

**INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF NEWPORT AND COCKE COUNTY, TENNESSEE
(A Component Unit of Cocke County, Tennessee)**

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

For the Fiscal Year Ended June 30, 2024

and

INDEPENDENT AUDITOR'S REPORT

INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF NEWPORT AND COCKE COUNTY, TENNESSEE

BASIC FINANCIAL STATEMENTS
WITH REQUIRED AND OTHER SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2024

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 – 19
<u>OTHER SUPPLEMENTARY INFORMATION SECTION</u>	
Schedule of Expenditures of Federal and State Awards	20
Notes to the Schedule of Expenditures of Federal and State Awards	21
Schedule of Long-Term Debt Principal and Interest Requirements	22
Schedule of Changes in Long-Term Debt by Individual Issue	23
<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>	24 – 28
Schedule of Prior Year Findings	29
Management Corrective Action Plan	30 – 32

INTRODUCTORY SECTION

INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF NEWPORT AND COCKE COUNTY, TENNESSEE

ROSTER OF OFFICIALS

June 30, 2024

Jason Oury	Chairman
Paige Rhodes	Vice-Chair
Branden Joynt	Member
Mike Hansel	Member
James Finchum	Member
Tommy Bible	Member
Roland Dykes, III	Member
Forest Clevenger	Member
Gary Carver	Member
Dr. John Chambers	Member
Kyle Shute	Member
Kathy Fish Brooks	Member
Norman Smith	Member
Linda Wester	Member
Rob Mathis	Member
Lucas Graham	Principal Agent and President of the Cocke County Partnership (through June 2024)
Daryl Brady	Principal Agent and Interim/Part-Time President of the Cocke County Partnership (beginning June 2024)

FINANCIAL SECTION

BROWN JAKE & McDANIEL, PC

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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Members of the Board
Industrial Development Board of the City of Newport
and Cocke County, Tennessee
Newport, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Industrial Development Board of the City of Newport and Cocke County, Tennessee, a component unit of Cocke County, Tennessee (the "Board") which comprise the statement of net position as of June 30, 2024, and the related statement of revenues, expenses and changes in net position and cash flows for the year then ended 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 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 Newport and Cocke County, Tennessee, as of June 30, 2024, 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 Newport and Cocke County, 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 Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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 an opinion on the financial statements. The information in the other supplementary information section 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 other supplementary 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 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 17, 2025, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Board's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Brown & McDaniel, PC". The signature is written in a cursive, flowing style with a large, stylized initial 'B' and 'M'.

Knoxville, Tennessee
December 17, 2025

INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF NEWPORT AND COCKE COUNTY, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Industrial Development Board of the City of Newport and Cocke County, 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, 2024. This information should be considered within the context of the accompanying financial statements and note disclosures.

Financial Highlights

- The Board's net position was \$2,096,629 at June 30, 2024, compared to \$1,324,402 (Restated) at June 30, 2023.
- The Board invested \$1,158,317 related to the ongoing construction of the Innovation Park facility.

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, 2024.

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 19 of this report.

Other Information

Other supplementary information is found on pages 20 to 23 of this report.

Financial Analysis

Statement of Net Position

The table below provides a summary of the Board's net position as of June 30, 2024 and 2023.

Table 1
Statements of Net Position

	<u>2024</u>	<u>2023</u>
Assets		
Current assets	\$ 511,031	\$ 200,704
Noncurrent assets	<u>3,468,875</u>	<u>2,310,558</u>
Total assets	<u>3,979,906</u>	<u>2,511,262</u>
Liabilities:		
Current liabilities	926,209	390,279
Noncurrent liabilities	<u>957,068</u>	<u>1,050,000</u>
Total liabilities	<u>1,883,277</u>	<u>1,440,279</u>
Net position:		
Net investment in capital assets	2,097,969	1,260,558
Unrestricted	<u>(1,340)</u>	<u>(189,575)</u>
Total net position	<u>\$ 2,096,629</u>	<u>\$ 1,070,983</u>

Current assets are made up of \$113,862 in cash, \$278,448 Due from the Cocke County Partnership, and \$118,721 Due from Cocke County in 2024 compared to \$199,553 in cash and \$1,151 in other receivables in 2023.

Increase in capital assets in 2024 is related to ongoing construction in progress of the Innovation Park. Increase in liabilities is related to an amount due to Love's Travel Center for tax increment financing.

At June 30, 2024, the Board had outstanding debt of \$1,050,000. Additional information on the Board's long-term debt can be found in Note 4.

Statement of Revenues, Expenses, and Changes in Net Position

The table below provides a summary of changes in net position for fiscal year 2024 and 2023.

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

	<u>2024</u>	<u>2023</u>
Revenues:		
Tax increment financing	\$ 497,040	\$ 190,030
Contributions from Cocke County	511,089	396,227
Capital contributions	334,647	-
Interest income	<u>341</u>	<u>-</u>
Total revenues	<u>1,343,117</u>	<u>586,257</u>
Expenses:		
Tax increment financing	497,040	190,030
General and administrative	39,725	41,593
Interest expense	<u>34,125</u>	<u>34,125</u>
Total expenses	<u>570,890</u>	<u>265,748</u>
Change in net position	<u>772,227</u>	<u>320,509</u>
Net position, beginning, as previously stated	1,070,983	750,474
Error corrections (See Note 9)	<u>253,419</u>	<u>-</u>
Net position, beginning, as restated	<u>1,324,402</u>	<u>750,474</u>
Net position, ending	<u>\$ 2,096,629</u>	<u>\$ 1,070,983</u>

The Board reported revenue in the amount of \$478,246 from pass-through payments related to the Love's Travel Center Sales Tax Increment Financing and \$18,794 related to Sugar Cove Wastewater Tax Increment Financing compared to \$190,030 and \$0, respectively in 2023. The Board also reported \$511,089 in 2024 from Cocke County to finance construction of the Innovation Park property (compared to \$396,227 in 2023). The Board reported \$334,647 in 2024 for capital contributions related to a site development grant passed through the Cocke County Partnership compared to \$0 in 2023.

Future Outlook

Revenues and expenses for 2025 are projected to be consistent with 2024.

No other facts, decisions, or conditions are currently known which would have a significant impact on the financial conditions and results of operations of the Board during the fiscal year ending June 30, 2024.

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 Newport and Cocke County, Tennessee, 115 Mulberry St., Suite 200, Newport, Tennessee 37821.

INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF NEWPORT AND COCKE COUNTY, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2024

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 113,862
Due from Cocke County Partnership	278,448
Due from Cocke County	<u>118,721</u>

Total current assets	<u>511,031</u>
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NONCURRENT ASSETS

Land	850,000
Construction in progress	<u>2,618,875</u>

Total noncurrent assets	<u>3,468,875</u>
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TOTAL ASSETS	<u>\$ 3,979,906</u>
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable - construction project	\$ 277,840
Accrued interest payable	34,125
Due to Love's Travel Center	478,246
Long-term debt - current	<u>135,998</u>

Total current liabilities	<u>926,209</u>
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NONCURRENT LIABILITIES

Contract retainage payable - construction project	43,066
Long-term debt - noncurrent	<u>914,002</u>

Total noncurrent liabilities	<u>957,068</u>
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Total liabilities	<u>1,883,277</u>
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NET POSITION

Net investment in capital assets	2,097,969
Unrestricted	<u>(1,340)</u>

Total net position	<u>2,096,629</u>
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TOTAL LIABILITIES AND NET POSITION	<u>\$ 3,979,906</u>
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The accompanying notes are an integral
part of these financial statements.

INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF NEWPORT AND COCKE COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

For the Fiscal Year Ended June 30, 2024

OPERATING REVENUES:	
Tax increment financing	\$ 497,040
Total operating revenues	<u>497,040</u>
OPERATING EXPENSES:	
Tax increment financing	497,040
General and administrative	<u>39,725</u>
Total operating expenses	<u>536,765</u>
Operating loss	<u>(39,725)</u>
NONOPERATING REVENUES (EXPENSES)	
Contributions from Cocke County	511,089
Capital contributions	334,647
Interest income	341
Interest expense	<u>(34,125)</u>
Total nonoperating revenues (expenses)	<u>811,952</u>
CHANGE IN NET POSITION	<u>772,227</u>
NET POSITION, BEGINNING, AS PREVIOUSLY STATED	1,070,983
ERROR CORRECTIONS (See Note 9)	<u>253,419</u>
NET POSITION, BEGINNING, AS RESTATED	<u>1,324,402</u>
NET POSITION, ENDING	<u><u>\$ 2,096,629</u></u>

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

INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF NEWPORT AND COCKE COUNTY, TENNESSEE

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from tax increment financing arrangements	\$ 416,123
Cash paid for tax increment financing arrangements	(18,794)
Cash paid to suppliers for goods and services	<u>(38,574)</u>

Net cash provided (used) by operating activities	<u>358,755</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Cash paid for construction projects	(1,193,565)
Capital contributions received from Cocke County	511,089
Capital contributions received from Cocke County Partnership	249,325
Interest paid on debt	<u>(34,125)</u>

Net cash provided (used) by capital and related financing activities	<u>(467,276)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES:

Cash received from interest	<u>341</u>
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Net cash provided (used) by investing activities	<u>341</u>
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NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(108,180)
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CASH AND CASH EQUIVALENTS, BEGINNING	<u>222,042</u>
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CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 113,862</u>
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Reconciliation of change in net position to net cash provided (used)
by operating activities:

Operating loss	\$ (39,725)
(Increase) decrease in assets:	
Due from Cocke County	(80,917)
Other receivables	1,151
Increase (decrease) in liabilities:	
Due to Love's	<u>478,246</u>

Net cash provided (used) by operating activities	<u>\$ 358,755</u>
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The accompanying notes are an integral
part of these financial statements.

INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF NEWPORT AND COCKE COUNTY, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The Industrial Development Board of the City of Newport and Cocke County, Tennessee (the "Board") is a non-profit corporation formed pursuant to the specific authority granted at Tennessee Code Annotated Section 7-53-101 et seq (the "Act"). The Board was formed in 2016. The board members of the Board are comprised of 15 representatives, 7 appointed by the City of Newport, Tennessee and 8 appointed by Cocke County, Tennessee. The Board performs public functions on behalf of the City and County, and its purpose is to undertake the financing and development of projects deemed by the Act 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. Due to the County appointing a voting majority of the Board, and the Board's fiscal dependency on the County, the Board is a component unit of Cocke County, Tennessee.

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.

INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF NEWPORT AND COCKE COUNTY, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the fund are closing fees related to the closing of "payments in lieu of taxes" ("PILOT") or "tax increment financing" ("TIF") agreements with prospective businesses. Operating expenses for the proprietary fund include general and administrative expenses, debt issuance costs, and pass-through payments related to the TIF agreements.

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 land and construction work in progress, are reported in the statement of financial position.

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.

INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF NEWPORT AND COCKE COUNTY, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations - The Board reports long-term debt and other long-term obligations as liabilities in the statement of net position. Bond premiums or 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 occasionally enters into conduit debt arrangements 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 conduit debt arrangements are secured by the property financed and are payable solely from Tax Increment Revenues from the third party, out of the revenues and receipts derived from the projects. The Board is not obligated in any manner for repayment of the obligations. Accordingly, the obligations are not reported as liabilities in the accompanying financial statements. See Note 5.

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 represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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

Adoption of New Accounting Standards - During the fiscal year ended June 30, 2024, the Board implemented GASB statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. This new standard clarifies the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in practice. The new standard is effective for fiscal years beginning after June 15, 2023. The implementation of this standard not have a material effect on the Board's financial statements.

Evaluation of Subsequent Events - Management has evaluated subsequent events through December 17, 2025, which is the date the financial statements were available to be issued, and has determined that there were no subsequent events that require disclosure.

NOTE 2 – CUSTODIAL CREDIT RISK - DEPOSITS

In the case of cash and certificates of deposit, custodial credit risk is the risk that in the event of a bank failure, the Board's deposits will not be returned, or the Board will not be able to recover collateral securities in the possession of an outside party. The Board follows State law regarding collateralization of deposits, which requires collateral to be obtained on any deposits exceeding insurance coverage of the Federal Deposit Insurance Corporation (FDIC). The Board has book and bank balances of cash totaling \$113,862 as of June 30, 2024. The Board has no uninsured cash as of June 30, 2024.

INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF NEWPORT AND COCKE COUNTY, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 3 – CAPITAL ASSETS

A summary of capital assets activity for the year ended June 30, 2024, follows:

	Balance July 1, 2023	Additions	Retirements/ Transfers	Balance June 30, 2024
Capital assets not being depreciated				
Land	\$ 850,000	\$ -	\$ -	\$ 850,000
Construction in progress	1,460,558	1,158,317	-	2,618,875
	<u>\$ 2,310,558</u>	<u>\$ 1,158,317</u>	<u>\$ -</u>	<u>\$ 3,468,875</u>

NOTE 4 – LONG-TERM DEBT

The long-term obligations outstanding and the changes therein for the year ended June 30, 2024, are as follows:

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024	Current Portion
Long-Term Debt					
Industrial Revenue Bond, Series 2021	\$ 1,050,000	\$ -	\$ -	\$ 1,050,000	\$ 135,998
Total Long-Term Debt	<u>\$ 1,050,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,050,000</u>	<u>\$ 135,998</u>

Bonds payable currently outstanding are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Amount of Original Issue	Balance June 30, 2024
Industrial Revenue Bond, Series 2021	3.25%	7/30/2021	7/1/1931	\$ 1,050,000	<u>\$ 1,050,000</u>

INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF NEWPORT AND COCKE COUNTY, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 4 – LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity of the bond payable are as follows for the years ending June 30:

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2025	\$ 135,998	\$ 34,125
2026	140,418	29,705
2027	144,982	25,141
2028	149,694	20,429
2029	154,558	15,565
2030-2031	324,350	15,896
	<u>\$ 1,050,000</u>	<u>\$ 140,861</u>

On July 30, 2021, the Board issued Industrial Revenue Bond, Series 2021, to a local bank in the amount of \$1,050,000. The bond is stated at 3.25% interest with interest only payments of \$34,125 being made annually through June 2024. Principal and interest payments of \$170,123 will be made annually beginning in July 2025 through final date of maturity of July 30, 2031.

NOTE 5 – CONDUIT DEBT

In 2017, the Board entered into an agreement with D2 Investments, LLC to facilitate the construction and installation of a wastewater line and supporting pump stations and facilities along Sugar Cover Way in Cocke County, Tennessee. The Board issued a Tax Increment Revenue Note, Series 2017, in the amount of \$223,822 to finance the project. The note, purchased by Citibank, is to be repaid by the excess of real and personal property taxes over the base tax amount outlined in the agreement. The note is considered to be conduit debt and accordingly, the debt liability is not reported in the Board's financial statements.

In 2022, the Board entered into an agreement with Love's Travel Stops & County Stores, Inc. to facilitate the construction of a travel center development at the northeast corner of I-40 at exit 432 in Cocke County, Tennessee. The Board issued a Sales Tax Increment Revenue Note, Series 2022, in the amount of \$3,604,135 to finance the project. The note, self-financed by Love's Travel Stops & Country Stores, Inc., is to be repaid by a portion of the sales tax revenues collected in the commercial development district as outlined in the agreement. The note is considered to be conduit debt and accordingly, the debt liability is not reported in the Board's financial statements.

INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF NEWPORT AND COCKE COUNTY, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 6 – PILOT AGREEMENTS

The Board occasionally enters into PILOT arrangements with third parties as economic development incentives. Under these arrangements, the Board takes title to the property subject to the project. This property is then leased back to the third party for nominal rent. Because the property is exempt from property tax while owned by the Board, the third party will make agreed-upon payments in lieu of tax to Cocke County and/or the City of Newport. The title to the property is transferred back to the third party at the end of the PILOT arrangement, for a nominal fee. The Board does not record the property as assets, as there would be offsetting liabilities back to the third parties in like amounts.

Oakcrest

In December 2016, the Board entered into a PILOT agreement with Oakcrest Lumber, LLC to facilitate the expansion of its lumber manufacturing facility and to equip such expansion. The land and related equipment were deeded by the developer to the Board and then leased over a 10 year term by the Board to the developer for \$1 a year, plus payments in lieu of tax.

Phoenix Closures

In December 2016, the Board entered into a PILOT agreement with Phoenix Closures, Inc. and Newport Ten, LLC to facilitate the expansion of its plastic manufacturing facility and to equip such expansion. The land and related equipment were deeded by the developers to the Board and then leased over a 10 year term by the Board to the developers for \$1 a year, plus payments in lieu of tax.

HearthStone

In December 2018, the Board entered into a PILOT agreement with Hearthstone, Inc. to facilitate a tax abatement that was previously offered to the company. The Board acquired certain personal property and then leased the property over a 10 year term to the company for \$1 a year, plus payments in lieu of tax.

Sonoco

In December 2019, the Board entered into a PILOT agreement with Sonoco Products Company to facilitate the purchase of equipment to upgrade and replace currently used equipment in its paper facility. The Board acquired the personal property and then leased the property over a 10 year term to the company for \$1 a year, plus payments in lieu of tax.

Eternal Beverages

In July 2020, the Board entered into a PILOT agreement with Manny Mashouf, Trustee of the Manny Mashouf Living Trust, to facilitate the construction and equipping of a water bottling and distribution facility. The land and related equipment were deeded by the developer to the Board and then leased over a 10 year term by the Board to the developer for \$1 a year, plus payments in lieu of tax.

INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF NEWPORT AND COCKE COUNTY, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 6 – PILOT AGREEMENTS (Continued)

Rural Family Medicine

In December 2020, the Board entered into a PILOT agreement with Rural Family Medicine Physicians, LLC to facilitate the construction and equipping of a primary care medical office. The land and related equipment were deeded by the developer to the Board and then leased over a 10 year term by the Board to the Developer for \$1 a year, plus payments in lieu of tax.

NOTE 7 - 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 8 - 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 of the financial position of the Board.

As of June 30, 2024, the Board had the following commitment with respect to unfinished construction in progress:

<u>Project Name</u>	<u>Total Contract to Estimated Amount</u>	<u>Costs Incurred through June 3, 2024</u>	<u>Estimated Costs to Complete</u>
Innovation Park	<u>\$ 786,255</u>	<u>\$ 401,926</u>	<u>\$ 384,329</u>

NOTE 9 – ERROR CORRECTIONS

The Board has received a site development grant passed through from the Cocke County Partnership. The funds were awarded to the Partnership from the State of Tennessee.

In fiscal year 2023, Cocke County Partnership failed to remit grant receipt #1 to the Board. Both receivables and revenues were understated in the amount of \$58,947. The Partnership coded these grant funds as a tourism grant instead of the site development grant.

INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF NEWPORT AND COCKE COUNTY, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 9 – ERROR CORRECTIONS (Continued)

In fiscal year, 2023, the Partnership remitted a portion of grant receipt #2 to the Board and these were deposited in error into the Love's TIF cash account. Due to an error on the June 2023 bank reconciliations, these grant funds were not reported and both cash and grant revenues were understated on the June 30, 2023 financial statements. The amount of these understated grant revenues was \$22,489.

In fiscal year 2023, the Board incurred and paid costs related to the site development grant. Once these costs are incurred, the Board is entitled to receive the related grant funds. At June 30, 2023, the Board should have reported a receivable and revenue related to this grant. These were remitted by the Partnership to the Board in early fiscal year 2024 as grant receipts #3 and #4 in the amounts of \$96,735 and \$37,444, respectively for a total of \$134,179. In the prior year, both receivables and revenues are understated by this amount.

In February 2022, the Cocke County Legislative Body approved an additional allocation of American Rescue Plan Act (ARPA) funds to the Industrial Park. At June 30, 2023, the remaining amount of these funds was \$37,804. This amount should have been reported as a receivable and contribution revenue in fiscal year 2023.

The overall effects of error corrections are summarized in the table below:

Net position, beginning of year, as previously stated	\$ 1,070,983
Error corrections:	
Prior year grant receivable #1 and revenue	58,947
Prior year partial grant receivable #2 and revenue	22,489
Prior year grant receivable #3 and revenue	96,735
Prior year grant receivable #4 and revenue	37,444
Prior year contribution receivable and revenue	<u>37,804</u>
Total error corrections	<u>253,419</u>
Net position, beginning of year, as restated	<u><u>\$ 1,324,402</u></u>

OTHER SUPPLEMENTARY INFORMATION

INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF NEWPORT AND COCKE COUNTY, TENNESSEE

Schedule of Expenditures of Federal and State Awards

Year Ended June 30, 2024

Grantor Agency	CFDA Number	Program Identification or Contract #	Expenditures
Federal Awards -			
None			\$ -
Total Federal Awards			-
State Awards -			
State of Tennessee Department of Economic and Community Development			
Pass-through from The Cocke County Partnership, Inc.	N/A	33007-48722	334,647
Total State Awards			334,647
Total Federal and State Awards			\$ 334,647

Note: This schedule includes the federal and state grant activity of the Industrial Development Board of the City of Newport and Cocke County, Tennessee and is presented on the accrual basis of accounting.

See independent auditor's report.

INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF NEWPORT AND COCKE COUNTY, TENNESSEE

Notes to the Schedule of Expenditures of Federal and State Awards

For the Fiscal Year Ended June 30, 2024

Note A - Basis of Presentation

The accompanying schedule of federal and state awards (the Schedule) includes federal and state award activity of the Industrial Development Board of the City of Newport and Cocke County, Tennessee (the Board) under programs of the federal and state governments for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Board.

Note B - Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A87, Cost Principles for State, Local, and Indian Tribal Governments), wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) The Board has not elected to use the 10 percent *de minimus* indirect cost rate as allowed under the Uniform Guidance.

See independent auditor's report.

INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF NEWPORT AND COCKE COUNTY, TENNESSEE

SCHEDULE OF LONG-TERM DEBT
PRINCIPAL AND INTEREST REQUIREMENTS

June 30, 2024

Industrial Revenue Bond Series 2021			
	Principal	Interest	Total
2025	\$ 135,998	\$ 34,125	\$ 170,123
2026	140,418	29,705	170,123
2027	144,982	25,141	170,123
2028	149,694	20,429	170,123
2029	154,558	15,565	170,123
2030	159,582	10,541	170,123
2031	164,768	5,355	170,123
	<u>\$ 1,050,000</u>	<u>\$ 140,861</u>	<u>\$ 1,190,861</u>

See independent auditor's report.

INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF NEWPORT AND COCKE COUNTY, TENNESSEE

Schedule of Changes in Long-Term Debt by Individual Issue

June 30, 2024

<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 06/30/2023</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Refunded During Period</u>	<u>Outstanding 06/30/2024</u>
Bonds Payable:									
2021 Industrial Revenue Bond	\$ 1,050,000	3.25%	07/30/2021	07/01/2031	<u>\$ 1,050,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,050,000</u>

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

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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 Newport and Cocke County, Tennessee
Newport, 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 Newport and Cocke County, Tennessee, a component unit of Cocke County, Tennessee (the "Board"), which comprise the statement of net position as of June 30, 2024, 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 17, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described below as items #2024-001, #2024-002, #2024-003, #2024-004, #2024-005 and #2024-006, that we consider to be material weaknesses.

Design Deficiencies

Finding #2024-001 Material Auditor-Proposed Adjusting Entries (Repeated from prior year as “Internal Control over Financial Reporting”)

Condition: During our audit, we proposed significant adjustments to various asset, liability, net position, revenue and expense accounts so that the Board’s financial statements would conform to generally accepted accounting principles.

Criteria: Before the auditors receive the financial records to begin audit procedures, all asset, liability, net position, revenue, and expense accounts should be reconciled, adjusted and/or recorded in the financial records

Cause: Errors in account balances were not detected during the year-end close process. The improper recording of a transaction can result in misstatement of the financial statements.

Effect: Before auditor-proposed adjustments were posted, various asset, liability, net position, revenue, and expense accounts were materially misstated.

Recommendation: The trial balances should be reviewed to ensure that all accounts are reconciled, and any related adjustments are posted in the correct accounting period. Management’s analysis should include a review of transactions and journal entries reported in the financial statements to determine proper existence, accuracy, valuation, completeness, cutoff, rights and obligations.

Management’s Response: We concur with the finding and recommendation. Management will perform a detailed review of all transactions included in the financial reports.

Finding #2024-002 Segregation of Duties (Repeated from prior year)

Condition: Due to the limited size of the Board’s staff, there is a lack of segregation of duties and internal control over bank account reconciliations, cash receipts, and disbursements.

Criteria: The Board is required to establish and maintain a minimum amount of procedures that meet the internal control objectives for reporting, operations and compliance as set forth in the Tennessee Comptroller of the Treasury’s Internal Control and Compliance Manual.

Cause: For most of the year, the Board employs one individual performing the majority of bookkeeping functions.

Effect: Limited segregation of duties over accounting processes increases the risk of unapproved, misclassified, or inappropriate transactions.

Recommendation: A good system of internal control contemplates adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. Particularly in these types of situations, steps should be taken to ensure that the appropriate levels of review and supervision controls are in place to compensate for the lack of segregation of duties.

Management’s Response: During the year, the Board hired a third party bookkeeper and outsourced various processes in order to redistribute controls to ensure proper segregation of duties.

Operating Deficiencies

Finding #2024-003 Disbursements (Repeated from prior year)

Condition: During our testing, we noted various disbursements without proper documentation and approval. In some cases, there was no supporting invoice, credit card receipt or other documentation.

Criteria: The Board should maintain complete and accurate supporting documentation for disbursements. Also, all disbursements should be approved by management prior to payment.

Cause: Failure to maintain adequate support for disbursements and failure to obtain approval for disbursements increases the risk of unapproved, misclassified, or inappropriate transactions.

Effect: Unsupported, unapproved and inappropriate transactions occurred during the year.

Recommendation: We recommend that all disbursements have adequate supporting documentation and that management approval be obtained prior to the payment of any disbursement.

Management's Response: Going forward, all disbursements will have proper supporting documentation and management approval.

Finding #2024-004 Cash Management

Condition: During our audit, we noted that there is a significant amount of cash advances/repayments to the Board and the Cocke County Partnership, Inc, a separate 501(c)(6) organization.

Criteria: Management of the Cocke County Partnership administers the operations and financial reporting of the Board and are authorized on the Board's bank accounts.

Cause: Poor cash management resulted in the former Executive Director and/or Finance Director advancing funds from the Partnership to the Board to pay operating expenses and construction related invoices. Management of the Partnership would then subsequently receive state grant funds and retain them in satisfaction of funds advanced. No receivable documentation was signed or approved by either board of directors.

Effect: There is a significant risk that funds advanced from the Partnership would not be paid back timely and that grant funds passed through from the Partnership to the Board would not be properly or timely remitted. Significant reconciliation was required by the outside auditor to identify any unsatisfied amounts between the two entities.

Recommendation: Advances/Loans from unrelated entities should be avoided. If they become necessary, proper advance/loan documentation should be approved by each board.

Management's Response: We concur. Going forward, we will avoid commingling cash from unrelated entities.

Finding #2024-005 Bank Reconciliations and Cash

Condition: During our audit, we noted that the operating bank account reconciliation was inaccurate. Numerous items are listed as deposits in transit were either listed in error or had been received and not cleared from the bank reconciliation. We also noted that a receipt for grant revenue was deposited into the Love's TIF account and had not been transferred to the operating account at the end of the fiscal year. We also noted that a former Finance Director is still listed as an authorized signer on a bank account.

Criteria: Bank accounts should be reconciled timely and accurately in order to prevent financial statement errors. Reconciling items should not include items already received, paid, or written off. Funds should be deposited into the correct accounts and former employees should be removed as authorized signers.

Cause: Items are not being properly cleared from bank reconciliations. Deposits into accounts are not tied back to underlying financial records to determine that they are recorded in the proper accounts. Authorized signers on all accounts should be reviewed during a management transition.

Effect: The financial statements could be significantly misstated due to bank reconciliations not being completed correctly. If discrepancies are not reported timely, it could result in loss of funds and inaccurate general ledger balances.

Recommendation: We recommend that all bank accounts be reconciled to the general ledger monthly and that outstanding items listed on those bank reconciliations be resolved. We recommend that cash meant for operations be transferred to the operating account. We recommend that authorized signers on all accounts be reviewed and that former management/employees be removed.

Management's Response: We concur. Bank reconciliations will be prepared so that balances agree with the financial records. Deposits will be moved to the correct accounts. We will review authorized signers on each account with our banks to ensure that only current management is authorized.

Finding #2024-006 Comptroller's Investigation

The Tennessee Comptroller of the Treasury's Division of Investigations is currently reviewing certain items related to the former Executive Director of Cocke County Partnership. Findings, if any, resulting from this review will be included in a subsequent report.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. They are described below as findings #2024-007 and #2024-008.

Finding #2024-007 Retainage Escrow Account

Condition: The Board failed to open an escrow bank account with a contractor in accordance with state law.

Criteria: Section 66-34-104, Tennessee Code Annotated, states that contracts where the amount is \$500,000 or greater, retainage shall be deposited into an interest-bearing escrow account.

Cause: The Board was assigned the grant administration for a Site Development Grant from State of Tennessee funds that were passed through the Cocke County Partnership, Inc. The contract with the contractor for this project was in excess of \$500,000. The Board received contractor invoices and made payments to the contractor, but retainage amounts were not deposited into a separate bank account. Grant reimbursement requests were made by the Partnership to the State of Tennessee and remitted to the Board once received.

Effect: The Board was not in compliance with TCA Section 6-34-104.

Recommendation: As this was a finding from the State of Tennessee during their routine monitoring of this grant, we recommend that the Board comply with the State's recommendation and provide a memo acknowledging failure to follow the TCA and commit to following guidelines for eligible construction projects in the future.

Management's Response: We concur with the finding and recommendation and will comply with the TCA on any future projects.

Finding #2024-008 Failure to remit Sales Tax Increment Financing to Love's Travel Center

Condition: The Board did not remit sales tax increment revenues to Love's Travel Center.

Criteria: On September 2, 2021, the Board entered into a loan agreement with Love's Travel Center where the incremental sales taxes on Love's expansion would be used to repay the loan. The Board would receive the incremental sales taxes from Cocke County and then the Board would remit them to Love's for repayment on the loan.

Cause: The Board failed to remit the required Sales Tax TIF payment to Love's Travel Center in the amount of \$378,319 and spent the funds on site development at Innovation Park.

Effect: The Board still owes this money to Love's Travel Center at the end of the fiscal year.

Recommendation: The Board should contact Love's Travel Center to determine how to resolve the amount owed.

Management's Response: We concur with the finding and recommendation and will contact Love's Travel Center to resolve this amount owed.

Board's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Board's response to the findings identified in our audit and described above. The Board's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Board'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 Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



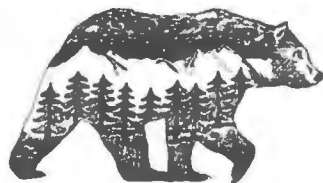
Knoxville, Tennessee
December 17, 2025

INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF NEWPORT AND COCKE COUNTY, TENNESSEE

SCHEDULE OF PRIOR YEAR FINDINGS

For the Fiscal Year Ended June 30, 2024

Original Finding Number	Prior Year Finding Number	Finding Title	Status	Current Year Finding Number
2023-001	2023-001	Internal Control Over Financial Reporting	Repeated	2024-001
2021-001	2023-002	Segregation of Duties	Repeated	2024-002
2023-003	2023-003	Disbursements	Repeated	2024-003



INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF NEWPORT & COCKE COUNTY, TN
 115 Mulberry Street Suite 200, Newport, TN 37821 (423) 623.3008

Management's Corrective Action Plan

Finding #2024-001: Material Auditor-Proposed Adjusting Entries

Response and Corrective Action Plan Prepared by: Daryl Brady

Person Responsible for Implementing the Corrective Action: Daryl Brady

Anticipated Date of Corrective Action: June 30, 2026.

Repeat Finding: Yes

Planned Corrective Action: Our outside bookkeeper will review and make every attempt to prepare all significant year-end adjustments prior to the close of our year end accounting records. In addition, the IDB will procure and contract with an additional CPA firm to assist with financial recordkeeping and corrective bookkeeping entries to ensure that accuracy will be at a valued premium moving forward in operations of the Newport Cocke County Industrial Development Board

Finding #2024-002: Segregation of Duties

Response and Corrective Action Plan Prepared by: Daryl Brady

Person Responsible for Implementing the Corrective Action: Daryl Brady

Anticipated Date of Corrective Action: Corrected

Repeat Finding: Yes

Planned Corrective Action: We have contracted with an outside bookkeeper to segregate numerous accounting processes. In addition, the process for duties regarding the obtaining the mail and distributing the mail will be changed to segregate responsibilities and ensure that in the future, not one sole staff member will be responsible for opening checks and disbursements or the preparation of disbursements.

Finding #2024-003: Disbursements

Response and Corrective Action Plan Prepared by: Daryl Brady

Person Responsible for Implementing the Corrective Action: Daryl Brady

Anticipated Date of Corrective Action: Corrected.

Repeat Finding: Yes

Planned Corrective Action: All cash disbursements will be properly approved with adequate support prior to payment. Two signatures from Board members or two Executive Committee members will sign checks.

Finding #2024-004: Cash Management

Response and Corrective Action Plan Prepared by: Daryl Brady

Person Responsible for Implementing the Corrective Action: Daryl Brady

Anticipated Date of Corrective Action: June 30, 2025.

Repeat Finding: No

Planned Corrective Action: Advances/loans from unrelated entities will be prohibited going forward. Advance payments and repayments by employees is strictly prohibited and this will be added to the employee policy and procedures manual.

Finding #2024-005: Bank Reconciliations and Cash

Response and Corrective Action Plan Prepared by: Daryl Brady

Person Responsible for Implementing the Corrective Action: Daryl Brady

Anticipated Date of Corrective Action: June 30, 2025.

Repeat Finding: No

Planned Corrective Action: Bank reconciliations will be completed by our outside bookkeeper and these will agree with the financial records. Deposits will be moved to the correct accounts and authorized signers on each account will be reviewed. Authorized signature cards will be updated at the financial institution of record and any other financial institutions that regularly transmit or receive wire transfers or cash transfers.

Finding #2024-006: Comptroller's Investigation

Response and Corrective Action Plan Prepared by: Daryl Brady

Person Responsible for Implementing the Corrective Action: Daryl Brady

Anticipated Date of Corrective Action: Unknown

Repeat Finding: No

Planned Corrective Action: We will respond to the Comptroller's Investigation upon release. The entire Comptroller's Investigative report will be made available to all members of the Newport/Cocke Industrial Development Board and the Cocke County Partnership Board.

Finding #2024-007: Retainage Escrow Account

Response and Corrective Action Plan Prepared by: Daryl Brady

Person Responsible for Implementing the Corrective Action: Daryl Brady

Anticipated Date of Corrective Action: Corrected

Repeat Finding: No

Planned Corrective Action: We will comply with the State of Tennessee's recommendation and provide a memo acknowledging failure to follow the TCA and we will follow these guidelines in the future as required for construction projects.

Finding #2024-008: Failure to remit Sales Tax Increment Financing to Love's Travel Center

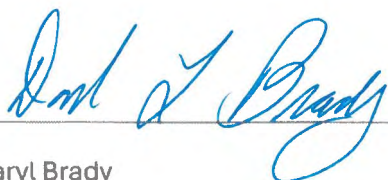
Response and Corrective Action Plan Prepared by: Daryl Brady

Person Responsible for Implementing the Corrective Action: Daryl Brady

Anticipated Date of Corrective Action: June 30, 2026

Repeat Finding: No

Planned Corrective Action: We will contact Love's Travel Center to resolve this oversight.



Daryl Brady
President
Cocke County Partnership