Unrestricted net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.” These resources are available for current use by the Board.

Fund Structure and Basis of Accounting - The accounts of the Board are organized on the basis of a proprietary fund type and are considered a separate accounting entity. The operation of the fund is accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of

INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF SEVIERVILLE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Structure and Basis of Accounting (Continued) - resources, liabilities, deferred inflows of resources, net position, and revenues and expenses, as appropriate. Government resources are allocated to and accounted for in the fund based on the purpose for which they are to be spent and the means by which spending activities are controlled. The fund, in the financial statements of this report, is an Enterprise Fund – Proprietary Fund Type. Enterprise funds are 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 revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The proprietary fund is accounted for using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the fund will be lease payments received from the developer. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Board considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Capital Assets - Capital assets, which includes equipment, are reported in the statement of financial position. Capital assets, except for infrastructure assets, are defined by the Board as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Deferred Inflows of Resources - 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 assets that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until then.

INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF SEVIERVILLE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Inflows of Resources (Continued) - The Board has items that qualify for reporting in this category. Certain in lieu of tax payments are unavailable resources in the current year. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-Term Obligations - The Board reports long-term debt and other long-term obligations as liabilities in the fund statement of net position. Bond premiums and discounts are amortized over the life of the related bond. Bonds payable are reported net of the applicable premium or discounts.

Conduit Debt - The Board has issued a taxable revenue bond in accordance with the Board's enabling legislation to provide financial assistance to third party private-sector entities for acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The Bond is payable solely from payments in lieu of tax (PILOT) from the third party, out of the revenues and receipts derived from the project.

Tax Status - The financial statements do not include provisions for state or federal income taxes because the Board operates as a tax-exempt organization.

NOTE 2 – LONG-TERM OBLIGATIONS

The long-term obligations outstanding and the changes therein for the fiscal year ended June 30, 2023 are as follows:

	<u>Balance July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2023</u>	<u>Current Portion</u>
Long-Term Debt					
Revenue Bonds, Series 2015	\$ 1,235,589	\$ -	\$ 137,884	\$ 1,097,705	\$ 142,929
Total Long-Term Debt	<u>\$ 1,235,589</u>	<u>\$ -</u>	<u>\$ 137,884</u>	<u>\$ 1,097,705</u>	<u>\$ 142,929</u>

Bonds payable currently outstanding are as follows:

	<u>Interest Rate</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance June 30, 2023</u>
Revenue Bonds, Series 2015	6.00%	6/25/2015	2/28/2031	\$ 2,025,000	<u>\$ 1,097,705</u>

INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF SEVIERVILLE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 2 – LONG-TERM OBLIGATIONS (Continued)

Annual debt service requirements to maturity of the revenue bonds payable are as follows for the fiscal year ending June 30, 2023:

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2024	\$ 142,929	\$ 66,777
2025	151,465	58,241
2026	160,838	48,868
2027	170,623	39,083
2028	181,002	28,704
2029-2030	290,848	23,758
	\$ 1,097,705	\$ 265,431

NOTE 3 – AGREEMENTS WITH DEVELOPERS

The Board has issued Revenue Bonds, Series 2015 in the amount of \$2,025,000 to assist in the financing of construction by the Developer. The land was deeded by the Developer to the Board and then leased by the Board to the Developer for \$1 a year, plus payments in lieu of tax (PILOT). The bonds are to be repaid by these PILOT payments, from the revenues and receipts derived from the project. Bond and in lieu of tax payments are structured to offset, with both maturing in February 2031. The bond is secured by an assignment of in lieu of tax payments, a Developer Assignment Agreement and personal guarantees of the developer and other related parties. Payment in lieu of taxes (PILOT) is defined in the agreement as an amount equal to the greater of debt service on the revenue bonds or the amount equal to the ad valorem taxes that otherwise would be payable to the City and the County with respect to the leased property for the then most recently ended tax year if Sublessor's (Developer's) leasehold interest in the leased property were owned by the sublessee. At June 30, 2023, the Board had \$93,035 in uncollected PILOT payments since the Developer has only paid the lesser of the of the two amounts, debt service on the revenue bonds. On September 28, 2018, the agreement between the Board and the developer was modified and as a result, collection of uncollected PILOT payments has been deferred until the end of the term and all other PILOT payments have been eliminated to the extent they exceed debt service. This transaction has been recorded as payments in lieu of taxes receivable by the Board. The actual bond liability is recorded on the books of the Board.

The Board has entered into a lease agreement with the Developer to lease the property. The initial term of the lease commenced as of June 25, 2015, the date of issuance of the Series 2015 revenue bonds, and shall expire on February 28, 2031, unless terminated earlier. The scheduled lease payments from the Developer to the Board is \$1, due each February 28. The agreement states that the Board's interest in the leased property shall be transferred to the Developer upon this option purchase or on February 28, 2031, after the final payment of all outstanding Series 2015 revenue bonds.

INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF SEVIERVILLE, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 3 – AGREEMENTS WITH DEVELOPERS (Continued)

The following lists the Board's components of the payments of in lieu of taxes receivable as of June 30, 2023:

Minimum payments in lieu of taxes receivable	\$ 1,456,174
Less: discount to present value	<u>(265,434)</u>
Payments in lieu of taxes payable	<u>\$ 1,190,740</u>

NOTE 4 – OTHER ARRANGEMENTS

The board has approved eight other PILOT agreements. These are in various stages of development and no debt has been issued related to any of these projects as of June 30, 2023.

NOTE 5 – CAPITAL ASSETS

The capital assets of the Board at June 30, 2023 consist of equipment that has been purchased and is not yet placed in service and, therefore, is classified as not depreciated in these financial statements.

NOTE 6 – RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; damage to or destruction of assets; error and omissions; and natural disaster. The Board maintains commercial insurance coverage to manage these various risks. Exposure is limited to claims in excess of standard policy limitations. There were no claims in excess of insurance coverage limits in any of the past three fiscal years.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

In the normal course of conducting its business, the Board may be involved in legal proceedings. Due to the nature and scope of the Board's business which brings it into regular contact with the general public, a variety of businesses and multiple governmental entities, the Board is inherently subject to the hazards of potential litigation, claims and assessments. Currently, management is not aware of any such conditions which would have a material adverse effect on the financial position of the Board.

OTHER SUPPLEMENTARY INFORMATION

INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF SEVIERVILLE, TENNESSEE

SCHEDULE OF LONG-TERM DEBT
PRINCIPAL AND INTEREST REQUIREMENTS

June 30, 2023

	Revenue Bonds Series 2015		
	Principal	Interest	Total
2024	\$ 142,929	\$ 66,777	\$ 209,706
2025	151,465	58,241	209,706
2026	160,838	48,868	209,706
2027	170,623	39,083	209,706
2028	181,002	28,704	209,706
2029	191,965	17,742	209,707
2030	98,883	6,016	104,899
	\$ 1,097,705	\$ 265,431	\$ 1,363,136

See independent auditor's report.

INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF SEVIERVILLE, TENNESSEE

Schedule of Changes in Long-Term Debt by Individual Issue

June 30, 2023

<u>Description of Indebtedness</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Last Maturity Date</u>	<u>Outstanding 06/30/2022</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Refunded During Period</u>	<u>Outstanding 06/30/2023</u>
Bonds Payable:									
Revenue Bonds, Series 2015	\$ 2,025,000	6.00%	06/25/2015	02/28/2031	<u>\$ 1,235,589</u>	<u>\$ -</u>	<u>\$ 137,884</u>	<u>\$ -</u>	<u>\$ 1,097,705</u>

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

BROWN JAKE & McDANIEL, PC

CERTIFIED PUBLIC ACCOUNTANTS
2607 KINGSTON PIKE, SUITE 110
KNOXVILLE, TENNESSEE 37919-3336
865/637-8600 • fax: 865/637-8601
www.bjmpc.com

JOE L. BROWN, CPA, CGFM, CGMA
FRANK D. McDANIEL, CPA, CGFM, CGMA
TERRY L. MOATS, CPA, CGFM, CGMA
JAMES E. BOOHER, CPA, CGMA
HALEY S. SLAGLE, CPA, CGMA

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Members of the Board
Industrial Development Board of the
City of Sevierville, Tennessee
Sevierville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Industrial Development Board of the City of Sevierville (the "Board"), which comprise the statement of net position as of June 30, 2023, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Boards' 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 Board's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

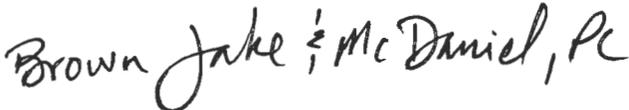
Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations,

contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Industrial Development Board of the City of Sevierville, Tennessee'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 Industrial Development Board of the City of Sevierville, Tennessee's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


CERTIFIED PUBLIC ACCOUNTANTS

Knoxville, Tennessee
December 19, 2023

INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF SEVIERVILLE, TENNESSEE

SCHEDULE OF PRIOR YEAR FINDINGS

For the Fiscal Year Ended June 30, 2023

There were no prior year findings.