



**A COMPONENT UNIT  
OF THE  
CITY OF JOHNSON CITY, TENNESSEE**

**AUDITED FINANCIAL STATEMENTS**

**2022**

**JOHNSON CITY DEVELOPMENT AUTHORITY**

**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**

**FINANCIAL STATEMENTS**

**AND SUPPLEMENTARY INFORMATION**

**For the Fiscal Year Ended June 30, 2022**

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
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**June 30, 2022**

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## **INTRODUCTORY SECTION**

**JOHNSON CITY DEVELOPMENT AUTHORITY  
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE  
ROSTER OF BOARD OF COMMISSIONERS  
As of June 30, 2022**

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Hank Carr, Chairman

Shannon Castillo, Vice Chairman

Seth Thomas, Treasurer

Jodi Jones, Washington County Commission

Freddie Malone, Washington County Commission

Aaron Murphy, City of Johnson City Commission

Robert Williams, Past Chairman

Mayor Joe Wise, City of Johnson City Commission

Patricia C. Oldham, Executive Director

## **FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of the  
Johnson City Development Authority

### **Report on Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Johnson City Development Authority (JCDA), a component unit of the City of Johnson City, Tennessee, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the JCDA'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 position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the JCDA, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison, for the General Fund and the Special Revenue - TIF Fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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 Johnson City Development Authority (JCDA), a component unit of the City of Johnson City, 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 opinions

#### ***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 JCDA'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.

***Auditors' 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 City of X, State Y'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 City of X, State Y'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 and budgetary comparison information on pages 5-17 and 24-25 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the JCDA's basic financial statements. The accompanying combining and individual major fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.


### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections 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 November 30, 2022, on our consideration of the JCDA'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 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 JCDA's internal control over financial reporting and compliance.

  
BLACKBURN, CHILDERS & STEAGALL, PLLC  
Johnson City, Tennessee

November 30, 2022

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2022**

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The Johnson City Development Authority (the JCDA) is recognized by the Internal Revenue Service as a quasi-governmental agency, which was established through a Tennessee Private Act in 1985. Our discussion and analysis of the JCDA's financial performance provides an overview of the JCDA's financial activity for the year ended June 30, 2022. Please read it in conjunction with the financial statements, which follow this section.

**Financial Highlights**

- ✓ The JCDA ended the fiscal year with \$1,838,310 in total net position. The net position for the governmental activities was \$2,177,146 and the net position for the business-type activities was a negative amount of \$383,836.
- ✓ The year ended with a decrease in total net position of \$27,680, which included an increase of \$252,691 in the governmental activity and a decrease in net position of \$280,371 for the business-type activities.
- ✓ The JCDA receives three different types of revenue in the governmental activities: public funds from the City of Johnson City for administrative and operational costs, lease revenue from Northeast State Community College and tax increment financing (TIF) revenue generated from property tax growth for the City of Johnson City and Washington County. The business-type activities are for the rental of the John Sevier Center.
- ✓ The Connect Downtown Johnson City Foundation, Inc. is a component unit of the JCDA. The organization, a 501(c)3, received \$189,105 in revenue from donations and fundraising and spent \$173,603 in providing projects and programs for the year ending June 30, 2022.

**Overview of the Financial Statements**

The Management's Discussion and Analysis serves as an introduction to the JCDA's basic financial statements, which are the Statement of Net Position, Statement of Activities, fund financial statements, and notes to the financial statements. This report also contains other information supplementary to the basic financial statements.

Government-Wide Financial Statements: The government-wide financial statements report information about the overall finances of the JCDA similar to a private sector company. These statements are:

The *Statement of Net Position* provides information on the JCDA's assets and deferred outflows less liabilities, which result in net position. It is a useful indicator of the financial position of the JCDA. Over time, increases and decreases in net position help determine whether the JCDA's financial position is improving or deteriorating.

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2022**

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**Overview of the Financial Statements (Continued)**

The *Statement of Activities* provides information which shows how the JCDA's net position changed as a result of the year's activities. It is a general indicator of where the funds are spent and how expenses relate to income. This statement measures the success of the JCDA's operations and measures the profitability and credit worthiness of the JCDA.

The government-wide financial statements include not only the JCDA itself (known as the primary government), but also the component unit, Connect Downtown Johnson City Foundation, Inc.

Fund Financial Statements: The fund financial statements for all governmental funds report information on a modified accrual basis. The major differences in the Balance Sheet and the Statement of Net Position are the capital assets and long-term liabilities. For governmental activities, the differences in the Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities are recognition of changes in capital assets additions, disposals, and depreciation expense and the changes in long-term liabilities. The fund financial statements for the proprietary fund report information on a full accrual basis of accounting, whereby all assets and liabilities, including long-lived assets and long-term liabilities, are recorded.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of resources, as well as on balances of non-spendable and spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the JCDA's near-term financing decisions. Both the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The General Fund: This fund consists of revenue and expenditures for the general operations of the JCDA. A Fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The JCDA uses fund accounting to ensure and demonstrate fiscal responsibility.

The TIF Fund: This is a special revenue fund that consists of revenue and expenditures for TIF district and projects within the redevelopment district. It was created in September 2006 when the City of Johnson City and Washington County approved the Redevelopment Plan for the Downtown Redevelopment District of Johnson City, Tennessee. All funds received are designated for TIF projects and qualified TIF expenses.

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2022**

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**Overview of the Financial Statements (Continued)**

**Proprietary Fund:**

The John Sevier Center Fund: The JCDA maintains an enterprise fund type of a proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The JCDA uses the enterprise fund to account for the John Sevier Center. The proprietary fund provides the same type of information as the government-wide financial statements, only in more detail.

**Financial Analysis of the JCDA – Government-Wide Level**

Our analysis of the JCDA as a whole is shown in Tables 1A and 1B. One of the most important questions asked about the JCDA's finances is, "Is the JCDA as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the JCDA as a whole and about its activities is a tool that helps answer this question. These statements include all assets and liabilities using accounting methods similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid. These tables reflect both the governmental activities and the business-type activities.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2022**

**Overview of the Financial Statements (Continued)**

**Net Position - Table 1A**

	<b>2022</b>	<b>2021</b>
Current and Other Assets	\$ 2,157,978	\$ 2,692,980
Capital Assets, Net	6,173,643	6,067,475
Total Assets	8,331,621	8,760,455
Deferred Outflows of Resources	1,316,640	1,567,200
Total Assets and Deferred Outflow of Resources	9,648,261	10,327,655
Current and Other Liabilities	1,359,840	805,806
Long-term Liabilities	6,450,111	7,556,267
Total Liabilities	7,809,951	8,362,073
Net Investment in Capital Assets	1,016,478	667,227
Restricted by Enabling Legislation	933,009	1,556,553
Unrestricted	(111,177)	(258,198)
Total Net Position	1,838,310	1,965,582
Total Liabilities and Net Position	\$ 9,648,261	\$ 10,327,655

**Statement of Activities - Table 1B**

	<b>2022</b>	<b>2021</b>
Charges for Services	\$ 1,089,243	\$ 1,032,182
Operating Grants and Contributions	967,409	986,866
Program Revenues	2,056,652	2,019,048
Interest and Dividends	4,803	10,578
General Revenues	4,803	10,578
Total Revenues	2,061,455	2,029,626
General Government	296,418	304,247
Business Activities	1,357,614	1,143,985
Tax Increment Financing	435,103	555,259
Total Expenses	2,089,135	2,003,491
Change in Net Position	(27,680)	26,135
Net Position - Beginning	1,965,582	1,939,447
Prior Period Adjustment	(99,592)	-
Net Position - Ending	\$ 1,838,310	\$ 1,965,582

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2022**

**Financial Analysis of the JCDA – Government-Wide Level (Continued)**

These statements group activities into two functions: Governmental activities and business-type activities. Governmental activities include general government. The business-type activities of the JCDA include the John Sevier Center.

Both statements segregate revenues and expenses by function. Revenues such as user fees and charges are designed to subsidize related costs. There, revenues are separated from general revenues and intergovernmental grants.

**Net Position - Table 2A**

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and Other Assets	\$ 2,816,258	\$ 2,921,907	\$ (658,280)	\$ (228,927)	\$ 2,157,978	\$ 2,692,980
Capital Assets, Net	1,723,395	1,766,419	4,450,248	4,301,056	6,173,643	6,067,475
Total Assets	4,539,653	4,688,326	3,791,968	4,072,129	8,331,621	8,760,455
Deferred Outflows of Resources	1,316,640	1,567,200	-	-	1,316,640	1,567,200
Total Assets and Deferred Outflow of Resources	5,856,293	6,255,526	3,791,968	4,072,129	9,648,261	10,327,655
Current and Other Liabilities	445,083	238,953	914,757	98,014	1,359,840	336,967
Long-term Liabilities	3,234,064	3,992,526	3,216,047	4,032,580	6,450,111	8,025,106
Total Liabilities	3,679,147	4,231,479	4,130,804	4,130,594	7,809,951	8,362,073
Net Investment in Capital Assets	506,274	398,751	510,204	268,476	1,016,478	667,227
Restricted by Enabling Legislation	933,009	1,556,553	-	-	933,009	1,556,553
Unrestricted	737,863	68,743	(849,040)	(326,941)	(111,177)	(258,198)
Total Net Position	2,177,146	2,024,047	(338,836)	(58,465)	1,838,310	1,965,582
Total Liabilities and Net Position	\$ 5,856,293	\$ 6,255,526	\$ 3,791,968	\$ 4,072,129	\$ 9,648,261	\$ 10,327,655

**Statement of Revenue, Expenses, and Change in Net Position - Table 2A**

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Charges for Services	\$ 12,000	\$ 12,375	\$ 1,077,243	\$ 1,019,807	\$ 1,089,243	\$ 1,032,182
Operating Grants and Contributions	967,409	986,866	-	-	967,409	986,866
Program Revenues	979,409	999,241	1,077,243	1,019,807	2,056,652	2,019,048
Interest and Dividends	4,803	10,578	-	-	4,803	10,578
General Revenues	4,803	10,578	-	-	4,803	10,578
Total Revenues	984,212	1,009,819	1,077,243	1,019,807	2,061,455	2,029,626
General Government	339,442	304,247	-	-	339,442	304,247
Business Activities	-	-	1,357,614	1,143,985	1,357,614	1,143,985
Tax Increment Financing	392,079	555,259	-	-	392,079	555,259
Total Expenses	731,521	859,506	1,357,614	1,143,985	2,089,135	2,003,491
Change in Net Position	252,691	150,313	(280,371)	(124,178)	(27,680)	26,135
Net Position - Beginning	2,024,047	1,873,734	(58,465)	65,713	1,965,582	1,939,447
Prior Period Adjustment	(99,592)	-	-	-	(99,592)	-
Net Position - Ending	\$ 2,177,146	\$ 2,024,047	\$ (338,836)	\$ (58,465)	\$ 1,838,310	\$ 1,965,582



**JOHNSON CITY DEVELOPMENT AUTHORITY  
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2022**

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**Financial Analysis of the JCDA – Government-Wide Level (Continued)**

An increase in net position is an indicator that a business is improving. Net position at year-end for this fiscal year decreased by \$127,272 compared to an increase of \$26,135 in 2021. The following explains some of the most significant changes.

- ✓ Total Debt reflected under Total Liabilities includes \$1,107,874 due within one year and \$6,450,111 which is due in more than one year. Of the amounts due within one year, \$383,877 is due from governmental activities and \$723,997 is due from business-type activities. Of the amounts due in more than one year, \$3,234,064 is due from governmental activities and \$3,216,047 is due from business-type activities.
- ✓ Also captured in the current fiscal year and reflected on the balance sheet is accrued interest payable of \$57,059, all of which is for the governmental activities.
- ✓ Total long term debt was reduced by \$467,121. The John Sevier Center debt was reduced by \$92,536 which consisted of monthly principal payments. Debt from governmental activities was reduced by \$374,585 resulting from scheduled payments under the terms of the various debt agreements. Principal payments were made towards the Downtown Centre TIF project of \$150,545, the Downtown Events Center TIF project of \$106,425, the Cherry Street TIF project of \$13,072, Model Mill TIF project of \$60,000, the Commerce Street project of \$27,273 and the Market Street project of \$17,270 creating the reduction of \$374,585 in total governmental debt.
- ✓ Government funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. There was \$43,024 recognized as depreciation expense at the government wide level.
- ✓ The TIF revenue that will be received in future years for payment on two of the TIF Projects, Commerce Street and Downtown Events Center, is recorded as deferred outflows of resources, in the amount of \$1,316,640.

**Financial Analysis of the JCDA – Fund Level**

**Governmental Funds**

Our analysis of the JCDA's General Fund and TIF Fund at the fund level is presented in Table 2A and Table 2B. The JCDA presents two funds, both are governmental funds. All the JCDA's administrative and operational services are reported in the general fund, which focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending. TIF centers around revenues which are generated by property tax growth within the Redevelopment District of downtown Johnson City, and the debt incurred from the current projects within the TIF district as well as any other TIF qualified expenses. Fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the JCDA's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation, which is included with the financial statements.

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2022**

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**Financial Analysis of the JCDA – Fund Level (Continued)**

The Board of Commissioners adopts an annual budget for each fund, General and TIF. The Board of Commissioners approved all budget adjustments submitted by JCDA management.

**Balance Sheet Summary - Table 3A**

	<b>2022</b>	<b>2021</b>	<b>Change</b>
<b>ASSETS</b>			
Cash and Other Assets	\$ 2,542,390	\$ 2,544,867	\$ (2,477)
Intergovernmental Receivables	324,705	425,120	(100,415)
<b>TOTAL ASSETS</b>	<b>2,867,095</b>	<b>2,969,987</b>	<b>(102,892)</b>
<b>LIABILITIES</b>			
Due To / From Other Funds	53,606	50,849	(2,757)
Accounts Payable	4,147	175,583	171,436
<b>TOTAL LIABILITIES</b>	<b>57,753</b>	<b>226,432</b>	<b>168,679</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Intergovernmental	324,705	425,120	100,415
<b>FUND BALANCE</b>			
Restricted for Tax Increment Financing	1,752,384	1,422,338	330,046
Unassigned	732,253	896,097	(163,844)
<b>TOTAL FUND BALANCE</b>	<b>\$ 2,484,637</b>	<b>\$ 2,318,435</b>	<b>\$ 166,202</b>

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2022**

**Financial Analysis of the JCDA – Fund Level (Continued)**

**Statement of Revenues, Expenditures, and Changes in Fund Balance - Table 3B**

	Total Governmental Funds <b>2022</b>	Total Governmental Funds <b>2021</b>	<b>Change</b>	<b>Change</b>
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 1,208,417	\$ 907,486	\$ 300,931	33%
Grant Revenue	-	17,500	(17,500)	-100%
Revenue from Use of Property	12,000	21,942	(9,942)	-45%
Miscellaneous	15,178	30,339	(15,161)	-50%
<b>TOTAL REVENUES</b>	<b>1,235,595</b>	<b>977,267</b>	<b>258,328</b>	
<b>EXPENDITURES</b>				
General Government	296,418	261,223	35,195	13%
Tax Increment Financing	772,975	931,048	(158,073)	-17%
<b>TOTAL EXPENDITURES</b>	<b>1,069,393</b>	<b>1,192,271</b>	<b>(122,878)</b>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	166,202	(215,004)	381,206	
Fund Balance, Beginning of Fiscal Year	2,318,435	2,533,439	(215,004)	
Fund Balance, End of Fiscal Year	<b>\$ 2,484,637</b>	<b>\$ 2,318,435</b>	<b>\$ 166,202</b>	

**Comparative Data – General Fund**

- ✓ Revenues for the General Fund, at the fund level, were \$177,574 compared to \$180,434 for the fiscal year that ended June 30, 2021. The increase was a combination of an increase in funding received from the City of Johnson City and an offsetting decrease in grant revenue due to a nonrecurring grant received in the fiscal year ended June 30, 2021.
- ✓ Expenditures in the General Fund were \$296,418 compared to \$261,223 for the previous fiscal year. The increase was primarily due to a change in Executive Director which also resulted in severance pay for the previous Executive Director.
- ✓ As a result of the reduced grant revenue and increase in salary expenses, the General Fund balance decreased 14%.

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2022**

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**Comparative Data – TIF Fund**

- ✓ Revenues for the TIF Fund, at the fund level, were \$1,058,021 compared to \$796,833 for the fiscal year ending June 30, 2021. The increase was primarily due to an increase in the TIF contribution in the amount of \$273,931 compared with the prior year from Washington County, Tennessee. The increase is primarily due to the TIF receiving the full funding payment in the current fiscal year. In the prior fiscal year, the City and County reached an agreement to calculate the TIF payments. This calculation also resulted in the decision to retroactively deduct funds under this calculation, which resulted in a significant reduction in TIF contributions from the County in the fiscal year ended June 30, 2021.
- ✓ Expenditures for redevelopment projects and debt service totaled \$772,975, a reduction of \$158,073 from the prior year. The majority of the reduction was in spending for redevelopment projects due to the completion of a project in the prior year.
- ✓ As a result of the increased funding partially offset by reduced spending for redevelopment projects, the fund balance increased by \$285,046.

Taken together, expenditures from the General Fund and Special Revenue Fund totaled \$1,069,393, of which \$250,252 or 23.0% was used for Downtown Development.

**Proprietary Fund**

The John Sevier Center, which was purchased in August of 2019, is the only proprietary fund of the JCDA. It operates as an enterprise fund. For the fiscal year ending June 30, 2022, we will compare the full fiscal year results, as shown in the following table.

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2022**

**Proprietary Fund (Continued)**

**Statement of Revenue, Expenses, and Changes in Proprietary Fund Balance Summary - Table 4A**

	Business-Type Activities John Sevier Center 2022	Business-Type Activities John Sevier Center 2021	Change	Percent Change
<b>OPERATING REVENUES</b>				
Rent Revenue				
Tenant Assistance Payments	\$ 1,060,680	\$ 998,163	\$ 62,517	6%
Less: Vacancies	(35,966)	(4,249)	(31,717)	746%
Total Rent Revenue	1,024,714	993,914	30,800	3%
Other Revenue	52,529	25,893	26,636	103%
<b>TOTAL REVENUES</b>	<b>1,077,243</b>	<b>1,019,807</b>	<b>88,236</b>	
<b>OPERATING EXPENDITURES</b>				
Administrative Expenses	286,949	245,336	41,613	17%
Utilities Expense	122,478	99,423	23,055	23%
Operating and Maintenance Expenses	411,094	297,460	113,634	38%
Taxes and Insurance	197,474	176,789	20,685	12%
Depreciation	111,607	110,614	993	1%
<b>TOTAL OPERATING EXPENSES</b>	<b>1,129,602</b>	<b>929,622</b>	<b>199,980</b>	
<b>OPERATING LOSS</b>	<b>(52,359)</b>	<b>90,185</b>	<b>(111,744)</b>	
<b>NONOPERATING EXPENSES</b>				
Interest Expenses and Major Repairs	(228,012)	(214,363)	(30,610)	-14%
<b>TOTAL NONOPERATING EXPENSES</b>	<b>(228,012)</b>	<b>(214,363)</b>	<b>(30,610)</b>	
Change in Net Position	(280,371)	(124,178)	(142,354)	
Net Position, Beginning	(58,465)	65,713	(30,610)	
Net Position, Ending	<u>\$ (338,836)</u>	<u>\$ (58,465)</u>	<u>\$ (172,964)</u>	

Utilities were higher due to related repairs and maintenance. Taxes and insurance are also higher due to an increase in employee benefits and insurance. Direct laundry revenue is expected to decrease, as the use of laundry facilities is being offered as an amenity rather than the previous practice of residents paying per use of machines to wash and dry clothing. Maintenance expenses increased due to additional manpower hours to prepare for the U.S. HUD Real Estate Assessment Center (REAC) inspection to remedy conditions that existed prior to JCDA's acquisition of the John Sevier Center. Repair and replacement costs also were incurred. The REAC inspection resulted in an opportunity to apply for a Mark-Up-To-Market (MUTM) rate increase through the U.S. Department of Housing and Urban Development. The MUTM rate increase was approved late September 2022 and will increase rent revenue by approximately 70%, retroactive to August 1, 2022. The first payment, including the retroactive portion, is anticipated by November 2022, according to information received by the management company and provided to JCDA management. Once the budget authority is transferred, the John Sevier Center no longer will have the Section 8.

**JOHNSON CITY DEVELOPMENT AUTHORITY  
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2022**

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**Economic Factors and Next Year's Budget**

Most entities conduct business planning with the intent to increase sales to existing customers and to increase the overall customer base. A more appropriate goal for an entity such as the JCDA is to successfully encourage economic growth throughout Johnson City, with the specific emphasis around Downtown Johnson City and the TIF redevelopment district. External factors that can impact the financial condition of the JCDA include the City of Johnson City finances and the growth or decline of the TIF redevelopment district. Barring any unexpected changes in such external factors, we anticipate a continuation, if not acceleration, of the economic growth and health of not only Johnson City, but especially Downtown Johnson City.

The JCDA Board of Commissioners and Executive Director considered a number of issues that would impact planning the budget for fiscal year 2023. Key budget and financial conditions included the following:

- ✓ The continued economic recovery from the COVID-19 pandemic and the resulting opportunities and dislocations related to supply chains, employment levels and investment for business expansion.
- ✓ The amount of funding contributions by city and county governments.
- ✓ Rising property values could increase property taxes collected and increase TIF revenues received.
- ✓ Potential for increased rent revenue at the JCDA owned Downtown Centre following the end of the contract with the current tenant in December 2023.
- ✓ Opportunity to revise parking garage contract with the current tenant to increase public access and develop an overall parking strategy to make it easier to live, shop, dine and work downtown.
- ✓ The adaptive reuse of the John Sevier Center, that could begin in the next few years, that will provide new and better affordable housing for the current residents at a new location and allow for the sale and redevelopment of the building as a downtown mixed use anchor and development catalyst.

**Capital Asset and Debt Administration**

The JCDA's investment in capital assets for its governmental and business-type activities as of June 30, 2022 amount to \$1,016,478 (net of depreciation and related debt). This investment in capital assets includes land, buildings and equipment for the Downtown Centre and the John Sevier Center only.

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2022**

**Capital Asset and Debt Administration (Continued)**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Capital Assets			
Land	\$ 300,000	\$ 79,300	\$ 379,300
Building and Improvements	1,720,978	4,650,395	6,371,373
Furniture and Fixtures	-	34,952	34,952
Less Depreciation	<u>(297,583)</u>	<u>(314,399)</u>	<u>(611,982)</u>
Total	<u>1,723,395</u>	<u>4,450,248</u>	<u>6,173,643</u>
Related Debt			
Current debt	156,022	723,997	880,019
Long-term debt	<u>1,061,099</u>	<u>3,216,047</u>	<u>4,277,146</u>
Total	<u>1,217,121</u>	<u>3,940,044</u>	<u>5,157,165</u>
Net Investment in Capital Assets	<u>\$ 506,274</u>	<u>\$ 510,204</u>	<u>\$ 1,016,478</u>

Additional information on the JCDA's capital assets can be found in Note 5 on pages 36 and 37 of this report.

**Long-Term Debt**

At the end of the fiscal year, the JCDA had total debt outstanding of \$7,557,985. The bonded debt is secured by promises of tax revenue, rent income and, for the Downtown Centre and the John Sevier Center, secured by the related real property.

<b><u>Total Government Debt Obligations</u></b>	<b><u>Current</u></b>	<b><u>Long Term</u></b>	<b><u>Total</u></b>
Downtown Centre	\$ 156,022	\$ 1,061,099	\$ 1,217,121
Downtown Events Center	13,587	946,713	960,300
Cherry Street Project	109,725	14,455	124,180
Model Mill	27,273	932,727	960,000
Commerce Street	60,000	158,181	218,181
Market Street	<u>17,270</u>	<u>120,889</u>	<u>138,159</u>
	<u>383,877</u>	<u>3,234,064</u>	<u>3,617,941</u>
<b><u>Business-Type Debt Obligations</u></b>			
John Sevier Center	<u>723,997</u>	<u>3,216,047</u>	<u>3,940,044</u>
<b>Total JCDA Debt Obligations</b>	<u><u>\$ 1,107,874</u></u>	<u><u>\$ 6,450,111</u></u>	<u><u>\$ 7,557,985</u></u>

Additional information on the JCDA's long-term debt can be found in Note 6 on pages 37-42 of this report.

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2022**

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The following additional financial information, statements and notes can be found on pages 18-44:

- Statement of Net Position
- Statement of Activities
- Balance Sheet
- Reconciliation of the Balance Sheet to the Statement of Net Position
- Statement of Revenues, Expenditures and Changes in Fund Balance
- Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
- Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund
- Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Special Revenue Fund – TIF
- Proprietary Fund Statement of Net Position
- Proprietary Fund Statement of Revenues, Expenditures and Changes in Net Position
- Proprietary Fund Statement of Cash Flows
- Notes to the Financial Statements

**Contacting the JCDA's Financial Management**

This financial report is designed to provide a general overview of the JCDA's finances. If you have any questions about this report or need any additional information, contact the Executive Director, Patricia C. Oldham, AICP, TCEd or the Finance Manager, Daniel McIntosh, of the JCDA at P.O. Box 2482, Johnson City, Tennessee 37605 or by email at [oldham@downtownjc.com](mailto:oldham@downtownjc.com).



**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**June 30, 2022**

	Primary Government			Component Unit
	Governmental	Business-Type		Connect
	Activities	Activities	Total	Downtown
				Johnson City
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,758,787	16,166	1,774,953	56,947
Accounts Receivable	-	14,856	14,856	11
Rental Security Deposit	600	-	600	-
Intergovernmental Receivables	324,705	-	324,705	-
Interfund Receivables	729,397	(729,397)	-	-
Prepaid Expenses	2,769	7,661	10,430	-
Cash and Restricted Deposits	-	32,434	32,434	-
Capital Assets, Not Depreciated	300,000	79,300	379,300	-
Capital Assets, Net of Accumulated Depreciation				
Buildings and Improvements	1,423,395	4,370,948	5,794,343	-
<b>TOTAL ASSETS</b>	<b>4,539,653</b>	<b>3,791,968</b>	<b>8,331,621</b>	<b>56,958</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflow of TIF Funds	1,316,640	-	1,316,640	-
<b>LIABILITIES</b>				
Accounts Payable	872	36,078	36,950	1,381
Other Accrued Expenses	-	119,878	119,878	-
Payroll Liabilities	3,275	-	3,275	-
Accrued Interest Payable	57,059	-	57,059	-
Deposits Payable	-	28,152	28,152	-
Deferred Revenue	-	6,652	6,652	-
Noncurrent Liabilities				
Due Within One Year	383,877	723,997	1,107,874	-
Due in More Than One Year	3,234,064	3,216,047	6,450,111	-
<b>TOTAL LIABILITIES</b>	<b>3,679,147</b>	<b>4,130,804</b>	<b>7,809,951</b>	<b>1,381</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	506,274	510,204	1,016,478	-
Restricted by Enabling Legislation	933,009	-	933,009	-
Restricted by External Contributors	-	-	-	55,577
Unrestricted (Deficit)	737,863	(849,040)	(111,177)	-
<b>TOTAL NET POSITION</b>	<b>\$ 2,177,146</b>	<b>(338,836)</b>	<b>1,838,310</b>	<b>55,577</b>

The notes to the financial statements are an integral part of this statement.

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2022**

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Unit
					Governmental Activities	Business-Type Activities	Connect Downtown Johnson City
Primary Government							
Governmental Activities							
General Government	\$ 296,418	12,000	165,375	-	(119,043)	-	-
Tax Increment Financing	293,276	-	660,207	-	366,931	-	-
Interest on Long-Term Debt	141,827	-	141,827	-	-	-	-
Total Governmental Activities	731,521	12,000	967,409	-	247,888	-	-
Business-Type Activities							
John Sevier Center	1,357,614	1,077,243	-	-	-	(280,371)	-
Total Business-Activities	1,357,614	1,077,243	-	-	-	(280,371)	-
Total Primary Government	\$ 2,089,135	1,089,243	967,409	-	247,888	(280,371)	-
Component Unit							
Downtown Johnson City Foundation	\$ 173,603	71,432	117,673	-	-	-	15,502
General Revenues							
Interest and Dividends					4,803	-	-
Total General Revenues					4,803	-	-
Change in Net Position					252,691	(280,371)	15,502
Net Position - Beginning of Fiscal Year					2,024,047	(58,465)	40,075
Prior Period Adjustment					(99,592)	-	-
Net Position - End of Fiscal Year					\$ 2,177,146	(338,836)	55,577

The notes to the financial statements are an integral part of this statement.

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**June 30, 2022**

	General Fund	Special Revenue Fund - TIF	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 60,009	1,698,778	1,758,787
Due to / From Other Funds	729,397	53,606	783,003
Customer Security Deposits	600	-	600
Intergovernmental Receivables	-	324,705	324,705
<b>TOTAL ASSETS</b>	<b>\$ 790,006</b>	<b>2,077,089</b>	<b>2,867,095</b>
<b>LIABILITIES</b>			
Due to / From Other Funds	\$ 53,606	-	53,606
Accounts Payable	872	-	872
Payroll Liabilities	3,275	-	3,275
<b>TOTAL LIABILITIES</b>	<b>57,753</b>	<b>-</b>	<b>57,753</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Intergovernmental	-	324,705	324,705
<b>FUND BALANCES</b>			
Restricted for Tax Increment Financing Projects	-	1,752,384	1,752,384
Unassigned	732,253	-	732,253
<b>TOTAL FUND BALANCES</b>	<b>732,253</b>	<b>1,752,384</b>	<b>2,484,637</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 790,006</b>	<b>2,077,089</b>	<b>2,867,095</b>

The notes to the financial statements are an integral part of this statement.

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2022**

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Amounts reported for governmental activities in the Statement of Net Position are different because:

Total Fund Balances of Governmental Funds	\$ 2,484,637
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,723,395
Prepays are expensed when disbursed and are not recognized based upon economic benefit or recorded as assets in the governmental funds.	2,769
Deferred outflows of resources are expected to be received in future years in the form of TIF payments that will be used to pay the outstanding long-term liabilities related to the TIF Projects as they become due.	1,316,640
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(3,617,941)
Accrued interest payable on the long-term liabilities does not require the use of current financial resources and is not reported as an expenditure in the governmental funds.	(57,059)
Deferred inflow of resources that are unavailable are not reported as revenue in the funds. Since these have been earned, they are reported as revenue at the government-wide level.	<u>324,705</u>
Net Position of Governmental Activities	<u><u>\$ 2,177,146</u></u>

The notes to the financial statements are an integral part of this statement.

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For the Fiscal Year Ended June 30, 2022**

	General Fund	Special Revenue Fund - TIF	Total Governmental Funds
REVENUES			
Intergovernmental Revenue	\$ 155,000	1,053,417	1,208,417
Revenue from Use of Property	12,000	-	12,000
Miscellaneous	10,574	4,604	15,178
TOTAL REVENUES	177,574	1,058,021	1,235,595
EXPENDITURES			
Current			
General Government	296,418	-	296,418
Redevelopment Projects	-	250,252	250,252
Debt Service			
Principal	-	374,585	374,585
Interest	-	148,138	148,138
TOTAL EXPENDITURES	296,418	772,975	1,069,393
Excess (Deficiency) of Revenues Over (Under) Expenditures	(118,844)	285,046	166,202
Fund Balances, Beginning of Fiscal Year	851,097	1,467,338	2,318,435
Fund Balances, End of Fiscal Year	\$ 732,253	1,752,384	2,484,637

The notes to the financial statements are an integral part of this statement.

**JOHNSON CITY DEVELOPMENT AUTHORITY  
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE  
GOVERNMENTAL FUNDS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2022**

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Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$ 166,202
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current fiscal year, depreciation expense of \$43,024 was recognized at the government-wide level.	(43,024)
The receipt of Tax Increment Financing (TIF) payments in future years will be used to make the interest and principal payments on long-term debt associated with TIF projects. The amount of deferred outflows for these payments decreased by \$150,968.	(150,968)
The issuance and repayment of the principal of long-term debt consumes the current financial resources of governmental funds as does the change in the accrued interest on the debt. The decrease in the accrued interest was \$6,311 and the activity related to long-term debt included \$374,585 in principal payments.	380,896
The intergovernmental receivable was reported as a deferred inflow of resources at the fund level in the prior fiscal year since the funds were not available. Since the funds were earned in the current fiscal year, they were reported as revenue at the government-wide level. The change in the earnings was \$100,415.	<u>(100,415)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 252,691</u></u>

The notes to the financial statements are an integral part of this statement.

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Positive (Negative)
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 155,000	155,000	155,000	-
Grant Revenue	-	-	-	-
Revenue from Use of Property	38,500	12,000	12,000	-
Miscellaneous	10,530	10,000	10,574	574
<b>TOTAL REVENUES</b>	<b>204,030</b>	<b>177,000</b>	<b>177,574</b>	<b>574</b>
<b>EXPENDITURES</b>				
Current				
General Government	255,162	348,950	296,418	52,532
<b>TOTAL EXPENDITURES</b>	<b>255,162</b>	<b>348,950</b>	<b>296,418</b>	<b>52,532</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(51,132)	(171,950)	(118,844)	53,106
Fund Balance, Beginning of Fiscal Year	851,097	851,097	851,097	-
Fund Balance, End of Fiscal Year	<u>\$ 799,965</u>	<u>679,147</u>	<u>732,253</u>	<u>53,106</u>

The notes to the financial statements are an integral part of this statement.

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-**  
**BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUND - TIF**  
**For the Fiscal Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Positive (Negative)
REVENUES				
Intergovernmental Revenue	\$ 859,486	578,973	1,053,417	474,444
Miscellaneous	3,500	-	4,604	4,604
TOTAL REVENUES	862,986	578,973	1,058,021	479,048
EXPENDITURES				
TIF Projects	763,548	724,892	772,975	(48,083)
TOTAL EXPENDITURES	763,548	724,892	772,975	(48,083)
Excess (Deficiency) of Revenues Over (Under) Expenditures	99,438	(145,919)	285,046	430,965
Fund Balance, Beginning of Fiscal Year	1,467,338	1,467,338	1,467,338	-
Fund Balance, End of Fiscal Year	<u>\$ 1,566,776</u>	<u>1,321,419</u>	<u>1,752,384</u>	<u>430,965</u>

The notes to the financial statements are an integral part of this statement.



**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**PROPRIETARY FUND**  
**STATEMENT OF NET POSITION**  
**June 30, 2022**

	Business-Type Activities <u>John Sevier Center</u>
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 16,166
Tenant Receivables	8,797
Accounts Receivable - HUD	6,059
Prepaid Expenses	7,661
Total Current Assets	<u>38,683</u>
Noncurrent Assets	
Capital Assets	
Land	79,300
Building and Improvements	4,650,395
Furniture and Fixtures	34,952
Less: Accumulated Depreciation	(314,399)
Net Capital Assets	<u>4,450,248</u>
Restricted Assets	
Cash Restricted for Security Deposits	31,645
Cash Restricted for Reserve Account	789
Total Restricted Assets	<u>32,434</u>
<b>TOTAL ASSETS</b>	<u>4,521,365</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	36,078
Due to Other Funds - Johnson City Development Authority	729,397
Accounts Payable - Management Company	19,675
Accrued Wages	3,565
Other Accrued Liabilities	10,360
Accrued Audit Fee	20,000
Accrued Management Fee Payable	5,807
Accrued Mortgage Interest Payable	14,939
Accrued Property Taxes	45,532
Deposits Payable	28,152
Mortgage Payable - Current Portion	723,997
Prepaid Revenue	6,652
Total Current Liabilities	<u>1,644,154</u>
Noncurrent Liabilities	
Long Term Debt-Net of Current Portion	<u>3,216,047</u>
Total Noncurrent Liabilities	<u>3,216,047</u>
<b>TOTAL LIABILITIES</b>	<u>4,860,201</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	510,204
Unrestricted (Deficit)	<u>(849,040)</u>
<b>TOTAL NET POSITION</b>	<u>\$ (338,836)</u>

The notes to the financial statements are an integral part of this statement.

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**PROPRIETARY FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Fiscal Year Ended June 30, 2022**

	Business-Type Activities <u>John Sevier Center</u>
OPERATING REVENUES	
Rent Revenue	
Tenant Assistance Payments	\$ 1,060,680
Less: Vacancies	<u>(35,966)</u>
Total Rent Revenue	1,024,714
Other Revenue	<u>52,529</u>
TOTAL OPERATING REVENUES	<u>1,077,243</u>
OPERATING EXPENSES	
Administrative Expenses	286,949
Utilities Expense	122,478
Operating and Maintenance Expenses	411,094
Taxes and Insurance	197,474
Depreciation	<u>111,607</u>
TOTAL OPERATING EXPENSES	<u>1,129,602</u>
OPERATING INCOME (LOSS)	<u>(52,359)</u>
NONOPERATING REVENUES (EXPENSES)	
Major Building Repairs	(44,259)
Interest Expenses and Related Debt Costs	<u>(183,753)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(228,012)</u>
Change in Net Position	(280,371)
Net Position, Beginning of Fiscal Year	<u>(58,465)</u>
Net Position, End of Fiscal Year	<u><u>\$ (338,836)</u></u>

The notes to the financial statements are an integral part of this statement.

**JOHN SEVIER CENTER  
A PROPRIETARY FUND OF JOHNSON CITY DEVELOPMENT AUTHORITY  
STATEMENT OF CASH FLOWS  
PROJECT #TN37-0070-001  
For the Fiscal Year Ended June 30, 2022**

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Rents	\$ 1,036,050
Cash Received from Other Revenues	39,120
Cash Received for Tenant Security Deposits	2,056
Cash Paid for Administration	(117,965)
Cash Paid for Management Fees	(71,055)
Cash Paid for Utilities	(122,478)
Cash Paid for Wages	(306,632)
Cash Paid for Operations and Maintenance	(140,822)
Cash Paid for Real Estate Taxes	(19,752)
Cash Paid for Property Insurance	(64,627)
Cash Paid for Miscellaneous Tax and Insurance	(67,022)
Cash Paid for Other Operating Expenses	<u>(23,518)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>143,355</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfer from JCDA	<u>270,994</u>
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>270,994</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Interest Paid on Capital Debt	(184,104)
Principle Payments on Long-Term Capital Debt	(92,536)
Major Building Repairs	(44,259)
Purchase of Equipment	<u>(260,799)</u>
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(581,698)</u>
<b>NET DECREASE IN CASH</b>	(167,349)
Cash - Beginning of Fiscal Year	<u>215,949</u>
Cash - End of Fiscal Year	<u><u>\$ 48,600</u></u>

(Continued)

**JOHN SEVIER CENTER**  
**A PROPRIETARY FUND OF JOHNSON CITY DEVELOPMENT AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**PROJECT #TN37-0070-001**  
**For the Fiscal Year Ended June 30, 2022**

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RECONCILIATION OF OPERATING INCOME (LOSS) TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Loss	\$ (52,359)
Adjustments to Reconcile Operating Income (Loss) to net cash provided by operating activities:	
Depreciation	111,607
(Increase) Decrease in Tenant Receivables	(6,891)
(Increase) Decrease in Prepaid Expenses	(2,099)
Increase (Decrease) in Accounts Payable	19,193
Increase (Decrease) in Other Accrued Liabilities	1,914
Increase (Decrease) in Accrued Wages	905
Increase (Decrease) in Accrued Property Taxes	24,654
Increase (Decrease) in Accrued Management Fee	(118)
Increase (Decrease) in Accrued Audit Fee	20,000
Increase (Decrease) in Due to Management Company	19,675
Increase (Decrease) in Deposits Payable	2,056
Increase (Decrease) in Unearned Rent	4,818
	<u>143,355</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 143,355</u>

The Cash is classified on the Statement of Net Position  
as the following:

Cash	\$ 16,166
Restricted Cash - Security Deposits	32,434
Total Cash	<u>\$ 48,600</u>

The notes to the financial statements are an integral part of this statement.

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

The Johnson City Development Authority (JCDA) is a component unit of the City of Johnson City, Tennessee (the City) established in February 1990. The JCDA's purpose is to facilitate business development within the City of Johnson City. As a component unit of a municipality, the JCDA follows Governmental Accounting Standards (GASB).

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the activities of the JCDA. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from the legally separate *component unit* for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers, who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items which do not meet this definition are reported as *general revenues*.

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements.

Major individual governmental funds are reported as separate columns in the fund financial statements.

**Reporting Entity**

The JCDA is governed by a Board of seven to fifteen Commissioners, as determined by the City Commission. The accompanying financial statements present the JCDA's funds and activities. As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements present the JCDA as a component unit of the City. Based on the criteria listed below, the JCDA is considered a discretely presented component unit.

A primary government is financially accountable for an organization if (a) it appoints a voting majority of the organization's governing board; (b) it is able to impose its will on the organization; or (c) there is potential for the organization to provide specific financial benefits or to impose specific financial burdens on the primary government. Additionally, the governmental entity is required to consider other entities for which the nature and significance of their relationship are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based upon these criteria, the JCDA is considered to be a component unit of the City and is disclosed as such in the City's financial statements.

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Reporting Entity (Continued)**

In addition, the accompanying financial statements also present the activities of the Downtown Johnson City Foundation (the Foundation), an entity for which the JCDA is considered to have significant influence and management authority. The Foundation is a legally separate non-profit organization under Internal Revenue Code Section 501(c)(3) created for the purpose of accepting private citizen donations to assist with the redevelopment of the historic downtown district in Johnson City. The Foundation is reported as a discretely presented component unit of the JCDA because the funds collected by this entity are used to assist the JCDA with approved redevelopment projects. Separate audited financial statements have not been issued for the Foundation. Financial information may be obtained by contacting the JCDA. Summarized audited financial information is included in Notes 10 and 11.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Accordingly, all of the JCDA's assets, liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The fund financial statement provide information about the government's funds. Separate statements for each fund category-governmental and the proprietary-fund are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the JCDA considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Since most receivables are from other government entities, the JCDA considers all receivables to be fully collectible. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Interest and reimbursements associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the JCDA.

The government reports the following major governmental funds:

The *general fund* is the JCDA's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

The *tax increment financing fund* (TIF) is a special revenue fund that consists of revenue and expenditures relating to redevelopment projects that utilize tax money provided to the JCDA by the City of Johnson City and Washington County. For the State of Tennessee, Public Chapter 605 establishes the overriding parameters for existing TIFs. The JCDA has promissory notes for redevelopment projects that are repaid with the TIF funds. For projects where the JCDA will not own the assets and are paying on the promissory notes as they receive the TIF funds to make the payments, the total of the promissory note is not recorded in the TIF fund.

Proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The government reports the John Sevier Center (an enterprise fund) as a major proprietary fund. The John Sevier Center provides housing for 150-low income residents. Separate reporting for this fund is required by Housing and Urban Development (HUD) and has been submitted to them.

Proprietary funds distinguish *operating* revenues and expense from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the JCDA's enterprise fund are charges to tenants for services. Operating expenses for the JCDA include cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Deposits and Investments**

The JCDA's cash and cash equivalents are considered to be cash on hand and demand deposits. The JCDA has both restricted and unrestricted cash and cash equivalents.

**Budgets**

Budgets are adopted on a basis consistent with GAAP. Annual appropriated budgets were adopted for each fund and budget amendments are approved by the Board of Commissioners at the fund level, if applicable.

For the fiscal year ended June 30, 2022, expenditures exceeded appropriation in the TIF fund by \$48,083.

**Capital Assets**

Capital assets, which include land, buildings, equipment and furniture, are reported in the governmental activities column in the government-wide financial statements for the governmental funds. Capital assets of the John Sevier Center are reported in the proprietary fund. Capital assets are defined by the JCDA as having an initial, individual cost of more than \$5,000. Buildings, equipment and furniture are recorded at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets (Continued)**

Buildings, equipment and furniture are depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	15 - 40 years
Furniture and Equipment	5 - 7 years

**Deferred Outflows 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 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) until that time. The long-term debt that is recorded at the government-wide level will be retired through the future TIF payments received from the City of Johnson City and Washington County. As the principal payments are made, the related TIF revenues will be used to offset the deferred outflow of resources.

**Deferred Inflows of Resources**

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The JCDA has items in the TIF Fund that occasionally qualify for reporting in this category. If the TIF revenue from the City of Johnson City for the fiscal year taxes is not remitted to the JCDA within 60 days after year end, for revenue recognition, it is considered earned, but unavailable at the fund level, but is recognized at the government-wide level.

**Net Position**

Government-Wide Statements: Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The JCDA reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – net position is considered to be restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or donors. The net position is restricted under Tennessee Code Annotated (TCA) 13-20-205, *Legal Authority for Tax Increment Financing – Housing and Redevelopment* and is further updated under Public Chapter 605. The JCDA has \$933,009 restricted by enabling legislation at fiscal year-end and \$55,577 restricted by external contributors.



**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Position (Continued)**

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the JCDA.

When both restricted and unrestricted resources are available for use, it is the JCDA's policy to use restricted resources first and then unrestricted resources as they are needed for both governmental and proprietary funds.

**Fund Equity**

Governmental Fund-Level Statements: The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that cannot be spent either because they are not in spendable form or because of legal/contractual requirements.

Restricted fund balance – amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation. The JCDA has \$1,752,384 restricted for TIF projects at fiscal year-end.

Committed fund balance – amounts that are obligated to a specific purpose which are internally imposed by the Board of Commissioners, the highest level of decision-making authority through a resolution, which is the highest level of action the Board of Commissioners can take. Amounts cannot be used for any other purpose unless the Board of Commissioners takes the same highest level action to remove or change the constraint.

Unassigned fund balance – amounts that are available for any purpose.

It is the JCDA's policy to deplete the restricted and committed fund balances prior to assigned fund balance. Unassigned fund balance is applied last when an expenditures is incurred for which restricted or unassigned fund balances could be used.

**Use of Estimates**

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that directly affect the results of reported assets, liabilities, deferred outflows and inflows of resources, revenue and expenditures. Actual results may differ from these estimates.

**Subsequent Events**

The JCDA has evaluated subsequent events through November 30, 2022, the date which the financial statements were available to be issued.

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE 2 - DEPOSITS**

The JCDA has various deposits at banks at June 30, 2022. All deposits are insured by Federal Deposit Insurance Corporation (FDIC) insurance up to \$250,000. Amounts in excess of \$250,000 are secured by the financial institution through the State Collateral Pool. Various restrictions on deposits are imposed by state statutes. These restrictions are summarized as follows:

All deposits with financial institutions must be collateralized in an amount equal to 105% of the market value of uninsured deposits.

The JCDA maintains deposit accounts at two commercial banks and at a credit union in Johnson City, Tennessee. The deposit accounts at the commercial banks are insured through the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The deposit account at the credit union is a share account that is required to be maintained in accordance with a debt agreement. The balance in the credit union as of June 30, 2022 was \$7.

The JCDA does not have a policy for interest rate risk or for other credit risk other than pledging securities for amounts in excess of the FDIC coverage. The promissory note for the John Sevier Center requires that a reserve account be maintained for the purpose of funding repairs, maintenance and other operating expenses of the John Sevier Center. A separate bank account is also restricted for the tenant security deposits. At June 30, 2022, the carrying amount of the JCDA's governmental deposits was \$1,758,787 and the actual cash in bank was \$1,767,180. The carry amount and the cash in bank was \$56,947 for the Foundation's deposits. The carrying amounts for the John Sevier Center in unrestricted cash and cash equivalents was \$16,166 and the cash in bank for the unrestricted was \$22,649. The carrying amounts in the restricted cash accounts were \$32,434 and the cash in bank for the restricted account was \$32,530.

**NOTE 3 - RISK MANAGEMENT ACTIVITIES**

The JCDA carries insurance for general liability and contents. There were no claims filed against the JCDA in the current fiscal year or either of the two preceding fiscal years which were not covered by insurance. Insurance for the John Sevier Center is evaluated, obtained and overseen by the property management company.

**NOTE 4 - ECONOMIC DEPENDENCY**

The JCDA governmental funds have a significant dependence on Tax Increment Financing revenues received from the City of Johnson City and Washington County. For the fiscal year ended June 30, 2022, 85% of the revenues of the JCDA governmental funds were TIF revenues. The proprietary fund is heavily dependent on funds from Housing and Urban Development (HUD) under the low-income housing assistance program (HAP) to subsidize charges for services.

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2022**

**NOTE 5 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2022 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 300,000	-	-	300,000
Total Capital Assets, Not Being Depreciated	300,000	-	-	300,000
Capital Assets, Being Depreciated:				
Buildings and Improvements	1,720,978	-	-	1,720,978
Less Accumulated Depreciation for:				
Buildings and Improvements	(254,559)	(43,024)	-	(297,583)
Net Capital Asset, Being Depreciated	1,466,419	(43,024)	-	1,423,395
Net Governmental Activities Capital Assets	<u>\$ 1,766,419</u>	<u>(43,024)</u>	<u>-</u>	<u>1,723,395</u>

Depreciation expense of \$43,024 was charged to the general government function in the Statement of Activities. Net investment in capital assets of \$506,274 is calculated as the total net capital asset amount of \$1,723,395 less the outstanding debt on the Downtown Center Building of \$1,217,121.

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 79,300	-	-	79,300
Total Capital Assets, Not Being Depreciated	79,300	-	-	79,300
Capital Assets, Being Depreciated:				
Buildings and Improvements	4,424,548	225,847	-	4,650,395
Furniture and Fixtures	-	34,952	-	34,952
Less Accumulated Depreciation for:				
Buildings and Improvements	(202,792)	(111,607)	-	(314,399)
Net Capital Asset, Being Depreciated	4,221,756	149,192	-	4,370,948
Net Governmental Activities Capital Assets	<u>\$ 4,301,056</u>	<u>149,192</u>	<u>-</u>	<u>4,450,248</u>

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE 5 - CAPITAL ASSETS (CONTINUED)**

Depreciation expense of \$111,607 was charged to the proprietary fund. Net investment in capital assets was \$510,204 when calculated as the total net capital asset amount of \$4,450,248 less the outstanding debt on the John Sevier Center of \$3,940,044.

**NOTE 6 - LONG-TERM DEBT**

**Governmental Activities (TIF Agreements)**

The JCDA has entered into several TIF agreements including debt service liabilities that are secured by the JCDA's right to future tax increment financing payments due from the City of Johnson City and Washington County. Under Public Chapter 605, the balance in the Net Position – Restricted by Enabling Legislation can be used to retire the debt. TIF revenues are pledged as collateral on the following loans.

In December 2011, the JCDA obtained a loan in the amount of \$2,192,050 with an interest rate of 2.79%. Of the total amount of the note, the JCDA used \$1,000,000 to purchase the Downtown Center Building and the remaining balance served as a line of credit. Over the years, additional amounts have been drawn and repaid. In August 2015, the JCDA refinanced this loan and requested additional borrowing for a total loan amount of \$2,230,000 with a fixed interest rate of 3.58% per year. Payments related to this loan for fiscal year ended June 30, 2022 included \$150,545 of principal and \$48,962 of interest.

Total remaining payments due on this loan are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 156,022	43,486	199,508
2024	161,608	37,900	199,508
2025	167,393	32,115	199,508
2026	173,386	26,122	199,508
2027	179,593	19,915	199,508
2028-2029	379,119	13,486	392,605
Total	<u>\$ 1,217,121</u>	<u>173,024</u>	<u>1,390,145</u>

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

**Governmental Activities (TIF Agreements) (Continued)**

In December 2014, the JCDA signed a promissory note with the City of Johnson City for the development of a Downtown Events Center. The funding for the project was a loan taken out by the City of Johnson City in the amount of \$2,000,000, of which the JCDA was responsible for 82.5% of the loan, or \$1,650,000, at a rate of 70% of the prime rate published in the Wall Street Journal. During the fiscal year ended June 30, 2022, the JCDA has paid \$106,425 in principal and \$28,244 in interest. Total remaining payments due on this note are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 109,725	23,179	132,904
2024	112,200	20,339	132,539
2025	115,500	17,424	132,924
2026	117,975	14,436	132,411
2027	121,275	11,373	132,648
2028-2030	383,625	14,900	398,525
Total	<u>\$ 960,300</u>	<u>101,651</u>	<u>1,061,951</u>

On February 26, 2016, the JCDA took out a loan at 3.72% in the amount of \$177,170 to fund a project for redevelopment of an obsolete warehouse on Cherry Street into retail and office space. The loan proceeds were paid out to the developer and property owner for project development. During the fiscal year ended June 30, 2022, the JCDA paid \$13,072 in principal and \$5,087 in interest. Total payments due on this loan are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 13,587	4,604	18,191
2024	14,064	4,107	18,171
2025	14,602	3,570	18,172
2026	15,138	3,033	18,171
2027	15,701	2,470	18,171
2028-2030	51,088	3,603	54,691
Total	<u>\$ 124,180</u>	<u>21,387</u>	<u>145,567</u>

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

**Governmental Activities (TIF Agreements) (Continued)**

In April 2018, the JCDA obtained approval for a loan in the amount of \$1,200,000 with an interest rate of 4.25% to purchase the Model Mill property. Upon the purchase, the property was transferred to the developer and the loan was dated May 1, 2019. Of the total amount borrowed, \$23,064 was paid out of the loan proceeds for closing costs. Quarterly interest payments will be made with an annual principal payment each May. During the fiscal year ended June 30, 2022, the JCDA paid \$60,000 in principal and \$43,917 in interest. Total remaining payments due on this loan are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 60,000	41,368	101,368
2024	60,000	38,888	98,888
2025	60,000	36,195	96,195
2026	60,000	33,611	93,611
2027	60,000	31,025	91,025
2028-2032	300,000	116,472	416,472
2033-2037	300,000	51,730	351,730
2038	60,000	2,582	62,582
Total	<u>\$ 960,000</u>	<u>351,871</u>	<u>1,311,871</u>

In May 2019, the JCDA took out a loan at 5.50% in the amount of \$300,000 to fund a project for redevelopment of property on Commerce Street. The loan proceeds were paid out to the developer and property owner for project development. During the fiscal year ended June 30, 2022, the JCDA paid \$27,273 in principal and \$13,667 in interest. Total remaining payments on this loan are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 27,273	12,168	39,441
2024	27,273	10,674	37,947
2025	27,273	9,125	36,398
2026	27,273	7,608	34,881
2027	27,273	6,082	33,355
2028-2030	81,816	9,138	90,954
Total	<u>\$ 218,181</u>	<u>54,795</u>	<u>272,976</u>

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

**Governmental Activities (TIF Agreements) (Continued)**

On January 16, 2020, the JCDA obtained approval for a loan that was issued May 1, 2020 at 5.25% in the amount of \$172,699 to fund a project for redevelopment of property on Market Street. The loan proceeds were paid out to the developer and property owner for project development. During the fiscal year ended June 30, 2022, the JCDA paid \$17,270 in principal and \$8,261 in interest. Total remaining payments on this loan are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 17,270	7,354	24,624
2024	17,270	6,452	23,722
2025	17,270	5,516	22,786
2026	17,270	4,596	21,866
2027	17,270	3,677	20,947
2028-2030	51,809	5,523	57,332
Total	<u>\$ 138,159</u>	<u>33,118</u>	<u>171,277</u>

Total annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 383,877	132,159	516,036
2024	392,415	118,360	510,775
2025	402,038	103,945	505,983
2026	411,042	89,406	500,448
2027	421,112	74,542	495,654
2028-2032	1,247,457	163,122	1,410,579
2033-2037	300,000	51,730	351,730
2038	60,000	2,582	62,582
Total	<u>\$ 3,617,941</u>	<u>735,846</u>	<u>4,353,787</u>

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2022**

**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

**Business-Type Activities**

On September 5, 2019, the JCDA purchased the John Sevier Center for \$4,100,000 plus closing costs and other related expenses with a loan of \$4,600,000. In addition to the property being pledged for the payment of the debt, the rents received from tenants and from the low-income housing assistance received were assigned as payment for the loan. The loan is at 4.55% interest and no principal payments were due until August of 2020. At that time, a payment of \$500,000 was made toward the principal. Both principal and interest payments became due beginning in September 2020 and are due over the next 24 months. The total principal payments for the year ended June 30, 2022 were \$92,536 and the total interest and related charges was \$183,753. Beginning in September 2022, payments will go back to interest only until funds are received from the transfer of the Housing Assistance Program (HAP) contract or no later than January 26, 2023 when \$700,000 will be paid on the principal. If the transfer has still not occurred, interest only will be due until the balance is paid in full on August 26, 2024, with annual required payments as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 723,997	166,203	890,200
2024	-	146,268	146,268
2025	3,216,047	24,378	3,240,425
	<u>\$ 3,940,044</u>	<u>336,849</u>	<u>4,276,893</u>

**Total Long-Term Debt**

Long-term liability activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Notes Payable					
Collateralized by property	\$ 1,367,666	-	(150,545)	1,217,121	156,022
Collateralized by pledge revenues	2,624,860	-	(224,040)	2,400,820	227,855
	<u>\$ 3,992,526</u>	<u>-</u>	<u>(374,585)</u>	<u>3,617,941</u>	<u>383,877</u>
<b>Business-type Activities:</b>					
Notes Payable					
Collateralized by property and pledge of revenues	<u>\$ 4,032,580</u>	<u>-</u>	<u>(92,536)</u>	<u>3,940,044</u>	<u>723,997</u>



**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

**Total Long-Term Debt (Continued)**

Total interest expense of \$141,827 has been included as a direct function expense in the Statement of Activities in the governmental activities and in the fund level statement of revenues, expenditures and changes in fund balances, since it is related to TIF funded projects.

Interest and related debt expense of \$183,753 has been included in the statement of revenues and expenses and changes in net position for the John Sevier Center.

**NOTE 7 - DUE TO/FROM OTHER FUNDS**

Certain expenses were paid by the General Fund for the John Sevier Center prior to the separate bank accounts and proprietary fund being established. In addition, during the fiscal year ended June 30, 2022, the JCDA General Fund paid \$270,994 of the John Sevier Center's principal payments on their note. These amounts are recorded as due to the General Fund from the John Sevier Center fund of \$729,397 and are not expected to be repaid within the next fiscal year. Also, due to incorrect reporting of reimbursements between the General Fund and the TIF Fund, the General Fund owed the TIF Fund \$53,606. It is expected that these funds will be reimbursed within the next fiscal year.

**NOTE 8 - PRIOR PERIOD ADJUSTMENT**

In the fiscal year ended June 30, 2022, it was noted that one debt agreement and payments were not recorded in the government-wide financial statements. A prior period adjustment was recorded to correct the related deferred outflow.

**NOTE 9 - RELATED PARTY TRANSACTIONS**

The JCDA utilized the services of a property company to oversee and manage the property and operations of the John Sevier Center. The agreement has a one-year term and automatically renews each year unless either party cancels prior to the anniversary date. The property management fees were 7% of revenues. The John Sevier Center owed \$19,675 to the management company at June 30, 2022.

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE 9 - RELATED PARTY TRANSACTIONS (CONTINUED)**

Also, on May 9, 2022, the JCDA signed an agreement with the Industrial Development Board (IDB) of the City of Johnson City to facilitate the development of approximately 145 new units of affordable housing that will provide safe, energy-efficient affordable housing at a new site with enhanced amenities to current residents of the existing project as well as continuing the redevelopment at the existing site. The IDB has identified a site for the new project located in Johnson City. This agreement includes the retention of the current management company as the property manager for the existing project as well as the acknowledgement of the JCDA to use good faith efforts to retain the services of the property manager for the term of this agreement. The IDB has agreed to make a loan no less than the amount of \$5,943,525 for purposes of economic development.

**NOTE 10 - CONNECT DOWNTOWN JOHNSON CITY**

The Foundation was incorporated during the fiscal year ended June 30, 2008 and received its tax-exempt status with the Internal Revenue Service as a 501(c)(3) organization in July 2010. The Foundation's activities further the purpose of the JCDA through the use of donations and grants to assist with redevelopment projects undertaken by the JCDA. The Foundation did not have unrecognized tax liabilities as of June 30, 2021 and does not expect this to change significantly over the next 12 months. The Foundation will recognize interest and penalties accrued on any unrecognized tax liabilities as a component of income tax expense. As of June 30, 2022, the Foundation has not accrued interest or penalties related to uncertain tax positions.

The Foundation follows the same accounting policies of the JCDA and received support in the current fiscal year from sponsorships and sale of merchandise. The JCDA has also approved to cover operating costs of the Foundation. The financial information for the Foundation for the fiscal year ended June 30, 2022 is as follows:

Revenues	
Contributions	\$ 98,488
Grants	19,185
Charges for Services	71,432
Total Revenues	<u>189,105</u>
Expenses	
Administrative	47,579
Project Expenses	126,024
Total Expenses	<u>173,603</u>
Change in Net Position	15,502
Net Position - Beginning of Fiscal Year	<u>40,075</u>
Net Position - End of Fiscal Year	<u>\$ 55,577</u>

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2022**

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**NOTE 11 - GRANTS**

A TN Placemakers Grant for \$50,000 was approved by the State of Tennessee. The State has extended the start date of the grant and made the guidelines and parameters more flexible due to the COVID-19 situation. The grant, which is for a 24-month period, has a matching requirement of \$5,000 and was scheduled to begin in January 2021. The original grant was for retail but may be adapted to include other projects. Funds received in the fiscal year-ended June 30, 2022 totaled \$19,185.

A Downtown Improvement Grant has been applied for from Tennessee Economic and Community Development.

## **SUPPLEMENTARY INFORMATION**

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2022**

Assistance Listing Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Expenditures
<b>JOHN SEVIER CENTER</b>			
14.195	Section 8 - Housing Assistance Payments Program	United States Department of Housing and Urban Development through Tennessee Department of Housing and Urban Development	\$ 752,271
		Total Federal Assistance	\$ 752,271

**NOTE A: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the JCDA under programs of the federal government for the fiscal year ended June 30, 2022. Because the schedule presents only a selected portion of the operations of the JCDA, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the JCDA.

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting.

**NOTE C: SUBRECIPIENTS**

The JCDA had no subrecipients under these grants.

See Independent Auditors' Report.

**JOHNSON CITY DEVELOPMENT AUTHORITY  
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TN  
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE  
For the Fiscal Year Ended June 30, 2022**

	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Last Maturity Date</u>	<u>Outstanding July 1, 2021</u>	<u>Issued During Period</u>	<u>Paid / Refunded During Period</u>	<u>Outstanding June 30, 2022</u>
<b>GOVERNMENTAL ACTIVITIES:</b>								
<u>LOANS PAYABLE:</u>								
<b>GENERAL FUND:</b>								
Northeast State Community College Loan No. 103819902	\$ 2,230,000	3.58%	8/1/2015	11/1/2028	\$ 1,367,666	-	(150,545)	1,217,121
<b>TIF FUND:</b>								
Farmer's Market	1,650,000	2.00% - 5.00%	12/18/2014	12/1/2029	1,066,725	-	(106,425)	960,300
Cherry Street Loan No. 104382255	177,170	3.72%	2/26/2016	12/31/2029	137,252	-	(13,072)	124,180
Model Mill Loan No. 3000012613	1,200,000	4.25%	5/1/2019	5/1/2038	1,020,000	-	(60,000)	960,000
Triple G Bank of TN / Carter Co. Bank	300,000	5.50%	5/1/2019	5/1/2030	245,454	-	(27,273)	218,181
MMM Enterprises Carter Co. Bank	172,699	5.25%	5/1/2020	5/1/2030	155,429	-	(17,270)	138,159
					<u>\$ 3,992,526</u>	<u>-</u>	<u>(374,585)</u>	<u>3,617,941</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>								
<u>LOANS PAYABLE:</u>								
John Sevier Center	\$ 4,600,000	4.55%	9/5/2019	8/26/2024	<u>\$ 4,032,580</u>	<u>-</u>	<u>(92,536)</u>	<u>3,940,044</u>

See Independent Auditors' Report.

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TN**  
**SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2022**

<b>Northeast State Community College</b>			
<b>Fiscal Year</b>			
<b>Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 156,022	43,486	199,508
2024	161,608	37,900	199,508
2025	167,393	32,115	199,508
2026	173,386	26,122	199,508
2027	179,593	19,915	199,508
2028	186,022	13,486	199,508
2029	193,097	-	193,097
	<u>\$ 1,217,121</u>	<u>173,024</u>	<u>1,390,145</u>

See Independent Auditors' Report.

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TN**  
**SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST**  
**TIF FUND**  
**For the Fiscal Year Ended June 30, 2022**

<b>Farmer's Market</b>			
<b>Fiscal Year</b>			
<b>Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 109,725	23,179	132,904
2024	112,200	20,339	132,539
2025	115,500	17,424	132,924
2026	117,975	14,436	132,411
2027	121,275	11,373	132,648
2028	124,575	8,226	132,801
2029	127,875	4,995	132,870
2030	131,175	1,679	132,854
	<u>\$ 960,300</u>	<u>101,651</u>	<u>1,061,951</u>

<b>Cherry Street</b>			
<b>Fiscal Year</b>			
<b>Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 13,567	4,604	18,171
2024	14,064	4,107	18,171
2025	14,602	3,570	18,172
2026	15,138	3,033	18,171
2027	15,701	2,470	18,171
2028	16,282	1,889	18,171
2029	16,893	1,278	18,171
2030	17,933	436	18,369
	<u>\$ 124,180</u>	<u>21,387</u>	<u>145,567</u>

(Continued)



**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TN**  
**SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST**  
**TIF FUND**  
**For the Fiscal Year Ended June 30, 2022**

<b>Model Mill</b>			
<b>Fiscal Year</b>			
<b>Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 60,000	41,368	101,368
2024	60,000	38,888	98,888
2025	60,000	36,195	96,195
2026	60,000	33,611	93,611
2027	60,000	31,025	91,025
2028	60,000	28,517	88,517
2029	60,000	25,855	85,855
2030	60,000	23,269	83,269
2031	60,000	20,682	80,682
2032	60,000	18,149	78,149
2033	60,000	15,513	75,513
2034	60,000	12,926	72,926
2035	60,000	10,343	70,343
2036	60,000	7,898	67,898
2037	60,000	5,170	65,170
2038	60,000	2,462	62,462
	<u>\$ 960,000</u>	<u>351,871</u>	<u>1,311,871</u>

(Continued)

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TN**  
**SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST**  
**TIF FUND**  
**For the Fiscal Year Ended June 30, 2022**

**Triple G**

Fiscal Year Ending June 30	Principal	Interest	Total
2023	\$ 27,273	12,168	39,441
2024	27,273	10,674	37,947
2025	27,273	9,125	36,398
2026	27,273	7,608	34,881
2027	27,273	6,082	33,355
2028	27,272	4,575	31,847
2029	27,272	3,043	30,315
2030	27,272	1,520	28,792
	\$ 218,181	54,795	272,976

**MMM Enterprises**

Fiscal Year Ending June 30	Principal	Interest	Total
2023	\$ 17,270	7,354	24,624
2024	17,270	6,452	23,722
2025	17,270	5,516	22,786
2026	17,270	4,597	21,867
2027	17,270	3,678	20,948
2028	17,270	2,759	20,029
2029	17,270	1,840	19,110
2030	17,269	922	18,191
	\$ 138,159	33,118	171,277

See Independent Auditors' Report.

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TN**  
**SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST**  
**JOHN SEVIER CENTER**  
**For the Fiscal Year Ended June 30, 2022**

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Fiscal Year Ending June 30	Principal	Interest	Total
2023	\$ 723,997	166,203	890,200
2024	-	146,268	146,268
2025	3,216,047	24,378	3,240,425
	<u>\$ 3,940,044</u>	<u>336,849</u>	<u>4,276,893</u>

See Independent Auditors' Report.

## **INTERNAL CONTROL AND COMPLIANCE SECTION**

**INDEPENDENT AUDITORS' 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 Board of Commissioners of the  
Johnson City Development Authority

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 governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Johnson City Development Authority (the JCDA), a component unit of the City of Johnson City, Tennessee, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the JCDA's basic financial statements, and have issued our report thereon dated November 30, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the JCDA'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 JCDA's internal control. Accordingly, we do not express an opinion on the effectiveness of the JCDA'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. Given these limitations, during our audit we did not identify and deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 through 2022-003 that we consider to be significant deficiencies.

## **Report on Compliance and Other Matters**


As part of obtaining reasonable assurance about whether the JCDA'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 one item of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2022-003.

## **JCDA's Response to Findings**

Government Auditing Standards requires the auditor to perform limited procedures on the JCDA's response to the findings identified in our audit and described in the accompanying schedules of findings and questions costs and the management's corrective action plan. The JCDA's response and management's corrective action plan were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

  
BLACKBURN, CHILDERS & STEAGALL, PLLC  
Johnson City, Tennessee

November 30, 2022

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
THE MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Commissioners and Management of the  
Johnson City Development Authority

**Report on Compliance for the Major Federal Program**

***Opinion on the Major Federal Program***

We have audited the Johnson City Development Authority (JCDA), a component unit of the City of Johnson City, Tennessee's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the JCDA's major federal programs for the fiscal year ended June 30, 2022. The JCDA's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the JCDA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2022.

***Basis for our Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Johnson City Development Authority (JCDA), and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the JCDA's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the JCDA's federal program.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the JCDA's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the JCDA's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 JCDA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of JCDA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of JCDA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.



Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.


Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the JCDA, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the JCDA's basic financial statements. We issued our report thereon dated November 30, 2022, which contained unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 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 schedule of expenditures of federal award is fairly stated in all material respects in relation to the basic financial statements as a whole.

  
BLACKBURN, CHILDERS & STEAGALL, PLC  
Johnson City, Tennessee

November 30, 2022

**JOHNSON CITY DEVELOPMENT AUTHORITY  
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2022**

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**PRIOR FINANCIAL STATEMENT FINDINGS**

<b>Prior Fiscal Year Finding Number</b>	<b>Finding Title</b>	<b>Status / Current Fiscal Year Finding Number</b>
2021-001	Significant Deficiency - General Ledger Detail	Corrected
2021-002	Significant Deficiency - Deficit and Payments Due to the JCDA	2022-001
2021-003	Significant Deficiency - Self-Balancing Funds	Corrected
2021-004	Significant Deficiency - Tracking of Government-Wide Accounts	2022-002
2021-005	Significant Deficiency - TIF Funds	Corrected

**PRIOR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Not applicable.

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Fiscal Year Ended June 30, 2022**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Johnson City Development Authority (JCDA).
2. No material weaknesses are reported. There are three significant deficiencies reported relating to the audit of the financial statements.
3. There are no instances of noncompliance material to the financial statements of the JCDA, which are required to be reported in accordance with *Government Auditing Standards*, and disclosed during the audit of the JCDA.
4. No material weaknesses in internal control over the major federal award program are disclosed during the audit of the JCDA.
5. The auditors' report on compliance for the major federal award program of the JCDA expresses an unmodified opinion on the major federal program.
6. There are no audit findings relative to the major federal award program that are required to be disclosed in accordance with Title 2 U.S. CFR section 200.516 (a) of the Uniform Guidance.
7. The program tested as major was:  
  
    Program  
    HUD-Section 8-Housing Assistance Payments                      Assistance Listing Number 14.195
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The JCDA was determined to not be a low-risk auditee.

**JOHNSON CITY DEVELOPMENT AUTHORITY  
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2022**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

**Current Fiscal Year Findings**

**2022-001 (Prior Year 2021-002): Significant Deficiency: Deficit and Payments Due to the JCDA**

**Cause and Condition:** The John Sevier Center has a deficit in the unrestricted net position as of June 30, 2022 and had the deficit throughout the year ended June 30, 2022. In addition to the deficit, at June 30, 2022, the John Sevier Center owed the JCDA General Fund \$729,397, which was comprised of \$148,403 from a prior year, a \$310,000 principal payment on the John Sevier Center debt during the fiscal year ended June 30, 2021, and additional debt payments of \$270,994 paid during the fiscal year ended June 30, 2022.

**Criteria:** As a separate proprietary fund, the John Sevier Center should earn sufficient income to maintain a positive net position. Due to the cash position and deficit net position, the JCDA has paid portions of the John Sevier Center's debt and other costs related to the initial purchase of the facility.

**Effect:** The deficit net position and the amount owed to the JCDA General Fund has increased from the prior year.

**Recommendation:** Efforts should be made to ensure that the John Sevier Center does not continue to incur losses. Efforts should also be made to repay the JCDA General Fund or to request permanent transfers of funding to reduce the amount due to the JCDA.

**Management's Response:** The John Sevier Center business model was designed to allow for a modest level of profitability, with the assumption that repairs and maintenance expenses would have been incurred at a normal run rate for the age of the building. However, during the past two fiscal years, substantial expense was incurred to rectify interior, exterior, and mechanical system repairs that were unacceptable to U.S. Department of Housing and Urban Development Real Estate Assessment Center (REAC) standards.

Maintenance expenses increased due to additional manpower hours to prepare for the U.S. HUD Real Estate Assessment Center (REAC) inspection to remedy conditions that existed prior to JCDA's acquisition of the John Sevier Center. Repair and replacement costs also were incurred. The REAC inspection successfully resulted in improved residential unit condition and an opportunity to apply for a Mark-Up-To-Market (MUTM) rate increase through the U.S. Department of Housing and Urban Development. The MUTM rate increase was approved late September 2022 and allowed for an increased rent revenue of approximately 70%, retroactive to 08/01/2022. The first payment, including the retroactive portion, is anticipated by November 2022, according to information received by LHP and provided to JCDA management. Additionally, following the MUTM approval, JCDA applied for the transfer of the Housing Assistance Program (HAP) budget authority that has been in place for the allocation of Section 8 affordable housing vouchers since 1976-77 at the John Sevier Center when it was converted to housing for those with disabilities and for the elderly. The application to transfer the credits from Project A (John Sevier Center 150 units) to the to be newly constructed Project B (Tapestry at Roan Hill 145 units) was authorized by the Commissioners of the Johnson City Development Authority on September 23, 2022. The U.S. Department of HUD approval process will take at least twelve months to review.

**JOHNSON CITY DEVELOPMENT AUTHORITY  
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2022**

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**SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**Current Fiscal Year Findings (Continued)**

**2022-001 (Prior Year 2021-002): Significant Deficiency: Deficit and Payments Due to the JCDA (Continued)**

If approved, the transfer of budget authority would move from Project A (John Sevier) and Owner A (JCDA) to Project B (Tapestry at Roan Hill) and Owner B (Roan Hill LP and general partner of Owner B LHP Johnson City, LLC).

For the fiscal year ended June 30, 2023, John Sevier budget anticipates a \$757,713 net operating income, excluding debt service and capital repairs. The budget was approved with \$54,478 for limited capital repairs for unit turns and repairs, while the June 30, 2023 budget excludes approval for \$461,987 in major capital repairs that will be submitted for approval on a needed basis. The action of the Johnson City Development Authority was to approve the June 30, 2023 John Sevier Center Operating Budget and limited capital budget and that any additional capital spent beyond the budgeted \$54,478 must be approved by the JCDA and is subject to available cash flow. Within the June 30, 2023 Budget, there also is a second mortgage line that begins to repay the JCDA at least a set amount monthly, beginning with \$50,000 in October and \$25,000 every month thereafter. The repayment is to begin once the revenue from the Mark-Up-To-Market rent increase, which is retroactive to August 1, 2022, is received. As of this date, the payment is to begin in November 2022.

**2022-002 (Prior Year 2021-004): Significant Deficiency: Tracking of Government-Wide Accounts**

**Cause and Condition:** Governmental funds utilize a modified accrual basis of accounting, but all long-lived assets and liabilities are recorded at the government-wide level financial statements and were not adequately tracked. Additional government-wide accounts, such as the deferred outflows were also not tracked. There were no deferred inflows at the government-wide level for the fiscal year ended June 30, 2022.

**Criteria:** While the long-lived assets, deferred outflows, liabilities and deferred inflows are not recorded at the fund level, they should be tracked in a manner that allows them to be audited and reported at the government-wide level.

**Effect:** The debt schedules had not been updated from the prior fiscal year. The information was available from the promissory notes, minutes and amortization schedules provided.

**Recommendation:** Long-lived assets, deferred outflows, liabilities and deferred inflows need to continue to be tracked each year for inclusion in the government-wide level financial statements.

**JOHNSON CITY DEVELOPMENT AUTHORITY  
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2022**

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**SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**Current Fiscal Year Findings (Continued)**

**2022-002 (Prior Year 2021-004): Significant Deficiency: Tracking of Government-Wide Accounts (Continued)**

**Management's Response:** The recommendation of management is to utilize a third-party accounting firm or skilled individual to assist with a thorough review and with setting up the schedules, tracking systems and establishing monthly procedures necessary to improve the recordkeeping and documentation for the long-lived assets, debt instruments, deferred outflows, liabilities and deferred inflows. Our goal will be to meet the requirements of this recommendation without adding additional permanent staff.

**2022-003: Significant Deficiency: Budget**

**Cause and Condition:** Total expenditures of the TIF Fund exceeded those budgeted.

**Criteria:** Under state statutes, this fund is required to have a budget and is not allowed to overspend it without a budget amendment for the additional expenditures. Monies must be appropriated prior to being spent and amendments are required to be adopted to authorize increases in spending. No provision is made to permit the authority to spend after the fact.

**Effect:** The TIF Fund's actual expenditures exceeded the budget.

**Recommendation:** The Authority should continue to closely monitor and review expenditure accounts and prepare budget amendments. Budget amendments should be prepared and approved, by the Board, prior to monies being spent. Separate budgets should be prepared and approved for each fund, by the Board.

**Management's Response:** The JCDA and new staff team will continue to revise our budget planning practices, budget line item expenditure management procedures, and amend the budget to reflect such expenditures so that they are reflective of actual expenditures, operations, funding changes, and programming activities. The budget furthermore, shall be amended in the electronic accounting software to reflect the amended budget and reported accordingly at regular meetings of the organizations entities.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no material compliance issues or questioned costs in regard to the federal award.



### Management's Corrective Action Plan

**Name of Contact Person:**

Patricia C. Oldham, AICP, TCEd, Executive Director

Signed:

Patricia C. Oldham AICP, TCEd

Title:

Executive Director

Date:

November 30, 2022

**Anticipated Completion Date:**

December 31, 2022

- **2022-001: Significant Deficiency: Deficit and Payments Due to the JCDA**  
Management agrees with this finding. Based on the recent Mark-Up-To-Market rent increase, management expects that the John Sevier Center operations will generate sufficient cash flow in the future to repay the advance due to the JCDA.
- **2022-002: Significant Deficiency: Tracking of Government-Wide Accounts**  
The JCDA will utilize a third-party accounting firm or skilled individual to assist with a thorough review and with setting up the schedules, tracking systems and establishing monthly procedures necessary to improve the recordkeeping and documentation for the long-lived assets, debt instruments, deferred outflows, liabilities and deferred inflows.
- **2022-003: Significant Deficiency: Budget**  
The JCDA will continue to revise our budget planning practices, budget line item expenditure management procedures, and amend the budget to reflect such expenditures so that they are reflective of actual expenditures, operations, funding changes, and programming activities. The budget furthermore, shall be amended in the electronic accounting software to reflect the amended budget and reported accordingly at regular meetings.