

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

**ANNUAL FINANCIAL REPORT  
JUNE 30, 2025**

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE  
CITY OF LEXINGTON  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2025**

**Table of Contents**

|  | <b>Page</b> |
|--|-------------|
| <b>Introductory Section</b>  |             |
| Table of Contents . . . . .  | 1           |
| Roster of Board of Directors . . . . .   | 2           |
| <b>Financial Section</b>   |             |
| Independent Auditor's Report . . . . .   | 3 - 5       |
| Management's Discussion and Analysis . . . . .   | 6 - 8       |
| Statements of Net Position . . . . .   | 9           |
| Statements of Revenues, Expenses, and Changes in Net Position . . . . .  | 10          |
| Statements of Cash Flows . . . . .   | 11          |
| Notes to the Financial Statements . . . . .  | 12 - 17     |
| <b>Supplemental Information</b>  |             |
| Schedule of Long-Term Debt, Principal, and Interest Requirements<br>by Fiscal Year . . . . .   | 18          |
| Schedule of Changes in Long-Term Debt by Individual Issue . . . . .  | 19          |
| <b>Internal Control and Compliance Section</b>   |             |
| Independent Auditor's Report on Internal Control Over Financial<br>Reporting and on Compliance and Other Matters Based<br>on an Audit of Financial Statements Performed in<br>Accordance with <i>Government Auditing Standards</i> . . . . . | 20 - 21     |
| <b>Schedule of Disposition of Prior Year Findings . . . . .</b>  | <b>22</b>   |

THE INDUSTRIAL DEVELOPMENT BOARD OF THE  
CITY OF LEXINGTON  
ROSTER OF BOARD OF DIRECTORS  
JUNE 30, 2025

**Board Members**

Rob Helms, Chairman

Cole Wood, Vice Chairman

Wib Evans, Secretary/Treasurer

Bobby Dyer

Rick Odle

Jeremy Washburn

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, 2025, 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, 2025, 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, 2025, the changes in its financial positions or, where applicable, its cash flows for the years ended June 30, 2025, 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 18 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 5, 2025, 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.



December 11, 2025

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE  
CITY OF LEXINGTON, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2025**

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, 2025. 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 - 17.

Other supplemental information concerning the IDB is required by the State of Tennessee. This other supplemental information can be found on pages 18 - 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, 2025**

**Statement of Net Position**

|                                  | <u>June 30, 2025</u> | <u>Percent<br/>of Total</u> | <u>June 30, 2024</u> | <u>Percent<br/>of Total</u> |
|----------------------------------|----------------------|-----------------------------|----------------------|-----------------------------|
| Current and other assets         | \$ 489,733           | 15.60%                      | \$ 531,913           | 16.72%                      |
| Capital assets                   | 2,650,196            | 84.40%                      | 2,648,600            | 83.28%                      |
| Total assets                     | <u>3,139,929</u>     | <u>100.00%</u>              | <u>3,180,513</u>     | <u>100.00%</u>              |
| Current liabilities              | 533,744              | 100.00%                     | 40,916               | 7.20%                       |
| Long-term liabilities            | -                    | 0.00%                       | 527,513              | 92.80%                      |
| Total liabilities                | <u>533,744</u>       | <u>100.00%</u>              | <u>568,429</u>       | <u>100.00%</u>              |
| Deferred Inflows                 | <u>251,259</u>       | <u>100.00%</u>              | <u>307,673</u>       | <u>100.00%</u>              |
| Net position                     |                      |                             |                      |                             |
| Net investment in capital assets | 2,122,691            | 90.14%                      | 2,089,196            | 90.66%                      |
| Unrestricted                     | 232,235              | 9.86%                       | 215,215              | 9.34%                       |
| Total net position               | <u>\$ 2,354,926</u>  | <u>100.00%</u>              | <u>\$ 2,304,411</u>  | <u>100.00%</u>              |

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

|   | <u>June 30, 2025</u> | <u>June 30, 2024</u> |
|---|----------------------|----------------------|
| <b>Revenues</b>                           |                      |                      |
| Operating revenues                        | \$ 75,000            | \$ 92,800            |
| <b>Expenses</b>                           |                      |                      |
| Professional services                     | 16,840               | 34,911               |
| Legal fees                                | -                    | 2,250                |
| Operating expenses                        | 25,887               | 25,139               |
| Repairs and maintenance                   | 5,500                | 4,298                |
| Depreciation expense                      | 35,657               | 35,657               |
| Total expenses                            | <u>83,884</u>        | <u>102,255</u>       |
| Operating income (loss)                   | (8,884)              | (9,455)              |
| Nonoperating revenue (expenses)           | <u>59,399</u>        | <u>462,451</u>       |
| Income Before Contributions and Transfers | 50,515               | 452,996              |
| Transfers from other funds                | -                    | -                    |
| Change in net position                    | 50,515               | 452,996              |
| Net position - beginning of year          | <u>2,304,411</u>     | <u>1,851,415</u>     |
| Net position - end of year                | <u>\$ 2,354,926</u>  | <u>\$ 2,304,411</u>  |

The IDB had a decrease in the change in net position from the current year to the prior year. This decrease was due to decreased contributions from local governments.

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE  
CITY OF LEXINGTON, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2025**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2025, the IDB's net capital assets were \$2,650,196. Additional information on capital assets is in Note 2.

**Debt**

At year-end June 30, 2025, the IDB had \$527,505 in outstanding long-term debt. This debt is used to pay off the building debt and is financed by lease revenues. This debt is likely to be refinanced in the next fiscal year.

**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 IDB'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.

Rob Helms  
Chairman

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE  
CITY OF LEXINGTON, TENNESSEE  
STATEMENTS OF NET POSITION  
JUNE 30, 2025**

**ASSETS**

**CURRENT ASSETS**

|                                   |            |
|-----------------------------------|------------|
| Cash                              | \$ 238,474 |
| Lease receivable, current portion | 53,728     |

**TOTAL CURRENT ASSETS** 292,202

**CAPITAL ASSETS**

|                                |           |
|--------------------------------|-----------|
| Land                           | 1,729,408 |
| Construction in Progress       | 124,497   |
| Buildings and Improvements     | 1,451,148 |
| Less: Accumulated Depreciation | (654,857) |

**NET CAPITAL ASSETS** 2,650,196

**OTHER ASSETS**

|                                     |         |
|-------------------------------------|---------|
| Lease receivable, long-term portion | 197,531 |
|-------------------------------------|---------|

**TOTAL OTHER ASSETS** 197,531

**TOTAL ASSETS** 3,139,929

**LIABILITIES**

**CURRENT LIABILITIES**

|                                |         |
|--------------------------------|---------|
| Accounts payable               | 239     |
| Unearned revenue               | 6,000   |
| Notes payable, current portion | 527,505 |

**TOTAL CURRENT LIABILITIES** 533,744

**LONG-TERM LIABILITIES**

|                                       |   |
|---------------------------------------|---|
| Notes payable, net of current portion | - |
|---------------------------------------|---|

**TOTAL LONG-TERM LIABILITIES** -

**TOTAL LIABILITIES** 533,744

**DEFERRED INFLOWS**

|  |         |
|--|---------|
| Deferred revenue related to lease receivable | 251,259 |
|--|---------|

**TOTAL DEFERRED INFLOWS** 251,259

**NET POSITION**

|   |           |
|---|-----------|
| Investment in capital assets, net of related debt | 2,122,691 |
| Unrestricted net position                         | 232,235   |

**TOTAL NET POSITION** \$ 2,354,926

**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, 2025**

|  |                            |
|--|----------------------------|
| <b>OPERATING REVENUES</b>                            |                            |
| Contributions - City of Lexington - Capital Projects | \$ 25,000                  |
| Contributions - Lexington Gas System                 | 25,000                     |
| Contributions - Lexington Electric                   | <u>25,000</u>              |
| <b>TOTAL OPERATING REVENUES</b>                      | <u>75,000</u>              |
| <b>OPERATING EXPENSES</b>                            |                            |
| Consultant's Services                                | 3,200                      |
| Engineering and Surveying Service                    | 6,640                      |
| Accounting and auditing                              | 7,000                      |
| Legal Fees   | -                          |
| Operating Expenses                                   | 1,644                      |
| Permit Fees  | 4,154                      |
| Property Insurance                                   | 19,955                     |
| Public Notices                                       | 134                        |
| Repairs and maintenance                              | 5,500                      |
| Depreciation expense                                 | <u>35,657</u>              |
| <b>TOTAL OPERATING EXPENSES</b>                      | <u>83,884</u>              |
| <b>NET OPERATING REVENUE (EXPENSE)</b>               | <u>(8,884)</u>             |
| <b>NONOPERATING REVENUE (EXPENSE)</b>                |                            |
| Rent   | 9,500                      |
| Lease Revenue  | 56,414                     |
| Interest Income                                      | 15,586                     |
| Interest Expense                                     | <u>(22,101)</u>            |
| <b>TOTAL NONOPERATING REVENUE (EXPENSES)</b>         | <u>59,399</u>              |
| <b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>     | 50,515                     |
| Transfers in/out                                     | <u>-</u>                   |
| <b>TOTAL CONTRIBUTIONS AND TRANSFERS</b>             | <u>-</u>                   |
| <b>CHANGE IN NET POSITION</b>                        | 50,515                     |
| <b>NET POSITION - BEGINNING OF YEAR</b>              | <u>2,304,411</u>           |
| <b>NET POSITION - END OF YEAR</b>                    | <u><u>\$ 2,354,926</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, 2025**

|   |                          |
|---|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                 |                          |
| Receipts from customers   | \$ 97,500                |
| Payments to suppliers   | (51,013)                 |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>                            | <u>46,487</u>            |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>             |                          |
| Acquisition of capital assets   | (37,253)                 |
| Lease revenue   | 56,414                   |
| Interest paid on long-term debt   | (22,101)                 |
| Payments on notes payable   | (31,899)                 |
| <b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>           | <u>(34,839)</u>          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                 |                          |
| Interest income   | 15,586                   |
| <b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>                            | <u>15,586</u>            |
| <b>INCREASE (DECREASE) IN CASH</b>  | 27,234                   |
| <b>CASH - BEGINNING OF YEAR</b>   | <u>211,240</u>           |
| <b>CASH - END OF YEAR</b>   | <u><u>\$ 238,474</u></u> |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>                     |                          |
| Cash paid during the year for:  |                          |
| Interest  | <u><u>\$ 22,101</u></u>  |
| <hr/>   |                          |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                 |                          |
| Operating revenue (expense)   | \$ (8,884)               |
| Adjustments to reconcile net position<br>to net cash provided by operations |                          |
| Depreciation expense  | 35,657                   |
| Rent  | 9,500                    |
| <b>Changes in Assets and Liabilities</b>                                    |                          |
| Due to/from general fund  | 13,000                   |
| Accounts payable  | (2,786)                  |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>                            | <u><u>\$ 46,487</u></u>  |

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE  
CITY OF LEXINGTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2025**

**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, 2025**

**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, 2025.

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, 2025. 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, 2025**

Capital asset activity for the years ended June 30, 2025, was as follows:

|  | <u>Balance<br/>7/1/24</u> | <u>Additions/<br/>Completions</u> | <u>Retirements/<br/>Adjustments</u> | <u>Balance<br/>6/30/25</u> |
|--|---------------------------|-----------------------------------|-------------------------------------|----------------------------|
| Capital assets not being depreciated         |                           |                                   |                                     |                            |
| Land   | \$ 1,729,408              | \$ -                              | \$ -                                | \$ 1,729,408               |
| Construction in progress                     | 87,244                    | 37,253                            | -                                   | 124,497                    |
| Total capital assets not being depreciated   | <u>1,816,652</u>          | <u>37,253</u>                     | <u>-</u>                            | <u>1,853,905</u>           |
| Capital assets being depreciated             |                           |                                   |                                     |                            |
| Buildings and improvements                   | 1,451,148                 | -                                 | -                                   | 1,451,148                  |
| Total capital assets being depreciated       | <u>1,451,148</u>          | <u>-</u>                          | <u>-</u>                            | <u>1,451,148</u>           |
| Less accumulated depreciation for:           |                           |                                   |                                     |                            |
| Buildings and improvements                   | (619,200)                 | (35,657)                          | -                                   | (654,857)                  |
| Total accumulated depreciation               | <u>(619,200)</u>          | <u>(35,657)</u>                   | <u>-</u>                            | <u>(654,857)</u>           |
| Total capital assets, being depreciated, net | <u>831,948</u>            | <u>1,596</u>                      | <u>-</u>                            | <u>796,291</u>             |
| Capital assets, net                          | <u>\$ 2,648,600</u>       | <u>\$ 1,596</u>                   | <u>\$ -</u>                         | <u>\$ 2,650,196</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, 2025, the carrying amount and the bank balances of the IDB's deposits were \$238,474 and \$214,006, respectively. The IDB's deposits at June 30, 2025 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, 2025**

**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, 2025, 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, 2025:

**Business Type Activities**

**Note Payable**

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

\$ 527,505

The following is a summary of changes in long-term debt for the year ended June 30, 2025:

|                   | Balance<br>7/1/2024 | Issues or<br>Additions | Retirements/<br>Reclassifications | Balance<br>6/30/2025 | Due within<br>one year |
|-------------------|---------------------|------------------------|-----------------------------------|----------------------|------------------------|
| Direct Borrowings | \$ 559,404          | \$ -                   | \$ 31,899                         | \$ 527,505           | \$ 527,505             |

The annual aggregate maturities for notes payable for the years subsequent to June 30, 2025 are as follows:

**Notes Payable**

| Year Ending<br>June 30, | Principal         | Interest         | Total             |
|-------------------------|-------------------|------------------|-------------------|
| 2026                    | 527,505           | 19,077           | 546,582           |
| Total                   | <u>\$ 527,505</u> | <u>\$ 19,077</u> | <u>\$ 546,582</u> |

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE  
CITY OF LEXINGTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2025**

**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. The IDB had no deficit fund balance at June 30, 2025.

**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, 2025:

| <u>Year</u> | <u>Principal</u>  | <u>Interest</u>   | <u>Total</u>      |
|-------------|-------------------|-------------------|-------------------|
| 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>\$ 251,259</u> | <u>\$ 120,741</u> | <u>\$ 372,000</u> |

In the financial statements of the IDB, revenues of \$72,000 (\$56,414 principal and \$15,586 interest) have been recognized from AutoZone during the year ended June 30, 2025. The entire amount of the balance for the lease receivable at June 30, 2025, is offset by deferred inflows of resources of the IDB.

**NOTE 9 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

As of June 30, 2025, the IDB received 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. Once procured, 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  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2025**

The IDB received a State Industrial Access (SIA) grant from TDOT to upgrade an existing roadway serving Falcon Plastics. The board requested TDOT manage all phases of the project. The board is only responsible for 50% of Right-of-Way acquisition and utilities relocations. As of June 30, 2025 the estimated cost due from the board is \$18,649. The board made the initial project deposit for this amount within FY 2025.

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF LEXINGTON,  
TENNESSEE  
SCHEDULES OF LONG-TERM DEBT, PRINCIPAL, AND INTEREST  
REQUIREMENTS BY FISCAL YEAR  
JUNE 30, 2025**

| Year<br>Ending<br>June 30, | Note Payable -<br>First Bank |           |
|----------------------------|------------------------------|-----------|
|                            | Principal                    | Interest  |
| 2026                       | 527,505                      | 19,077    |
|                            | \$ 527,505                   | \$ 19,077 |

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, 2025

Business-Type Activities

| Description of Indebtedness  | Original Amount Of Issue | Interest Rate | Date of Issue | Last Maturity Date | Outstanding 7/1/2024 | Issued During Period | Matured During Period | Refunded During Period | Outstanding 6/30/2025 |
|--|--------------------------|---------------|---------------|--------------------|----------------------|----------------------|-----------------------|------------------------|-----------------------|
| <b>NOTES PAYABLE</b>   |                          |               |               |                    |                      |                      |                       |                        |                       |
| Payable through the Industrial Development Board Fund                          |                          |               |               |                    |                      |                      |                       |                        |                       |
| First Bank Notes Payable   | \$ 950,000               | 4.00%         | 10/1/2010     | 5/30/2026          | \$ 559,404           | \$ -                 | \$ 31,899             | \$ -                   | \$ 527,505            |
| <b>TOTAL NOTES PAYABLE - Payable through Industrial Development Board Fund</b> |                          |               |               |                    | <u>559,404</u>       | <u>-</u>             | <u>31,899</u>         | <u>-</u>               | <u>527,505</u>        |
| <b>TOTAL LONG-TERM DEBT</b>  |                          |               |               |                    | <u>\$ 559,404</u>    | <u>\$ -</u>          | <u>\$ 31,899</u>      | <u>\$ -</u>            | <u>\$ 527,505</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 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, 2025, 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 11, 2025.

**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. However, material weaknesses or significant deficiencies may exist that were not identified.

## 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 black ink that reads "Modrin Associates, PLLC". The signature is written in a cursive, flowing style.

December 11, 2025

THE INDUSTRIAL DEVELOPMENT BOARD OF  
THE CITY OF LEXINGTON, TENNESSEE  
  
SCHEDULE OF PRIOR YEAR FINDINGS  
  
FOR THE YEARS ENDED JUNE 30, 2025

Financial Statement Findings

| Finding Number | Finding Title  | Status    |
|----------------|--|-----------|
| 2024-001       | General Ledger Materially Misstated Before Adjustments<br>(original finding #2024-001) | Corrected |