

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

**ANNUAL FINANCIAL REPORT
JUNE 30, 2024**

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF LEXINGTON
ANNUAL FINANCIAL REPORT
JUNE 30, 2024**

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THE INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF LEXINGTON
ROSTER OF BOARD OF DIRECTORS
JUNE 30, 2024

Board Members

Jeff Lewis, Chairman

Rob Helms, Vice Chairman

Wib Evans, Secretary/Treasurer

Bobby Dyer

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, 2024, 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, 2024, 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.

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, 2024, the changes in its financial positions or, where applicable, its cash flows for the years ended June 30, 2024, 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 17 through 19 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 December 20, 2024, 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.

Moheem Associates, PLLC

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF LEXINGTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2024**

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, 2024. 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 - 16.

Other supplemental information concerning the IDB is required by the State of Tennessee. This other supplemental information can be found on pages 17 - 19 of this report.

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF LEXINGTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2024**

Statement of Net Position

	<u>June 30, 2024</u>	<u>Percent of Total</u>	<u>June 30, 2023</u>	<u>Percent of Total</u>
Current and other assets	\$ 531,913	16.72%	\$ 918,685	29.07%
Capital assets	2,648,600	83.28%	2,242,010	70.93%
Total assets	<u>3,180,513</u>	<u>100.00%</u>	<u>3,160,695</u>	<u>100.00%</u>
Current liabilities	40,916	7.20%	365,684	39.53%
Long-term liabilities	527,513	92.80%	559,412	60.47%
Total liabilities	<u>568,429</u>	<u>100.00%</u>	<u>925,096</u>	<u>100.00%</u>
Deferred Inflows	<u>307,673</u>	<u>100.00%</u>	<u>384,184</u>	<u>100.00%</u>
Net position				
Net investment in capital assets	2,089,196	90.66%	1,652,035	89.23%
Unrestricted	215,215	9.34%	199,380	10.77%
Total net position	<u>\$ 2,304,411</u>	<u>100.00%</u>	<u>\$ 1,851,415</u>	<u>100.00%</u>

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

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Revenues		
Operating revenues	\$ 92,800	\$ 142,800
Expenses		
Professional services	34,911	35,604
Legal fees	2,250	2,108
Operating expenses	25,139	24,252
Repairs and maintenance	4,298	17,545
Depreciation expense	35,657	28,895
Total expenses	<u>102,255</u>	<u>108,404</u>
Operating income (loss)	(9,455)	34,396
Nonoperating revenue (expenses)	<u>462,451</u>	<u>350,428</u>
Income Before Contributions and Transfers	452,996	384,824
Transfers from other funds	<u>-</u>	<u>38,602</u>
Change in net position	452,996	423,426
Net position - beginning of year	<u>1,851,415</u>	<u>1,427,989</u>
Net position - end of year	<u>\$ 2,304,411</u>	<u>\$ 1,851,415</u>

The IDB had similar positive changes in net position in the current year and prior year.

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF LEXINGTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2024**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2024, the IDB's net capital assets were \$2,648,600. Additional information on capital assets is in Note 2.

Debt

At year-end June 30, 2024, the IDB had \$559,404 in outstanding long-term debt. This debt is used to pay off 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, 2024**

ASSETS	
CURRENT ASSETS	
Cash	\$ 211,240
Due from general fund	13,000
Lease receivable, current portion	<u>56,414</u>
TOTAL CURRENT ASSETS	<u>280,654</u>
CAPITAL ASSETS	
Land	1,729,408
Construction in Progress	87,244
Buildings and Improvements	1,451,148
Less: Accumulated Depreciation	<u>(619,200)</u>
NET CAPITAL ASSETS	<u>2,648,600</u>
OTHER ASSETS	
Lease receivable, long-term portion	<u>251,259</u>
TOTAL OTHER ASSETS	<u>251,259</u>
TOTAL ASSETS	<u>3,180,513</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	3,025
Unearned revenue	6,000
Notes payable, current portion	<u>31,891</u>
TOTAL CURRENT LIABILITIES	<u>40,916</u>
LONG-TERM LIABILITIES	
Notes payable, net of current portion	<u>527,513</u>
TOTAL LONG-TERM LIABILITIES	<u>527,513</u>
TOTAL LIABILITIES	<u>568,429</u>
DEFERRED INFLOWS	
Deferred revenue related to lease receivable	<u>307,673</u>
TOTAL DEFERRED INFLOWS	<u>307,673</u>
NET POSITION	
Investment in capital assets, net of related debt	2,089,196
Unrestricted net position	<u>215,215</u>
TOTAL NET POSITION	<u>\$ 2,304,411</u>

**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, 2024**

OPERATING REVENUES	
Contributions - City of Lexington	\$ 42,800
Contributions - Lexington Gas System	25,000
Contributions - Lexington Electric	<u>25,000</u>
TOTAL OPERATING REVENUES	<u>92,800</u>
OPERATING EXPENSES	
Consultant's Services	1,150
Engineering and Surveying Service	27,761
Accounting and auditing	6,000
Legal Fees	2,250
Operating Expenses	1,394
Permit Fees	3,475
Property Insurance	20,150
Public Notices	120
Repairs and maintenance	4,298
Depreciation expense	<u>35,657</u>
TOTAL OPERATING EXPENSES	<u>102,255</u>
NET OPERATING REVENUE (EXPENSE)	<u>(9,455)</u>
NONOPERATING REVENUE (EXPENSE)	
Capital Contributions	392,881
Lease Revenue	76,511
Interest Income	16,488
Interest Expense	<u>(23,429)</u>
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>462,451</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	452,996
Transfers in/out	<u>-</u>
TOTAL CONTRIBUTIONS AND TRANSFERS	<u>-</u>
CHANGE IN NET POSITION	452,996
NET POSITION - BEGINNING OF YEAR	<u>1,851,415</u>
NET POSITION - END OF YEAR	<u><u>\$ 2,304,411</u></u>

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, 2024**

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 92,800
Payments to suppliers	<u>(98,489)</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>(5,689)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Grant revenue	88,600
Grant expense	<u>(237,262)</u>
NET CASH USED FOR NONCAPITAL FINANCING ACTIVITIES	<u>(148,662)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(518,190)
Grant revenues	461,713
Lease revenue	82,511
Interest paid on long-term debt	(23,429)
Payments on notes payable	<u>(30,571)</u>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(27,966)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>16,488</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>16,488</u>
INCREASE (DECREASE) IN CASH	(165,829)
CASH - BEGINNING OF YEAR	<u>377,069</u>
CASH - END OF YEAR	<u>\$ 211,240</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid during the year for:	
Interest	<u>\$ 23,429</u>
SCHEDULE OF NONCASH NONCAPITAL AND CAPITAL AND RELATED FINANCING ACTIVITIES	
Grant revenues in current year	\$ 392,881
Add: Grant revenues recorded in prior year and received in current year	<u>157,432</u>
Net cash received	<u>\$ 550,313</u>
Acquisition of capital assets	\$ (442,247)
Add: Grant payables recorded in prior year and paid in current year	(71,284)
Add: Retainage payable recorded in prior year and paid in current year	<u>(4,659)</u>
Net cash paid	<u>\$ (518,190)</u>
Grant expenses in current year	\$ -
Add: Grant payables recorded in prior year and paid in current year	(237,262)
Less: Grant payables recorded in current year and paid in next year	<u>-</u>
Net cash paid	<u>\$ (237,262)</u>
<hr/>	
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating revenue (expense)	\$ (9,455)
Adjustments to reconcile net position to net cash provided by operations	
Depreciation expense	35,657
Changes in Assets and Liabilities	
Due to/from general fund	(21,158)
Accounts payable	<u>(10,733)</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (5,689)</u>

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF LEXINGTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

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, 2024**

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, 2024.

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, 2024. 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, 2024**

Capital asset activity for the years ended June 30, 2024, was as follows:

	<u>Balance 7/1/23</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Balance 6/30/24</u>
Capital assets not being depreciated				
Land	\$ 1,172,358	\$ 557,050	\$ -	\$ 1,729,408
Construction in progress	214,207	442,249	(569,212)	87,244
Total capital assets not being depreciated	<u>1,386,565</u>	<u>999,299</u>	<u>(569,212)</u>	<u>1,816,652</u>
Capital assets being depreciated				
Buildings and improvements	1,438,987	12,161	-	1,451,148
Total capital assets being depreciated	<u>1,438,987</u>	<u>12,161</u>	<u>-</u>	<u>1,451,148</u>
Less accumulated depreciation for:				
Buildings and improvements	(583,543)	(35,657)	-	(619,200)
Total accumulated depreciation	<u>(583,543)</u>	<u>(35,657)</u>	<u>-</u>	<u>(619,200)</u>
Total capital assets, being depreciated, net	855,444	963,642	(569,212)	831,948
Capital assets, net	<u>\$ 2,242,009</u>	<u>\$ 963,642</u>	<u>\$ (569,212)</u>	<u>\$ 2,648,600</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, 2024 the carrying amount and the bank balances of the IDB's deposits were \$211,240 and \$224,791, respectively. The IDB's deposits at June 30, 2024 were not exposed to custodial credit risk due to being entirely covered by federal depository insurance and collateralized by the State Bank Collateral Pool.

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.

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF LEXINGTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

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, 2024, 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, 2024:

Business Type Activites

Note Payable

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

\$ 559,404

The following is a summary of changes in long-term debt for the year ended June 30, 2024:

	Balance 7/1/2023	Issues or Additions	Retirements/ Reclassifications	Balance 6/30/2024	Due within one year
Direct Borrowings	\$ 589,975	\$ -	\$ 30,571	\$ 559,404	\$ 31,891

The annual aggregate maturities for notes payable for the years subsequent to June 30, 2024 are as follows:

Notes Payable

Year Ending June 30,	Principal	Interest	Total
2025	31,891	22,211	54,102
2026	527,513	19,077	546,590
Total	\$ 559,404	\$ 41,288	\$ 600,692

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF LEXINGTON, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

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, 2024.

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.

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 – April 30, 2023 and \$7,613 per month May 2023 for AutoZone to recoup \$208,987 incurred for roof replacement 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. Payments resumed at \$11,400 per month in June 2023. 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, 2024:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 307,673</u>	<u>\$ 136,327</u>	<u>\$ 444,000</u>

In the financial statements of the IDB, revenues of \$93,000 (\$76,511 principal and \$16,489 interest) have been recognized from AutoZone during the year ended June 30, 2024. The entire amount of the balance for the lease receivable at June 30, 2024, is offset by deferred inflows of resources of the IDB.

NOTE 9 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of June 30, 2024, the IDB does not have any active construction projects. The Board has applied for a DRA grant to develop a connector road between Highway 22 and a portion of the Timberlake Industrial Park. This road will provide access to the new TCAT campus under construction. If awarded, the IDB will be responsible for matching the grant of \$317,540 in the amount of \$31,754.

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF LEXINGTON,
TENNESSEE
SCHEDULES OF LONG-TERM DEBT, PRINCIPAL, AND INTEREST
REQUIREMENTS BY FISCAL YEAR
JUNE 30, 2024**

Year Ending June 30,	Note Payable - First Bank	
	Principal	Interest
2025	31,891	22,211
2026	527,513	19,077
	\$ 559,404	\$ 41,288

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, 2024

Business-Type Activities

Description of Indebtedness	Original Amount Of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2023	Issued During Period	Matured During Period	Refunded During Period	Outstanding 6/30/2024
NOTES PAYABLE									
Payable through the Industrial Development Board Fund									
First Bank Notes Payable	\$ 950,000	4.00%	10/1/2010	5/30/2026	\$ 589,975	\$ -	\$ 30,571	\$ -	\$ 559,404
TOTAL NOTES PAYABLE - Payable through Industrial Development Board Fund					<u>589,975</u>	<u>-</u>	<u>30,571</u>	<u>-</u>	<u>559,404</u>
TOTAL LONG-TERM DEBT					<u>\$ 589,975</u>	<u>\$ -</u>	<u>\$ 30,571</u>	<u>\$ -</u>	<u>\$ 559,404</u>

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF LEXINGTON, TENNESSEE
SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2024**

<u>Federal Grantor/Pass- Through Grantor/ Program Title</u>	<u>Federal Assistance Listings Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
<u>FEDERAL AWARDS</u>			
None			\$ -
TOTAL FEDERAL AWARDS			<u>-</u>
<u>STATE FINANCIAL ASSISTANCE</u>			
Tennessee Department of Economic and Community Development			
Site Development Grant Program	N/A	33007-49122	<u>392,881</u>
TOTAL STATE AWARDS			<u>392,881</u>
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			<u>\$ 392,881</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, 2024. 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 year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the IDB's basic financial statements, and have issued our report thereon dated December 20, 2024.

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 were not identified. We identified a certain deficiency in internal control described below as 2024-001 that we consider to be a material weakness.

2024-001 GENERAL LEDGER MATERIALLY MISSTATED BEFORE ADJUSTMENTS

Condition: The financial statements were materially misstated before audit adjustments due to a failure to properly record a capital asset properly and failure to adjust liabilities to actual.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

A handwritten signature in cursive script that reads "Morlin Associates, PLLC".

December 20, 2024

THE INDUSTRIAL DEVELOPMENT BOARD OF
THE CITY OF LEXINGTON, TENNESSEE

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEARS ENDED JUNE 30, 2024

Financial Statement Findings

NONE

Lexington Industrial Development Board

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"Central City of Southern Industry"



MANAGEMENT'S CORRECTIVE ACTION PLAN JUNE 30, 2024

2024 - 001 GENERAL LEDGER MATERIALLY MISSTATED BEFORE ADJUSTMENTS

Corrective action planned

The City Recorder and accounting staff will post transactions throughout the year to properly reflect the IDB's financial position and will review at year end for material compliance.

Responsible party

Mr. Griggs, City Mayor and Mr. Cody Wood, Accounting Manager/CMFO

Anticipated completion date

December 31, 2024

Handwritten signature of Jeffrey H. Griggs in black ink, written over a horizontal line.

Jeffrey H. Griggs, City Mayor

Handwritten signature of Cody C. Wood in black ink, written over a horizontal line.

Cody C. Wood, City Recorder