



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

**AUDITED FINANCIAL STATEMENTS**

**2020**

**JOHNSON CITY DEVELOPMENT AUTHORITY**

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

**FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2020**

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
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**June 30, 2020**

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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  
For the Fiscal Year Ended June 30, 2020**

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Robert Williams – Chairman

Brent Long – Vice Chairman

Tracy Johnson – Secretary / Treasurer

Hank Carr

Shannon Castillo

Jodi Jones

Freddie Malone

Aaron Murphy

Lindsay Nickels

William Roller

Seth Thomas

Craig Torbett

Joe Wise

**FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of the  
Johnson City Development Authority

### **Report on the Financial Statements**

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, 2020, and the related notes to the financial statements, which collectively comprise the JCDA's basic financial statements as listed in the table of contents.

### ***Management's Responsibility 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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



## ***Opinions***

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, 2020, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-14 be presented to supplement the basic financial statements. Such information, 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.

### *Other 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 introductory section and supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2020, 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.

Johnson City Development Authority  
Independent Auditors' Report

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 and Steagall, PLLC*  
BLACKBURN, CHILDERS & STEAGALL, PLC  
Johnson City, Tennessee

December 22, 2020

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2020**

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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, 2020. Please read it in conjunction with the financial statements, which follow this section.

**Financial Highlights**

- ✓ The JCDA ended the fiscal year with \$1,665,949 in total net position. The net position for the governmental activities was \$1,873,734 and the net position for the business-type activities was \$65,713.
- ✓ The year ended with an increase in total net position of \$273,498, which included an increase of \$207,785 in the governmental activities and \$65,713 in 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 Technical Community College, and tax increment financing (TIF) revenue generated from property tax growth from the City of Johnson City and Washington County. The business-type activities are for the rental of the John Sevier Center. The Downtown Johnson City Foundation, a component unit of the JCDA, receives minimal revenue from donations and fundraising.
- ✓ The management fee incurred is paid to the Northeast Tennessee Regional Economic Partnership (NeTREP) who provides two full-time staff liaisons for the JCDA, as well as another staff member who is responsible for all bookkeeping and administrative duties. This fee is based on payroll and administrative costs to perform the functions necessary to manage the JCDA. There is a management agreement in place that is reviewed and approved annually by both parties, NeTREP and the JCDA. On July 1, 2020, the management agreement with NeTREP was not renewed. The JCDA relocated to separate offices and hired staff for bookkeeping and operational duties. As a result, the management fee was eliminated as of July 1, 2020 and the relationship with NeTREP was terminated.

**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 supplementary information to the basic financial statements.

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

Government-Wide Financial Statements: The government-wide financial statements report information about the overall finances of the JCDA similar to a private sector company and are divided into governmental activities and business-type activities. 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.

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, the Downtown Johnson City Foundation.

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 nonspendable 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.

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2020**

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

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. This fund was created when the City of Johnson City and Washington County approved the Redevelopment and Urban Renewal Plan for the downtown district. All funds received are designated for TIF projects and qualified TIF expenses.

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 Table 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 in a way 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. There were no business-type activities in the fiscal year ended June 30, 2019.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**Overview of the Financial Statements (Continued)**

**Net Position - Table 1A**

	2020	2019	Change	Percent Change
Current and Other Assets	\$ 3,236,124	\$ 2,855,920	\$ 380,204	13%
Capital Assets, Net	6,221,114	1,852,467	4,368,647	236%
Total Assets	<u>\$ 9,457,238</u>	<u>\$ 4,708,387</u>	<u>\$ 4,748,851</u>	101%
Deferred Outflows of Resources	<u>\$ 1,569,675</u>	<u>\$ 1,572,150</u>	<u>\$ (2,475)</u>	0%
Total Assets and Deferred Outflow of Resources	<u>\$ 11,026,913</u>	<u>\$ 6,280,537</u>	<u>\$ 4,746,376</u>	76%
Current and Other Liabilities	\$ 1,069,894	\$ 399,251	\$ 670,643	168%
Long-term Liabilities	8,017,572	4,215,337	3,802,235	90%
Total Liabilities	<u>\$ 9,087,466</u>	<u>\$ 4,614,588</u>	<u>\$ 4,472,878</u>	97%
Net Investment in Capital Assets	110,372	196,947	(86,575)	-44%
Restricted	1,593,027	1,862,281	(269,254)	-14%
Unrestricted	236,048	(393,279)	629,327	-160%
Total Net Position	<u>\$ 1,939,447</u>	<u>\$ 1,665,949</u>	<u>\$ 273,498</u>	16%
Total Liabilities and Net Position	<u>\$ 11,026,913</u>	<u>\$ 6,280,537</u>	<u>\$ 4,746,376</u>	76%

**Statement of Activities - Table 1B**

	2020	2019	Change	Percent Change
Charges for Services	\$ 866,062	\$ 154,022	\$ 712,040	462%
Operating Grants and Contributions	1,060,499	1,085,349	(24,850)	-2%
Program Revenues	<u>\$ 1,926,561</u>	<u>\$ 1,239,371</u>	<u>\$ 687,190</u>	55%
Interest and Dividends	<u>\$ 16,340</u>	<u>\$ 5,114</u>	<u>\$ 11,226</u>	220%
General Revenues	<u>\$ 16,340</u>	<u>\$ 5,114</u>	<u>\$ 11,226</u>	220%
Total Revenues	<u>\$ 1,942,901</u>	<u>\$ 1,244,485</u>	<u>\$ 698,416</u>	56%
General Government	\$ 305,588	\$ 470,987	\$ (165,399)	-35%
Business Activities	\$ 779,756		\$ 779,756	
Tax Increment Financing	\$ 684,059	1,636,700	(952,641)	-58%
Total Expenses	<u>\$ 1,769,403</u>	<u>\$ 2,107,687</u>	<u>\$ (338,284)</u>	-16%
Prior Period Adjustment	\$ 100,000	\$ -	\$ 100,000	100%
Change in Net Position	\$ 273,498	\$ (863,202)	\$ 1,136,700	-132%
Net Position - Beginning	<u>\$ 1,665,949</u>	<u>\$ 2,529,151</u>	<u>\$ (863,202)</u>	-34%
Net Position - Ending	<u>\$ 1,939,447</u>	<u>\$ 1,665,949</u>	<u>\$ 273,498</u>	16%

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2020**

**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. These revenues are separated from general revenues and intergovernmental grants.

<b>Net Position - Table 2A</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 3,227,394	2,855,920	388,030	-	3,236,124	2,855,920
Capital Assets, Net	1,509,443	1,852,467	4,332,371	-	6,221,114	1,852,467
Total Assets	<u>4,736,837</u>	<u>4,708,387</u>	<u>4,720,401</u>	<u>-</u>	<u>9,457,238</u>	<u>4,708,387</u>
Deferred Outflows of Resources	1,569,675	1,572,150	-	-	1,569,675	1,572,150
Total Assets and Deferred Outflow of Resources	<u>6,306,512</u>	<u>6,280,537</u>	<u>4,720,401</u>	<u>-</u>	<u>11,026,913</u>	<u>6,280,537</u>
Current and Other Liabilities	440,340	399,251	629,554	-	1,069,894	399,251
Long-term Liabilities	3,992,438	4,215,337	4,025,134	-	8,017,572	4,215,337
Total Liabilities	<u>4,432,778</u>	<u>4,614,588</u>	<u>4,654,688</u>	<u>-</u>	<u>9,087,466</u>	<u>4,614,588</u>
Net Investment in Capital Assets	298,701	196,947	(188,329)	-	110,372	196,947
Restricted	1,593,027	1,862,281	-	-	1,593,027	1,862,281
Unrestricted	(17,994)	(393,279)	254,042	-	236,048	(393,279)
Total Net Position	<u>1,873,734</u>	<u>1,665,949</u>	<u>65,713</u>	<u>-</u>	<u>1,939,447</u>	<u>1,665,949</u>
Total Liabilities and Net Position	<u>\$ 6,306,512</u>	<u>6,280,537</u>	<u>4,720,401</u>	<u>-</u>	<u>11,026,913</u>	<u>6,280,537</u>

<b>Statement of Activities - Table 2B</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2020	2019	2020	2019	2020	2019
Charges for Services	\$ 20,593	154,022	845,469	-	866,062	154,022
Operating Grants and Contributions	1,060,499	1,085,349	-	-	1,060,499	1,085,349
Program Revenues	1,081,092	1,239,371	845,469	-	1,926,561	1,239,371
Interest and Dividends	16,340	5,114	-	-	16,340	5,114
General Revenues	16,340	5,114	-	-	16,340	5,114
Total Revenues	<u>1,097,432</u>	<u>1,244,485</u>	<u>845,469</u>	<u>-</u>	<u>1,942,901</u>	<u>1,244,485</u>
General Government	305,588	470,987	-	-	305,588	470,987
Business Activities	-	-	779,756	-	779,756	-
Tax Increment Financing	684,059	1,636,700	-	-	684,059	1,636,700
Total Expenses	<u>989,647</u>	<u>2,107,687</u>	<u>779,756</u>	<u>-</u>	<u>1,769,403</u>	<u>2,107,687</u>
Prior Period Adjustment	100,000	-	-	-	100,000	-
Change in Net Position	207,785	(863,202)	65,713	-	273,498	(863,202)
Net Position - Beginning	1,665,949	2,529,151	-	-	1,665,949	2,529,151
Net Position - Ending	<u>\$ 1,873,734</u>	<u>1,665,949</u>	<u>65,713</u>	<u>-</u>	<u>1,939,447</u>	<u>1,665,949</u>

**JOHNSON CITY DEVELOPMENT AUTHORITY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2020**

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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 increased in total by \$273,498 compared to a decrease of \$863,202 in 2019. The following explains some of the most prevalent changes.

- ✓ Total debt reflected under Total Liabilities includes \$941,402 due within one year and \$8,017,572 which is due in more than one year. Of the amounts due within one year, \$366,536 is due from governmental activities and \$574,866 is due from business-type activities. Of the amounts due in more than one year, \$3,992,438 is due from governmental activities and \$4,025,134 is due from business-type activities.
- ✓ Also, captured in the current fiscal year and reflected on the balance sheet is accrued interest payable of \$72,710, all of which is for the governmental activities.
- ✓ In the Statement of Activities, there was \$43,024 in depreciation expense on equipment and the Downtown Centre and \$92,178 of depreciation expense on the John Sevier Center.
- ✓ Principal payments towards the Downtown Centre TIF project of \$131,164, the Downtown Events TIF project of \$99,000, the Cherry Street TIF project of \$11,845 and the Model Mill TIF project of \$60,000 and, created a reduction of \$302,009 in long-term debt.
- ✓ 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 \$1,569,675.

**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 governmental funds. All of 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**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
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**June 30, 2020**

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

The Board of Commissioners adopt an annual budget for each fund, General TIF. Line item budget adjustments were made during the fiscal year to account for the impacts of the new TIF projects. The Board of Commissioners approved all budget adjustments submitted by JCDA management.

**Balance Sheet Summary - Table 3A**

	2020	2019	Change	Percent Change
<b>ASSETS</b>				
Cash and Other Assets	\$ 2,534,283	\$ 2,462,202	\$ 72,081	3%
Intergovernmental Receivables	390,342	392,127	(1,785)	0%
<b>TOTAL ASSETS</b>	<b><u>\$ 2,924,625</u></b>	<b><u>\$ 2,854,329</u></b>	<b><u>\$ 70,296</u></b>	<b>2%</b>
<b>LIABILITIES</b>				
Accounts Payable	<u>\$ 1,094</u>	<u>\$ 13,367</u>	<u>\$ (12,273)</u>	-92%
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Intergovernmental	<u>\$ 390,092</u>	<u>\$ 372,127</u>	<u>\$ 17,965</u>	5%
<b>FUND BALANCE</b>				
Restricted for Tax Increment Financing Projects	\$ 1,556,553	\$ 1,615,805	\$ (59,252)	-4%
Assigned	45,000	5,000	40,000	800%
Unassigned	931,886	848,030	83,856	10%
<b>TOTAL FUND BALANCE</b>	<b><u>\$ 2,533,439</u></b>	<b><u>\$ 2,468,835</u></b>	<b><u>\$ 64,604</u></b>	<b>3%</b>

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
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**Financial Analysis of the JCDA – Fund Level (Continued)**

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

	Total Governmental Funds - 2020	Total Governmental Funds - 2019	Change	Percent Change
<b>REVENUE</b>				
Intergovernmental Revenue	\$ 1,165,749	\$ 1,090,466	\$ 75,283	7%
Revenue from Use of Property	20,593	150,625	(130,032)	-86%
Miscellaneous	68,301	67,240	1,061	2%
<b>TOTAL REVENUES</b>	<b>\$ 1,254,643</b>	<b>\$ 1,308,331</b>	<b>\$ (53,688)</b>	<b>-4%</b>
<b>EXPENDITURES</b>				
General Government	\$ 263,744	\$ 428,037	\$ (164,293)	-38%
Redevelopment Projects	520,604	1,482,970	(962,366)	-65%
Debt Service	505,691	464,052	41,639	9%
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,290,039</b>	<b>\$ 2,375,059</b>	<b>\$ (1,085,020)</b>	<b>-46%</b>
Excess Revenue over Expenditures	(35,396)	(1,066,728)	1,031,332	-97%
<b>OTHER FINANCING SOURCES</b>				
Note Proceeds	\$ -	\$ -	\$ -	
Net Change in Fund Balance	(35,396)	(1,066,728)	1,031,332	-97%
Prior Period Adjustment	100,000	-	100,000	
Fund Balance, Beginning of FY	2,468,835	3,535,563	(1,066,728)	-30%
Fund Balance, End of FY	<b>\$ 2,533,439</b>	<b>\$ 2,468,835</b>	<b>\$ 64,604</b>	<b>3%</b>

**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 and no comparative data for the JCDA is available since this was the first year of operation under the JCDA. The JCDA operated the John Sevier Center for 10 months of the year. During that time, the revenues were \$845,469. Of that amount, \$630,969 was received under the Housing Assistance Program (HAP) and an additional \$204,809 from tenants for rent. Overall, operating expenses were \$597,149 and interest and related debt expenses were \$182,606. The net position as of June 30, 2020 was \$65,713.

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2020**

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**Comparative Data – General Fund**

- ✓ According to the Balance Sheet of the Fund Financial Statements, total fund balance increased 14.5%, which was partly due to a \$100,000 prior period adjustment. The adjustment was the result of earnest money paid by the general fund in the 2019 fiscal year toward securing the John Sevier Center. After the purchase, in the fiscal year ended June 30, 2020, the separate fund and separate bank accounts were established and the funds will be reimbursed by the John Sevier Center fund to the general fund.
- ✓ Expenditures from the General Fund were \$263,744, of which \$54,838 or 21% was used for Downtown Development and \$208,906 or 79% was used for general government.
- ✓ Revenues from the General Fund, at the fund level, were \$242,600 compared to \$376,502 for the fiscal year that ended June 30, 2019. Revenues in the General Fund decreased due to the decrease in rent from the Downtown Centre. Expenditures in the General Fund were \$263,744 compared to \$428,037 for the previous fiscal year. Expenditures of the previous year included the \$100,000 of earnest money paid for the John Sevier Center.

**Comparative Data – TIF Fund**

- ✓ According to the Balance Sheet of the Fund Financial Statements, total TIF or Restricted fund balance increase slightly by .2% from the prior year.
- ✓ Also reflected on the balance sheet summary, the deferred inflows of resources reflect an Intergovernmental TIF receivable of \$372,127 from the City of Johnson City. The revenue was received in September of 2019.
- ✓ TIF revenues were \$931,829 compared to \$910,860 for the fiscal year ending June 30, 2018 and the expenses were \$1,947,022 compared to expenses of \$615,893 for the previous fiscal year.

**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 a specific emphasis around Downtown Johnson City and the TIF redevelopment district. External factors that can impact the financial condition of the JCDA include City of Johnson City's 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.

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2020**

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**Economic Factors and Next Year's Budget (Continued)**

In setting the fiscal year 2020-2021 budget, management and the board considered a number of issues that would have an impact. They are as follows:

- ✓ Increase in property taxes for the County and City will likely be reflected as an increase in the TIF revenues received.
- ✓ Increase in property value within the Downtown Redevelopment TIF District will likely be reflected as an increase in the TIF revenues received.
- ✓ The management fee paid to NeTREP has been eliminated due to a change in management structure.
- ✓ Lease revenue from the Downtown Centre decreased to \$1,000 per month.
- ✓ Monies from the TIF Fund Balance have been earmarked for Buffalo Street Boardwalk for \$45,000.
- ✓ Work with developers and City Officials to redevelop the John Sevier building, relocate residents to high quality, cleaner environment and then develop into mixed use project.
- ✓ Develop ways to use the parking garage for public access.
- ✓ Lastly, the lease revenue received will continue to be used to promote the goals of the JCDA, which include safety, programming, parking and development/redevelopment of downtown Johnson City.

**Capital Asset and Debt Administration**

Capital Assets: The JCDA's investment in capital assets for its governmental and business-type activities as of June 30, 2020, amount to \$108,106 (net of related debt). This investment in capital assets includes land, buildings and equipment.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Capital Assets			
Land	\$ 300,000	\$ 79,300	\$ 379,300
Building and Improvements	1,720,978	4,424,549	6,145,527
Less Depreciation	<u>(211,535)</u>	<u>(92,178)</u>	<u>(303,713)</u>
Total	1,809,443	4,411,671	6,221,114
Related Debt			
Current debt	145,423	574,866	720,289
Long-term Debt	<u>1,367,585</u>	<u>4,025,134</u>	<u>5,392,719</u>
Total	1,513,008	4,600,000	6,113,008
Net Investment in Capital Assets	<u>\$ 296,435</u>	<u>\$ (188,329)</u>	<u>\$ 108,106</u>

Additional information on the JCDA's capital assets can be found in Note 5 on pages 32 and 33 of this report.

**JOHNSON CITY DEVELOPMENT AUTHORITY  
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2020**

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**Long-Term Debt**

At the end of the current fiscal year, the JCDA had total debt outstanding of \$8,958,974. 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.

Total Governmental Debt Obligations

	<u>Current</u>	<u>Long Term</u>	<u>Total</u>
Downtown Centre	\$ 145,423	\$ 1,367,585	\$ 1,513,008
Downtown Events Center	103,950	1,066,725	1,170,675
Cherry Street Project	12,621	137,244	149,865
Model Mill	60,000	1,020,000	1,080,000
Commerce Street	27,272	245,455	272,727
Market Street	17,270	155,429	172,699
	<u>\$ 366,536</u>	<u>\$ 3,992,438</u>	<u>\$ 4,358,974</u>

Business-Type Debt Obligations

	<u>Current</u>	<u>Long Term</u>	<u>Total</u>
John Sevier Center	\$ 574,866	\$ 4,025,134	\$ 4,600,000

Total JCDA Debt Obligations	<u>Current</u>	<u>Long Term</u>	<u>Total</u>
	<u>\$ 941,402</u>	<u>\$ 8,017,572</u>	<u>\$ 8,958,974</u>

Additional information on the JCDA's long-term debt can be found in Note 6 on pages 33-38 of this report.

**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 Finance and Operations Manager, JCDA, 207 Boone Street, Suite 23, Johnson City, TN 37601.

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**June 30, 2020**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Johnson City Foundation
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,385,880	128,912	2,514,792	10,062
Accounts Receivable	-	2,779	2,779	364
Intergovernmental Receivables	390,342	-	390,342	-
Interfund Receivables	148,403	(148,403)	-	-
Prepaid Expenses	2,769	5,752	8,521	-
Restricted Assets:				
Cash and Cash Equivalents	-	319,690	319,690	-
Capital Assets, Not Depreciated	300,000	79,300	379,300	-
Capital Assets, Net of Accumulated Depreciation				
Buildings and Improvements	<u>1,509,443</u>	<u>4,332,371</u>	<u>5,841,814</u>	<u>-</u>
Total Assets	<u>4,736,837</u>	<u>4,720,401</u>	<u>9,457,238</u>	<u>10,426</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflow of TIF Funds	<u>1,569,675</u>	<u>-</u>	<u>1,569,675</u>	<u>-</u>
<b>LIABILITIES</b>				
Accounts Payable	1,094	22,669	23,763	50
Accrued Interest Payable	72,710	-	72,710	-
Deposits Payable	-	32,019	32,019	-
Noncurrent Liabilities				
Due Within One Year	366,536	574,866	941,402	-
Due in More Than One Year	<u>3,992,438</u>	<u>4,025,134</u>	<u>8,017,572</u>	<u>-</u>
Total Liabilities	<u>4,432,778</u>	<u>4,654,688</u>	<u>9,087,466</u>	<u>50</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	298,701	(188,329)	110,372	-
Restricted by Enabling Legislation	1,593,027	-	1,593,027	-
Unrestricted	<u>(17,994)</u>	<u>254,042</u>	<u>236,048</u>	<u>10,376</u>
Total Net Position	<u>\$ 1,873,734</u>	<u>65,713</u>	<u>1,939,447</u>	<u>10,376</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 ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2020**

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	Downtown Johnson City Foundation
Primary Government							
Governmental Activities							
General Government	\$ 305,588	20,593	215,711	-	(69,284)	-	-
Tax Increment Financing	684,059	-	844,788	-	160,729	-	-
Total Governmental Activities	<u>989,647</u>	<u>20,593</u>	<u>1,060,499</u>	<u>-</u>	<u>91,445</u>	<u>-</u>	<u>-</u>
Business-Type Activities							
John Sevier Center	779,756	845,469	-	-	-	65,713	-
Total Business-Activities	<u>779,756</u>	<u>845,469</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,713</u>	<u>-</u>
Total Primary Government	<u>\$ 1,769,403</u>	<u>866,062</u>	<u>1,060,499</u>	<u>-</u>	<u>91,445</u>	<u>65,713</u>	<u>-</u>
Component Unit							
Downtown Johnson City Foundation	<u>\$ 37,895</u>	<u>32,443</u>	<u>10,979</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,527</u>
General Revenues							
Interest and Dividends					16,340	-	-
Total General Revenues					<u>16,340</u>	<u>-</u>	<u>-</u>
Change in Net Position					107,785	65,713	5,527
Net Position - Beginning of Fiscal Year					1,665,949	-	4,849
Prior Period Adjustment					100,000	-	-
Net Position - End of Fiscal Year					<u>\$ 1,873,734</u>	<u>65,713</u>	<u>10,376</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**  
**BALANCE SHEET**  
**June 30, 2020**

	General Fund	Special Revenue Fund - TIF	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 784,327	1,601,553	2,385,880
Due From Other Funds	148,403	-	148,403
Intergovernmental Receivables	250	390,092	390,342
<b>TOTAL ASSETS</b>	<b>\$ 932,980</b>	<b>1,991,645</b>	<b>2,924,625</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 1,094	-	1,094
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Intergovernmental	-	390,092	390,092
<b>FUND BALANCES</b>			
Restricted for Tax Increment Financing Projects	-	1,556,553	1,556,553
Assigned	-	45,000	45,000
Unassigned	931,886	-	931,886
<b>TOTAL FUND BALANCES</b>	<b>931,886</b>	<b>1,601,553</b>	<b>2,533,439</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 932,980</b>	<b>1,991,645</b>	<b>2,924,625</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, 2020**

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

Total Fund Balances of Governmental Funds	\$ 2,533,439
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,809,443
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.	1,569,675
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(4,358,974)
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.	(72,710)
Deferred inflows 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.	390,092
	390,092
Net Position of Governmental Activities	\$ 1,873,734

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, 2020**

	General Fund	Special Revenue Fund - TIF	Total Governmental Funds
<b>REVENUES</b>			
Intergovernmental Revenue	\$ 163,751	1,001,998	1,165,749
Revenue from Use of Property	20,593	-	20,593
Miscellaneous	58,256	10,045	68,301
<b>TOTAL REVENUES</b>	<b>242,600</b>	<b>1,012,043</b>	<b>1,254,643</b>
<b>EXPENDITURES</b>			
Current			
General Government	263,744	-	263,744
Redevelopment Projects	-	520,604	520,604
Debt Service			
Principal	-	343,082	343,082
Interest	-	162,609	162,609
<b>TOTAL EXPENDITURES</b>	<b>263,744</b>	<b>1,026,295</b>	<b>1,290,039</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(21,144)	(14,252)	(35,396)
Fund Balances, Beginning of Fiscal Year	853,030	1,615,805	2,468,835
Prior Period Adjustment	100,000	-	100,000
Fund Balances, End of Fiscal Year	<u>\$ 931,886</u>	<u>1,601,553</u>	<u>2,533,439</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  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2020**

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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	\$ (35,396)
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 payments in future years will be used to make the interest and principal payments on long-term debt associated with TIF projects. The amount to be received in future years and paid out for debt retirement increased by \$157,209.	(157,209)
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 increase in the accrued interest was \$1,703 and the activity related to long-term debt included \$343,082 in principal payments.	341,379
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 \$2,035.	<u>2,035</u>
Change in Net Position of Governmental Activities	<u>\$ 107,785</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, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 173,723	163,751	163,751	0
Revenue from Use of Property	29,000	23,000	20,593	(2,407)
Miscellaneous	38,265	66,547	58,256	(8,291)
<b>TOTAL REVENUES</b>	<b>240,988</b>	<b>253,298</b>	<b>242,600</b>	<b>(10,698)</b>
<b>EXPENDITURES</b>				
Current				
General Government	282,197	280,047	263,744	16,303
<b>TOTAL EXPENDITURES</b>	<b>282,197</b>	<b>280,047</b>	<b>263,744</b>	<b>16,303</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(41,209)	(26,749)	(21,144)	5,605
Fund Balance, Beginning of Fiscal Year	853,030	853,030	853,030	-
Prior Period Adjustment	100,000	100,000	100,000	-
<b>Fund Balance, End of Fiscal Year</b>	<b>\$ 911,821</b>	<b>926,281</b>	<b>931,886</b>	<b>5,605</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 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-**  
**BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUND - TIF**  
**For the Fiscal Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,027,365	1,001,998	1,001,998	-
Miscellaneous	15,500	3,483	10,045	6,562
<b>TOTAL REVENUES</b>	<b>1,042,865</b>	<b>1,005,481</b>	<b>1,012,043</b>	<b>6,562</b>
EXPENDITURES				
Current				
Redevelopment Projects	523,022	528,020	520,604	7,416
Debt Service				
Principal	341,285	340,967	343,082	(2,115)
Interest	206,894	162,063	162,609	(546)
<b>TOTAL EXPENDITURES</b>	<b>1,071,201</b>	<b>1,031,050</b>	<b>1,026,295</b>	<b>4,755</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(28,336)	(25,569)	(14,252)	11,317
Fund Balance, Beginning of Fiscal Year	1,615,805	1,615,805	1,615,805	-
Fund Balance, End of Fiscal Year	<u>\$ 1,587,469</u>	<u>1,590,236</u>	<u>1,601,553</u>	<u>11,317</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, 2020**

	Business-Type Activities
	John Sevier Center
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 128,912
Tenant Receivables	2,779
Prepaid Expenses	5,752
Total Current Assets	137,443
Noncurrent Assets	
Capital Assets	
Land	79,300
Building and Improvements	4,424,549
Less: Accumulated Depreciation	(92,178)
Net Capital Assets	4,411,671
Total Noncurrent Assets	4,411,671
Restricted Assets	
Cash Restricted for Security Deposits	31,931
Cash Restricted for Reserve Account	287,759
Total Restricted Assets	319,690
<b>TOTAL ASSETS</b>	<b>4,868,804</b>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	22,669
Due to Other Funds	148,403
Deposits Payable	32,019
Notes Payable-Current Portion	574,866
Total Current Liabilities	777,957
Noncurrent Liabilities	
Long Term Debt-Net of Current Portion	4,025,134
Total Noncurrent Liabilities	4,025,134
<b>TOTAL LIABILITIES</b>	<b>4,803,091</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	(188,329)
Unrestricted	254,042
<b>TOTAL NET POSITION</b>	<b>\$ 65,713</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**  
**PROPRIETARY FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Fiscal Year Ended 6/30/2020**

	<u>Business-Type Activities</u>
	<u>John Sevier Center</u>
<b>OPERATING REVENUES</b>	
Rent Revenue	
Tenant Assistance Payments	\$ 630,969
Rent Revenue-Gross Potential	204,809
Total Rent Revenue	<u>835,778</u>
Laundry and Vending	4,458
Other Tenant Charges	<u>5,233</u>
<b>TOTAL OPERATING REVENUES</b>	<u>845,469</u>
<b>OPERATING EXPENSES</b>	
Administrative Expenses	171,552
Utilities Expense	82,920
Operating and Maintenance Expenses	174,815
Taxes and Insurance	75,684
Depreciation	<u>92,178</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>597,149</u>
<b>OPERATING INCOME (LOSS)</b>	<u>248,320</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest Expenses and Related Debt Costs	<u>(182,607)</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(182,607)</u>
Change in Net Position	65,713
Net Position, Beginning of Fiscal Year	<u>-</u>
Net Position, End of Fiscal Year	<u><u>\$ 65,713</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**  
**PROPRIETARY FUND**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2020**

	Business-Type Activities <u>John Sevier Center</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Rents	\$ 832,999
Cash Received for Security Deposits	32,019
Cash Received from Other Revenues	9,691
Cash Paid to Suppliers	(338,799)
Cash Paid to Employees and Related Expenses	<u>(149,256)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>386,654</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from Other Funds	<u>148,403</u>
NET CASH USED FOR NONCAPITAL RELATED FINANCING ACTIVITIES	<u>148,403</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Long-Term Debt	4,600,000
Purchase of Property	(4,503,849)
Interest and Related Debt Expenses Paid	<u>(182,606)</u>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(86,455)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	448,602
Cash and Cash Equivalents-Beginning of Fiscal Year	<u>-</u>
Cash and Cash Equivalents-End of Fiscal Year	<u>\$ 448,602</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ 248,320
Adjustments to Reconcile Operating Income (Loss) to net cash provided by operating activities:	
Depreciation	92,178
(Increase) Decrease in Tenant Receivables	(2,779)
(Increase) Decrease in Prepaid Expenses	(5,752)
Increase (Decrease) in Accounts Payable	22,669
Increase (Decrease) in Deposits Payable	<u>32,019</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 386,655</u>
The Cash and Cash Equivalents are classified on the Statement of Net Position as the following:	
Cash and Cash Equivalents	\$ 128,912
Restricted Cash	<u>319,690</u>
Total Cash and Cash Equivalents	<u>\$ 448,602</u>

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



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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.

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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 Note 10.

**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 proprietary-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.

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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 160-low income residents.

**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 were approved by the Board of Commissioners at the fund level.

**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.

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

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

**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 \$1,593,027 restricted by enabling legislation at fiscal year end.

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.

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

**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 \$1,556,553 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.

Assigned fund balance – amounts that are intended to be used for specific purposes that are considered neither restricted nor committed. Amounts are assigned by a designee of the Board of Commissioners. At June 30, 2020, \$45,000 had been assigned for the Buffalo Street Boardwalk.

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.

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**NOTE 2 - DEPOSITS**

The JCDA has various deposits at banks at June 30, 2020. 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 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 does require 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, 2020, the carrying amount of the JCDA's governmental deposits was \$2,385,880 and the actual cash in bank was \$2,422,496. The carry amount and the cash in bank was \$10,062 for the Foundation's deposits. The carrying amounts for the John Sevier Center in unrestricted cash and cash equivalents was \$128,912 and the cash in bank for the unrestricted was \$139,223. The carrying amounts in the restricted cash accounts were \$319,690 and the cash in bank for the restricted account was \$320,136.

**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 provided by the property management company and is covered in the management fees paid to 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, 2020, 80% 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.

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**NOTE 5 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2020 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	(168,511)	(43,024)	-	(211,535)
Net Capital Asset, Being Depreciated	1,552,467	(43,024)	-	1,509,443
Net Governmental Activities Capital Assets	<u>\$ 1,852,467</u>	<u>(43,024)</u>	<u>-</u>	<u>1,809,443</u>

Depreciation expense of \$43,024 was charged to the general government function in the Statement of Activities. Net investment in capital assets of \$296,435 is calculated as the total net capital asset amount of \$1,809,443 less the outstanding debt on the Downtown Center Building of \$1,513,008.

	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	-	4,424,549	-	4,424,549
Less Accumulated Depreciation for:				
Buildings and Improvements	-	(92,178)	-	(92,178)
Net Capital Asset, Being Depreciated	-	4,332,371	-	4,332,371
Net Governmental Activities Capital Assets	<u>\$ -</u>	<u>4,411,671</u>	<u>-</u>	<u>4,411,671</u>

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

Depreciation expense of \$92,178 was charged to the proprietary fund. Net investment in capital assets would be a negative \$188,329 when calculated as the total net capital asset amount of \$4,411,671 less the outstanding debt on the John Sevier Center of \$4,600,000.

**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, 2020 included \$142,512 of principal and \$56,994 of interest.



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

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

Total remaining payments due on this loan are as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 145,423	54,085	199,508
2022	150,629	48,879	199,508
2023	156,022	43,486	199,508
2024	161,608	37,900	199,508
2025	167,393	32,115	199,508
2026-2029	731,933	59,523	791,456
Total	<u>\$ 1,513,008</u>	<u>275,988</u>	<u>1,788,996</u>

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, 2020, the JCDA has paid \$101,475 in principal and \$31,268 in interest. Total remaining payments due on this note are as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 103,950	28,639	132,589
2022	106,425	25,946	132,371
2023	109,725	23,179	132,904
2024	112,200	20,339	132,539
2025	115,500	17,424	132,924
2026-2030	622,875	40,709	663,584
Total	<u>\$ 1,170,675</u>	<u>156,236</u>	<u>1,326,911</u>

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

In March 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, 2020, the JCDA paid \$11,822 in principal and \$6,349 in interest. Total payments due on this loan are as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 12,621	5,550	18,171
2022	13,080	5,091	18,171
2023	13,567	4,604	18,171
2024	14,064	4,107	18,171
2025	14,602	3,570	18,172
2026-2030	81,931	9,106	91,037
Total	<u>\$ 149,865</u>	<u>32,028</u>	<u>181,893</u>

In April 2018, the JCDA obtained 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. 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, 2020, the JCDA paid \$60,000 in principal and \$49,258 in interest. Total remaining payments due on this loan are as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 60,000	46,538	106,538
2022	60,000	43,951	103,951
2023	60,000	41,368	101,368
2024	60,000	38,888	98,888
2025	60,000	36,195	96,195
2026-2030	300,000	142,277	442,277
2031-2035	300,000	77,613	377,613
2036-2038	180,000	15,530	195,530
Total	<u>\$ 1,080,000</u>	<u>442,360</u>	<u>1,522,360</u>

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

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, 2020, the JCDA paid \$27,273 in principal and \$16,070 in interest. Total remaining payments on this loan are as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 27,272	15,207	42,479
2022	27,273	13,688	40,961
2023	27,273	12,168	39,441
2024	27,273	10,674	37,947
2025	27,273	9,125	36,398
2026-2030	136,363	22,825	159,188
Total	<u>\$ 272,727</u>	<u>83,687</u>	<u>356,414</u>

On January 16, 2020, the JCDA took out a loan 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, 2020, the JCDA paid \$0 in principal and \$2,670 in interest. Total remaining payments on this loan are as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 17,270	9,193	26,463
2022	17,270	8,273	25,543
2023	17,270	7,354	24,624
2024	17,270	6,452	23,722
2025	17,270	5,516	22,786
2026-2030	86,349	13,796	100,145
Total	<u>\$ 172,699</u>	<u>50,584</u>	<u>223,283</u>

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

Total annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 366,536	159,212	525,748
2022	374,677	145,828	520,505
2023	383,857	132,159	516,016
2024	392,415	118,360	510,775
2025	402,038	103,945	505,983
2026-2030	1,959,451	288,236	2,247,687
2031-2035	300,000	77,613	377,613
2036-2038	180,000	15,530	195,530
Total	<u>\$ 4,358,974</u>	<u>1,040,883</u>	<u>5,399,857</u>

**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. 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
2021	\$ 574,866	185,282	760,148
2022	93,662	181,206	274,868
2023	716,028	164,969	880,997
2024	-	146,292	146,292
2025	3,215,444	24,382	3,239,826
	<u>\$ 4,600,000</u>	<u>702,131</u>	<u>5,302,131</u>

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

**Business-Type Activities (Continued)**

Long-term liability activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Notes Payable					
Collateralized by property	\$ 1,655,521	-	(142,513)	1,513,008	145,423
Collateralized by pledge revenues	2,873,836	172,699	(200,569)	3,025,966	221,113
	<u>\$ 4,529,357</u>	<u>172,699</u>	<u>(343,082)</u>	<u>4,538,974</u>	<u>366,536</u>
<b>Business-type Activities:</b>					
Notes Payable					
Collateralized by property and pledge of revenues					
Notes Payable	<u>\$ -</u>	<u>4,600,000</u>	<u>-</u>	<u>4,600,000</u>	<u>574,866</u>

Total interest expense of \$162,809 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.

Interest and related debt expense of \$182,607 has been included in the statement of revenues and expenses and changes in net position for the John Sevier Center.

**NOTE 7 - OTHER TIF PROJECTS**

In December 2009, the JCDA signed a promissory note to reimburse the developer for qualified costs associated with the redevelopment of University Edge property. Payments will be made to the developer annually on April 15<sup>th</sup> for 95% of actual property taxes received from the City of Johnson City and 75% of the actual property taxes received from Washington County in excess of the base tax rate for the property. There is a 7% interest rate on this note and no interest will be paid until the principal balance of \$2,750,000 has been made to the developer. The term is 20 years. Payment of this note is contingent on property taxes received and, therefore, is not recorded as a liability and a payment schedule does not exist.

In December 2009, the JCDA signed a promissory note to reimburse the developer for qualified costs associated with the redevelopment of Tipton Street property. Payments will be made to the developer annually on April 15<sup>th</sup> for 75% of actual property taxes received from the City of Johnson City and Washington County in excess of the base tax rate for the property. There is no stated interest rate on this note and the term is 20 years or when a cumulative maximum payment of \$1,603,900 has been made. Payment of this note is contingent on property taxes received and, therefore, it is not recorded as a liability and a payment schedule does not exist.

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

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**NOTE 8 - INTERFUND TRANSFERS**

Certain expenses were paid by the general fund for the new John Sevier Center prior to the separate bank accounts and fund being established as a proprietary fund. These amounts are recorded as due to the general fund from the John Sevier Center fund.

**NOTE 9 - RELATED PARTIES AND SUBSEQUENT EVENTS**

The Northeast Tennessee Regional Economic Partnership (NeTREP), a non-profit organization, was over the bookkeeping and financial reporting for the JCDA through January 2020. Beginning in February 2020, JCDA separated their activities and moved to a new location. These are legally separate entities and each entity has its own separate Board of Directors. During the course of the fiscal year, the JCDA paid NeTREP a management fee of \$135,883 for these services. The expenditures are recognized in the Statement of Activities of the JCDA for the fiscal year ended June 30, 2020.

Also, with the addition of the John Sevier Center (JSC), the JCDA utilized the services of M&M Properties to oversee and manage the property and operations of the John Sevier Center. The M&M Properties Management Agreement for the JSC expired on August 28, 2020. According to the agreement, the contract continues on a month-to-month basis after expiration, which is the status of the contract subsequent to fiscal year end. The JCDA can cancel the contract with one month's notice. On October 9, 2020, the JCDA entered into non-binding discussions with the Johnson City Housing Authority (JCHA) regarding possibly having the JCHA take over management of the JSC. Discussions are currently ongoing and a decision is expected before the end of calendar year 2020.

On October 19, 2020, the JCDA signed a Memorandum of Understanding (MOU) with LHP Capital, LLC to explore options for redevelopment of the John Sevier Center by first creating new subsidized housing units and then finding a developer for the rehabilitation of the historic John Sevier Center. The MOU is non-binding except that it is exclusive for 90 days and that the JCDA warrants that it has the power to enter into contracts related to the execution of the MOU.

The JCDA provided funding to Allied Dispatch Solutions (ADS) in prior fiscal years for redevelopment of office space in downtown Johnson City. The previous agreement with ADS stated the requirement of 25 corporate level jobs and 50 customer service positions (CSR) by November 2020. For several reasons, ADS has hired 36 corporate level positions but no CSR for the downtown location. Legal Counsel for the JCDA created a document that extends their agreement by one year and alters the amount of positions to 50 corporate level jobs and no customer service jobs at their downtown location. This agreement was approved by the board in October 2020.

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

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**NOTE 9 - RELATED PARTIES AND SUBSEQUENT EVENTS (CONTINUED)**

A TN Placemakers Grant for \$50,000 was approved by the State of Tennessee. The grant was originally to have begun July 1, 2020. 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 is now scheduled to begin in January 2021. The original grant was for retail but may be adapted to include other projects.

**NOTE 10 - DOWNTOWN JOHNSON CITY FOUNDATION**

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, 2020 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, 2020, 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, 2020 is as follows:

Revenues	
Contributions	\$ 10,979
Charges for Services	32,443
Total Revenues	43,422
Expenses	
Administrative	8,188
Project Expenses	29,707
Total Expenses	37,895
Change in Net Position	5,527
Net Position - Beginning of Fiscal Year	4,849
Net Position - End of Fiscal Year	\$ 10,376

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

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**NOTE 11 - ARC GRANT**

During the fiscal year ended, the JCDA received an ARC grant to assist with providing public Wi-Fi. The total cost of the project was \$27,285 and the grant assistance was \$10,000.

**NOTE 12 – PRIOR PERIOD ADJUSTMENT**

In the fiscal year ended June 30, 2019, the general fund paid \$100,000 in earnest money towards the potential purchase of the John Sevier Center. With the purchase of the facility and the formation of the enterprise fund, these funds will be reimbursed to the general fund from the John Sevier Center fund and were therefore added back to the fund equity of the general fund.

**NOTE 13 – ADOPTION OF ACCOUNTING PRINCIPLES**

The JCDA implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, during the fiscal year ended June 30, 2020. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

**NOTE 14 - CORONAVIRUS CONSIDERATIONS**

In March 2020, the COVID-19 virus was declared a global pandemic as it continued to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.



**SUPPLEMENTAL INFORMATION**

**JOHNSON CITY DEVELOPMENT AUTHORITY  
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2020**

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Federal Grantor/ Program Name	Federal CFDA Number	Expenditure
Appalachian Regional Commission	23.001	<u>\$10,000</u>

Note: The Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting.

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 Year Ended June 30, 2020**

	<u>Original Amount Issued</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Last Maturity Date</u>	<u>Outstanding July 1, 2019</u>	<u>Issued During Period</u>	<u>Paid / Refunded During Period</u>	<u>Outstanding June 30, 2020</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	1,655,520	-	(142,512)	1,513,008
<b>TIF FUND:</b>								
Cherry Street Loan No. 104382255	177,170	3.72%	2/26/2016	12/31/2019	161,687	-	(11,822)	149,865
Farmer's Market	1,650,000	2.00% - 5.00%	12/18/2014	12/1/2029	1,272,150	-	(101,475)	1,170,675
Wilson Avenue	269,128	3.72%	5/1/2016	5/1/2029	-	-	-	-
Buffalo Street	158,378	3.72%	5/1/2016	5/1/2029	-	-	-	-
Triple G Bank of TN / Carter Co. Bank	300,000	5.50%	5/1/2020	5/1/2030	300,000	-	(27,273)	272,727
Model Mill Loan No. 3000012613	1,200,000	4.25%	5/1/2019	5/1/2037	1,140,000	-	(60,000)	1,080,000
MMM Enterprises Carter Co. Bank	172,699	5.25%	5/1/2021	5/1/2030	-	172,699	-	172,699
					<u>\$ 4,529,357</u>	<u>172,699</u>	<u>(343,082)</u>	<u>4,358,974</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>								
<u>LOANS PAYABLE:</u>								
John Sevier Center	\$ 4,600,000	4.55%	9/5/2019	8/26/2024	-	4,600,000	-	4,600,000

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 Year Ended June 30, 2020**

<b>GENERAL FUND</b>			
<b>Northeast State Community College</b>			
Fiscal Year Ending June 30	Principal	Interest	Total
2021	\$ 145,423	54,085	199,508
2022	150,629	48,879	199,508
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
2029	186,022	13,486	199,508
2029	192,932	-	192,932
	\$ 1,513,008	275,988	1,788,996

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 Year Ended June 30, 2020**

<b>TIF FUND</b>			
<b>Cherry Street</b>			
Fiscal Year	Principal	Interest	Total
Ending June 30	Principal	Interest	Total
2021	\$ 12,621	5,550	18,171
2022	13,080	5,091	18,171
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	17,917	436	18,353
	\$ 149,865	32,028	181,893

<b>Farmer's Market</b>			
Fiscal Year	Principal	Interest	Total
Ending June 30	Principal	Interest	Total
2021	\$ 103,950	28,639	132,589
2022	106,425	25,946	132,371
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
	\$ 1,170,675	156,236	1,326,911

(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 Year Ended June 30, 2020**

Fiscal Year Ending June 30	Model Mill		
	Principal	Interest	Total
2021	\$ 60,000	46,538	106,538
2022	60,000	43,951	103,951
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>\$ 1,080,000</u>	<u>442,360</u>	<u>1,522,360</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 Year Ended June 30, 2020**

<b>Triple G</b>			
Fiscal Year Ending June 30	Principal	Interest	Total
2021	\$ 27,272	15,207	42,479
2022	27,273	13,688	40,961
2023	27,273	12,168	39,441
2024	27,273	10,674	37,947
2025	27,273	9,125	36,398
2026	27,273	7,576	34,849
2027	27,273	6,027	33,300
2028	27,273	4,478	31,751
2029	27,273	2,929	30,202
2030	27,272	1,815	29,087
	<u>\$ 272,727</u>	<u>83,687</u>	<u>356,414</u>

<b>MMM Enterprises</b>			
Fiscal Year Ending June 30	Principal	Interest	Total
2021	\$ 17,270	9,193	26,463
2022	17,270	8,273	25,543
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	17,270	922	18,192
	<u>\$ 172,699</u>	<u>50,584</u>	<u>223,283</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  
JOHN SEVIER CENTER  
For the Year Ended June 30, 2020**

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Fiscal Year Ending June 30	Principal	Interest	Total
2021	\$ 574,866	185,282	760,148
2022	93,662	181,206	274,868
2023	716,028	164,969	880,997
2024	-	146,292	146,292
2025	3,215,444	24,382	3,239,826
	\$ 4,600,000	702,131	5,302,131

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, 2020, and the related notes to the financial statements, which collectively comprise the JCDA's basic financial statements, and have issued our report thereon dated December 22, 2020.

**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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2020-01 to be a material weakness.

*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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2020-002 and 2020-003 to be significant deficiencies.

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

### **Management's Response to Findings**

The JCDA's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The JCDA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 and Steagall, PLLC*

BLACKBURN, CHILDERS & STEAGALL, PLC  
Johnson City, Tennessee

December 22, 2020

**JOHNSON CITY DEVELOPMENT AUTHORITY  
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
For the Fiscal Year Ended June 30, 2020**

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**PRIOR FISCAL YEAR FINDINGS**

There were no prior fiscal year findings reported.

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For the Fiscal Year Ended June 30, 2020**

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**PART I. SUMMARY OF AUDIT RESULTS**

1. The auditors' report gives an unqualified opinion on the financial statements of the JCDA.
2. The audit of the financial statements of the JCDA disclosed one material weakness and two significant deficiencies in internal control. (Findings 2020-01 through 2020-03).

**PART II. FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

**CURRENT FISCAL YEAR FINDINGS**

***2020-001: Material Weakness: John Sevier Center***

**Condition:** In September 2019, the JCDA purchased the John Sevier Center (JSC), a low-income housing facility. The property and operations were managed for the JCDA by a separate property management company, which provided the JCDA with monthly entries to post the books and records of the JCDA. The JCDA posted revenues and expenses as single totals, rather than by the separate revenue and expense line items.

**Criteria:** The JCDA did not have any prior experience with low-income housing or with Enterprise Funds within a government. Even though the property management company provided monthly journal entries broken down by revenue and expense line items, the revenues and expenses were posted in a total revenue account and a total expense account. The amounts were not entered by the line items required for reporting the housing assistance program (HAP) to the real estate assessment center (REAC) for Housing and Urban Development (HUD). In addition, the JSC should have been reported as a separate Enterprise Fund. The funds for the JSC were not separated from other activity of the JCDA and initially did not balance as a separate fund.

**Effect:** Because the separate Enterprise Fund had not been established, items had not been recorded using the full accrual basis of accounting. Audit adjusting journal entries were proposed and accepted by management to separate the JSC into a separate Enterprise Fund, to adjust the line items as reported by the property management company and to record all of the assets and liabilities on the full accrual basis of accounting.

**Recommendation:** Going forward, the JSC needs to continue to be maintained on the full accrual basis in a separate Enterprise Fund. Line items for revenues and expenses should be recorded monthly as provided by the property management company.

**Management's Response:** Management agrees with this recommendation. The financial reporting structure and requirements changed dramatically during the audit year with the acquisition of the John Sevier Center and many accounting changes that should have been made were not made due to the lack of management's technical understanding regarding the necessity of using full accrual accounting for the new operation.

**JOHNSON CITY DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For the Fiscal Year Ended June 30, 2020**

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***2020-002: Significant Deficiency: Self-Balancing Funds***

**Condition:** Activity for the General Fund, the Tax Increment Financing (TIF) Fund and the JSC were all co-mingled in the same accounting general ledger.

**Criteria:** While everything was in balance in total, the separate funds did not balance as stand-alone funds as a result of certain items being co-mingled.

**Effect:** Audit adjusting entries were made and accepted by management to separate the funds. Due to/ Due from accounts were necessary between the General Fund and the JSC. The General Fund and TIF are both governmental funds, but should still balance as individual funds.

**Recommendation:** As noted in finding 2020-001, the JSC needs to be in a separate Enterprise Fund. It would be preferable to also separate the General Fund from the TIF. At a minimum, the two funds need to be self-balancing.

**Management's Response:** The financial reporting structure and requirements changed dramatically during the audit year with the acquisition of the John Sevier Center. The new operation was rolled into the accounting system using summary entries which reflected the cash-basis results on a summary basis but did not capture the detail into the accounting records. In addition, the accounting system was not modified to incorporate accrual entries for assets and liabilities. The JCDA staff assumed that the accounting subsystem maintained by the property management firm would properly account for the details of operations. This should have been verified in advance, but it was not. Neither the existing staff at the time of acquisition nor the staff hired after the acquisition had the inherent knowledge to manage such a change.

***2020-003: Significant Deficiency: Tracking of Government-Wide Accounts***

**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.

**Criteria:** While the long-lived assets and liabilities 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 nor had any new debt been added to the prior tracking. The information was available from the promissory notes, minutes and amortization schedules provided.

**Recommendation:** Long-lived assets and liabilities 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 RESPONSES  
For the Fiscal Year Ended June 30, 2020**

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***2020-003: Significant Deficiency: Tracking of Government-Wide Accounts (Continued)***

***Management's Response:*** With regard to the tracking of government-wide accounts, the existing financial staff followed accounting procedures in the fiscal year consistent with prior years. However, when the JCDA was separated from NeTREP near the end of the fiscal year, the accounting responsibilities were transferred to a new Manager of Finance and Operations who was unfamiliar with the requirement to update the principal amortization and interest accrual information for the records.



## Corrective Action Plan

### ***2020-001: Material Weakness: John Sevier Center***

The JCDA will begin to account for the JSC on a full accrual basis beginning as of July 1, 2020 and for all comparative periods. The JCDA will acquire professional independent accounting guidance as needed to implement full accrual accounting procedures for the JSC as a separate Enterprise Fund. Funding for the independent accounting consulting will be requested from the Board to be paid out of the JSC Fund.

### ***2020-002: Significant Deficiency: Self-Balancing Funds***

The JCDA will acquire professional independent accounting guidance to implement accounting procedures for the JSC as a separate Enterprise fund on a full accrual basis and to separate the General Fund from the TIF Fund in self-balancing funds. Funding for the independent accounting consulting will be requested from the Board to be paid out of the JSC fund for the JSC portion, the TIF Fund for the TIF portion and the General Fund for the General Fund portion.

### ***2020-003: Significant Deficiency: Tracking of Government-Wide Accounts***

Effective with beginning of the new fiscal year, the long-lived assets, liabilities, and debt instruments will be tracked on an accrual basis for inclusion in the Government-Wide level financial statements.

  
\_\_\_\_\_  
Dianna Cantler, Executive Director

12-17-20  
Date

  
\_\_\_\_\_  
Jim Dorton, Manager of Finance and Operations

12-17-20  
Date