



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

AUDITED FINANCIAL STATEMENTS

2025

JOHNSON CITY DEVELOPMENT AUTHORITY

A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE

FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2025

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
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INTRODUCTORY SECTION

**JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
ROSTER OF BOARD OF COMMISSIONERS
As of June 30, 2025**

Jack Simpson, Chairman

Bob Cooper, Vice Chairman

Freddie Malone, Treasurer, Washington County Commission

David Tomita, Washington County Commission

Joe Wise, City of Johnson City Commission

Daniel Blackburn, Member

Jonathan Fields, Member

Ramona Harr, Member

Chris Hyder, Member

Brent Nipper, Member

Daniel Tackling, Member

Robert Williams, Member

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of the
Johnson City Development Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2025, and the related notes to the financial statements, which collectively comprise the JCDA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the JCDA, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Special Revenue - TIF Fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the JCDA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the JCDA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the JCDA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the JCDA's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-18 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the JCDA's basic financial statements. The accompanying schedule of changes in long-term debt and lease obligations and schedules of long-term debt principal and interest on pages 46-52, supplemental schedules required by Housing and Urban Development (HUD) on pages 53-61 and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of changes in long term debt and lease obligations, schedules of long-term debt principal and interest, the supplemental schedules required by HUD and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2025, on our consideration of the 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 the JCDA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering JCDA's internal control over financial reporting and compliance.


BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

December 5, 2025

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2025

The Johnson City Development Authority (the JCDA) is recognized by the Internal Revenue Service as a quasi-governmental agency. In 1985, the JCDA was created as a development authority for the City of Johnson City through a Tennessee Private Act, as amended, with the purpose to promote the economic redevelopment, removal of deleterious land uses, promote of reinvestment, raise capital, generate revenue and is to be considered as providing for the health, safety, and general welfare of the community of Johnson city and elimination of urban blight and decay. It also is intended that the authority finance, acquire, own, lease, and/or dispose of properties so that the authority may maintain and increase employment and redevelopment opportunities. It also may carry out redevelopment projects and make recommendations and improvements through approved plans of improvement with the City of Johnson City, as outlined. It is incorporated through the State of Tennessee. JCDA Commissioner appointments are made by the Board of Commissioners of the City of Johnson City.

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, 2025. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

- ✓ The JCDA ended the fiscal year with \$5,747,158 in total net position. The net position for the governmental activities was \$4,011,591 and the net position for the business-type activities was \$1,735,567.
- ✓ The year ended with an increase in total net position of \$1,353,657 which included an increase of \$1,018,490 in the governmental activity and an increase in net position of \$335,167 for the business-type activities.
- ✓ The JCDA receives three different types of revenue in the governmental activities: public funds from the City of Johnson City to support administrative and operational costs, Downtown Centre lease revenue from East Tennessee State University, and the tax increment financing (TIF) revenue generated from property tax growth for the City of Johnson City and Washington County. The business-type activities are for the rental of the John Sevier Center.

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2025

Overview of the Financial Statements

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

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

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

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.

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

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

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

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2025

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. It was created in September 2006 when the City of Johnson City and Washington County approved the Redevelopment Plan for the Downtown Redevelopment District of Johnson City, Tennessee. All funds received are designated for TIF projects and qualified TIF expenses.

Proprietary Fund:

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

Financial Analysis of the JCDA – Government-Wide Level

Our analysis of the JCDA as a whole is shown in Tables 1A and 1B. One of the most important questions asked about the JCDA's finances is, "Is the JCDA as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the JCDA as a whole and about its activities is a tool that helps answer this question. These statements include all assets and liabilities using accounting methods similar to the accounting used by most private-sector companies. All 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 and as noted earlier for the JCDA, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5,747,158.

JOHNSON CITY DEVELOPMENT AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2025

Overview of the Financial Statements (Continued)

Net Position - Table 1A

	<u>2025</u>	<u>2024</u>
Current and Other Assets	\$ 4,834,541	\$ 4,197,892
Capital Assets, Net	6,559,446	6,586,899
Total Assets	<u>11,393,987</u>	<u>10,784,791</u>
Deferred Outflows of Resources	848,886	1,005,629
Total Assets and Deferred Outflow of Resources	<u>12,242,873</u>	<u>11,790,420</u>
Current and Other Liabilities	660,155	634,315
Long-term Liabilities	5,664,196	6,244,493
Total Liabilities	<u>6,324,351</u>	<u>6,878,808</u>
Deferred Inflows of Resources	171,364	518,111
Total Liabilities and Deferred Inflow of Resources	<u>6,495,715</u>	<u>7,396,919</u>
Net Investment in Capital Assets	2,146,248	1,981,728
Restricted by Enabling Legislation	1,803,455	1,376,386
Unrestricted	1,797,455	1,035,387
Total Net Position	<u>5,747,158</u>	<u>4,393,501</u>
Total Liabilities and Net Position	<u>\$ 12,242,873</u>	<u>\$ 11,790,420</u>

Statement of Activities - Table 1B

	<u>2025</u>	<u>2024</u>
Charges for Services	\$ 2,288,010	\$ 2,062,606
Operating Grants and Contributions	1,510,919	1,653,021
Program Revenues	3,798,929	3,715,627
Interest and Dividends	106,137	111,584
General Revenues	106,137	111,584
Total Revenues	<u>3,905,066</u>	<u>3,827,211</u>
General Government	333,601	354,570
General Government - Lease Obligations	-	2,097
Buisness Activities	1,777,148	1,658,541
Tax Increment Financing	440,660	480,688
Total Expenses	<u>2,551,409</u>	<u>2,495,896</u>
Change in Net Position	1,353,657	1,331,315
Net Position - Beginning	4,393,501	3,062,186
Net Position - Ending	<u>\$ 5,747,158</u>	<u>\$ 4,393,501</u>

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2025

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

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

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

Net Position - Table 2A

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and Other Assets	\$ 4,189,150	\$ 3,724,300	\$ 645,391	\$ 473,592	\$ 4,834,541	\$ 4,197,892
Capital Assets, Net	1,644,981	1,757,312	4,914,465	4,829,587	6,559,446	6,586,899
Total Assets	5,834,131	5,481,612	5,559,856	5,303,179	11,393,987	10,784,791
Deferred Outflows of Resources	848,886	1,005,629	-	-	848,886	1,005,629
Total Assets and Deferred Outflow of Resources	6,683,017	6,487,241	5,559,856	5,303,179	12,242,873	11,790,420
Current and Other Liabilities	467,599	473,886	192,556	160,429	660,155	634,315
Long-term Liabilities	2,032,463	2,502,143	3,631,733	3,742,350	5,664,196	6,244,493
Total Liabilities	2,500,062	2,976,029	3,824,289	3,902,779	6,324,351	6,878,808
Deferred Inflows of Resources	171,364	518,111	-	-	171,364	518,111
Total Liabilities and Deferred Inflow of Resources	2,671,426	3,494,140	3,824,289	3,902,779	6,495,715	7,396,919
Net Investment in Capital Assets	893,438	775,136	1,252,810	1,206,592	2,146,248	1,981,728
Restricted by Enabling Legislation	1,803,455	1,376,386	-	-	1,803,455	1,376,386
Unrestricted	1,314,698	841,579	482,757	193,808	1,797,455	1,035,387
Total Net Position	4,011,591	2,993,101	1,735,567	1,400,400	5,747,158	4,393,501
Total Liabilities and Net Position	\$ 6,683,017	\$ 6,487,241	\$ 5,559,856	\$ 5,303,179	\$ 12,242,873	\$ 11,790,420

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

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Charges for Services	\$ 175,695	\$ 78,964	\$ 2,112,315	\$ 1,983,642	\$ 2,288,010	\$ 2,062,606
Operating Grants and Contributions	1,510,919	1,533,021	-	120,000	1,510,919	1,653,021
Program Revenues	1,686,614	1,611,985	2,112,315	2,103,642	3,798,929	3,715,627
Other Financing Sources (Uses)	-	(677,066)	-	677,066	-	-
Interest and Dividends	106,137	111,584	-	-	106,137	111,584
General Revenues	106,137	(565,482)	-	677,066	106,137	111,584
Total Revenues	1,792,751	1,046,503	2,112,315	2,780,708	3,905,066	3,827,211
General Government	333,601	354,570	-	-	333,601	354,570
General - Government - Lease Obligations	-	2,097	-	-	-	2,097
Business Activities	-	-	1,777,148	1,658,541	1,777,148	1,658,541
Tax Increment Financing	440,660	480,688	-	-	440,660	480,688
Total Expenses	774,261	837,355	1,777,148	1,658,541	2,551,409	2,495,896
Change in Net Position	1,018,490	209,148	335,167	1,122,167	1,353,657	1,331,315
Net Position - Beginning	2,993,101	2,783,953	1,400,400	278,233	4,393,501	3,062,186
Net Position - Ending	\$ 4,011,591	\$ 2,993,101	\$ 1,735,567	\$ 1,400,400	\$ 5,747,158	\$ 4,393,501

**JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2025**

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 by \$1,353,657 compared to an increase of \$1,331,315 in 2024. The following explains some of the most significant changes.

- ✓ In both the governmental activities and the business type activities changes to revenue were realized as due to a U.S. Department of Housing and Urban Development approved Mark Up to Market rent increase effective July 1, 2024, at the John Sevier Center, as well as efforts by the JCDA Board to ensure that the John Sevier Center to pay funds due to the JCDA when revenue improved. Revenue from local government allocations remained the same. Fewer expenses were incurred by the General Fund than in the prior year. The two largest contributors to this reduction were decreases in personnel costs due to turnover and position vacancies as well as a reduction in the ongoing operating costs of the Downtown Centre after assuming operations in the prior year.
- ✓ Total Debt reflected under Total Liabilities includes \$459,855 due within one year and \$5,664,196 which is due in more than one year. Of the amounts due within one year, \$430,023 is due from governmental activities and \$29,922 is due from business-type activities.
- ✓ Also captured in the current fiscal year and reflected on the balance sheet is accrued interest payable of \$37,088 of which is for governmental activities.
- ✓ Total Liabilities were reduced by \$554,457. The John Sevier Center total liabilities were reduced by \$78,490, which consisted of monthly principal payments. Total liabilities from governmental activities were reduced by \$475,967. Scheduled payments for the various debt agreements resulted in a decrease of \$398,639. Principal payments were made towards the Downtown Centre (Formerly Northeast State) TIF project of \$167,304, the Downtown Events Center (Downtown Pavilion/Farmer's Market) TIF project of \$112,200, the Cherry Street TIF project of \$14,592, Model Mill TIF project of \$60,000, the Commerce Street (Triple G) project of \$27,273, and the Market Street (MMM Enterprises) project of \$17,270.
- ✓ Government funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. There was \$49,002 of depreciation expense and \$63,329 of amortization expense recognized at the government wide level.
- ✓ The TIF revenue that will be received in future years for payment on two of the TIF Projects, Commerce Street and Downtown Events (Downtown Pavilion) Center, is recorded as deferred outflows of resources, in the amount of \$848,886.

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2025

Financial Analysis of the JCDA – Fund Level

Governmental Funds

Our analysis of the JCDA’s General Fund and TIF Fund at the fund level is presented in Table 2A and Table 2B. The JCDA presents two funds, both are governmental funds. All the JCDA’s administrative and operational services are reported in the general fund, which focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending. TIF centers around revenues which are generated by property tax growth within the Redevelopment District of downtown Johnson City, and the debt incurred from the current projects within the TIF district as well as any other TIF qualified expenses.

Fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the JCDA’s programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation, which is included with the financial statements.

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

Balance Sheet Summary - Table 3A

	<u>2025</u>	<u>2024</u>	<u>Change</u>
ASSETS			
Cash and Other Assets	\$ 3,727,210	\$ 3,593,423	\$ 133,787
Intergovernmental Receivables	475,979	489,791	(13,812)
TOTAL ASSETS	<u>4,203,189</u>	<u>4,083,214</u>	<u>119,975</u>
LIABILITIES			
Due To / From Other Funds	16,808	119,355	(102,547)
Accounts Payable	488	7,619	(7,131)
TOTAL LIABILITIES	<u>17,296</u>	<u>126,974</u>	<u>(109,678)</u>
DEFERRED INFLOWS OF RESOURCES			
Lease Related	171,364	518,111	(346,747)
Unavailable Revenue - Intergovernmental	475,979	489,791	(13,812)
TOTAL DEFERRED INFLOWS	<u>647,343</u>	<u>1,007,902</u>	<u>(360,559)</u>
FUND BALANCE			
Restricted for Tax Increment Financing	2,461,149	2,109,528	351,621
Unassigned	1,077,401	838,810	238,591
TOTAL FUND BALANCE	<u>\$ 3,538,550</u>	<u>\$ 2,948,338</u>	<u>\$ 590,212</u>

**JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2025**

Financial Analysis of the JCDA – Fund Level (Continued)

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

	Total Governmental Funds 2025	Total Governmental Funds 2024	Change	Change
REVENUES				
Intergovernmental Revenue	\$ 1,681,447	\$ 1,513,227	\$ 168,220	11%
Administrative Fee Income	32,931	29,917	3,014	10%
Revenue from Use of Property	142,764	49,047	93,717	191%
Miscellaneous	106,164	112,551	(6,387)	-6%
TOTAL REVENUES	1,963,306	1,704,742	258,564	
EXPENDITURES				
General Government	309,042	484,692	(175,650)	-36%
Tax Increment Financing	820,048	833,167	(13,119)	-2%
TOTAL EXPENDITURES	1,129,090	1,317,859	(188,769)	
OTHER FINANCING SOURCES (USES)				
Transfers In	244,004	470,737	(226,733)	-48%
Transfers Out	(488,008)	(905,475)	417,467	-46%
Lease Financing	-	85,896	(85,896)	-100%
TOTAL OTHER FINANCING SOURCES (USES)	(244,004)	(348,842)	104,838	
Excess (Deficiency) of Revenues Over (Under) Expenditures	590,212	38,041	552,171	
Fund Balance, Beginning of Fiscal Year	2,948,338	2,910,297	38,041	
Fund Balance, End of Fiscal Year	\$ 3,538,550	\$ 2,948,338	\$ 590,212	20%

Comparative Data – General Fund

- ✓ Revenues for the General Fund, at the fund level, were \$547,633 compared to \$444,396 for the fiscal year that ended June 30, 2025. The majority of this increase is attributable to rental revenue from East Tennessee State University's use of the Downtown Centre for a full year in fiscal year ending June 30, 2025, compared to only half a year in of rental revenue in fiscal year ending June 30, 2024.

JOHNSON CITY DEVELOPMENT AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Comparative Data – General Fund (Continued)

- ✓ Expenditures in the General Fund were \$309,042 for the fiscal year ending June 30, 2025, compared to \$484,692 for the fiscal year ending June 30, 2024. This decrease heavily stems from the reduced costs of maintaining the Downtown Centre after its acquisition last fiscal year and staffing changes reducing salary and related benefits costs during the fiscal year ending June 30, 2025.
- ✓ The substantial increase in revenue and reduction in expenses allowed the General Fund balance to increase from \$838,810 to \$1,077,401 in the fiscal year ending June 30, 2025, a 28% increase.

Comparative Data – TIF Fund

- ✓ Revenues for the TIF Fund, at the fund level, were \$1,341,447 for the fiscal year ending June 30, 2025, compared to \$1,260,346 for the fiscal year ending June 30, 2024. Tax year 2024 TIF contributions are recorded as revenue in fiscal year 2025.
- ✓ Expenditures for redevelopment projects and debt service totaled \$820,048, compared to \$833,167 from fiscal year 2024. The slight decrease in expenditures were related to lower amounts due on principle and interest for debt repayment in the current year compared to the prior year.
- ✓ Due to revenue increases and expenditure decreases, the TIF fund balance increased \$351,621 in the fiscal year ending June 30, 2025, compared to a 43,558 decrease for the fiscal year ending June 30, 2024.

Taken together, expenditures from the General Fund and Special Revenue Fund totaled \$1,129,090 for the fiscal year ending June 30, 2025.

Proprietary Fund

The John Sevier Center, purchased in August of 2019, is the only proprietary fund of the JCDA. It operates as an enterprise fund. Comparisons for the fiscal year June 30, 2025, is as shown in the following table.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Proprietary Fund (Continued)

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

	Business-Type Activities John Sevier Center 2025	Business-Type Activities John Sevier Center 2024	Change	Percent Change
OPERATING REVENUES				
Rent Revenue				
Rent Revenue	\$ 2,112,141	\$ 1,984,178	\$ 127,963	6%
Less: Vacancies	(35,875)	(59,162)	23,287	-39%
Total Rent Revenue	2,076,266	1,925,016	151,250	8%
Other Revenue	36,049	58,626	(22,577)	-39%
TOTAL REVENUES	2,112,315	1,983,642	128,673	
OPERATING EXPENDITURES				
Administrative Expenses	418,921	376,511	42,410	11%
Utilities Expense	93,769	99,844	(6,075)	-6%
Operating and Maintenance Expenses	601,754	599,102	2,652	0%
Taxes and Insurance	191,487	166,047	25,440	15%
Depreciation	174,555	143,358	31,197	22%
TOTAL OPERATING EXPENSES	1,480,486	1,384,862	95,624	
OPERATING INCOME (LOSS)	631,829	598,780	33,049	
NONOPERATING EXPENSES				
Interest Expenses and Major Repairs	(296,662)	(273,679)	(22,983)	8%
Capital Contributions	-	120,000	(120,000)	-100%
Transfers In	-	677,066	(677,066)	-100%
TOTAL NONOPERATING EXPENSES	(296,662)	523,387	(820,049)	
Change in Net Position	335,167	1,122,167	(787,000)	
Net Position, Beginning	1,400,400	278,233	1,122,167	
Net Position, Ending	<u>\$ 1,735,567</u>	<u>\$ 1,400,400</u>	<u>\$ 335,167</u>	

The John Sevier Center, in fiscal year ended June 30, 2025, was approved by HUD for a mark up to market rent increase (MUTM) that increased the total rent revenue by \$184,781, a 10% increase over current rates, based upon a rent comparability study in March 2024. The MUTM rate increase was approved in May 2024 with an effective date of July 1, 2024. This MUTM resulted in an actual 8% increase in revenue in the fiscal year ended June 30, 2025 compared to the fiscal year ended June 30, 2024. The U.S. HUD Yearly Contract Rent Potential was noted as \$2,101,320. (Once the budget authority is transferred and residents move to new units, approximately 4th Quarter of 2025, pending HUD approvals of the (Project B) new property, the John Sevier Center (Project A) will not receive the Section 8 voucher revenue.)

Operating expenses for the John Sevier Center were \$1,480,486 for the fiscal year ending June 30, 2025, compared to \$1,384,862 for the fiscal year ending June 30, 2024. The increases in expenditures are related to increases in taxes, insurance, deprecation, and administrative expenses.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Proprietary Fund (Continued)

Net position change for the John Sevier Center was \$335,167 resulting in an ending position on June 30, 2025 of \$1,735,567. This change over last year's ending position of \$1,400,400 is due to increased rent revenue, per HUD approvals. While spending increased, expenses did not surpass the increased revenues.

Economic Factors and Next Year's Budget

Per its purpose and creation through the State private act, the JCDA is to encourage economic growth throughout Johnson City, with an emphasis around Downtown Johnson City and the TIF redevelopment district. External factors that can impact the financial condition of the JCDA include the City of Johnson City finances and the growth or decline of the TIF redevelopment plan downtown district.

The JCDA Board of Commissioners and Executive Director considered a number of issues that would impact planning the budget for fiscal year 2026. Key budget and financial conditions included the following:

- ✓ Beginning in Fiscal Year 2026, the City of Johnson City assumed administrative responsibility for the Johnson City Development Authority. This resulted in a drastic reduction in operating costs for the Johnson City Development Authority and led to a reduction in the City of Johnson City's annual allocation to \$130,000 for the fiscal year ended June 30, 2026, compared to \$340,000 for the fiscal year ended June 30, 2025.
- ✓ The Downtown Centre expenses will continue in order to maintain appropriate property management for the current tenants, including a Johnson City Police Department unit office and East Tennessee State University, through December 2025. The lease revenue will aid expenses.
- ✓ As property values continue to rise, property tax collections should continue to increase the TIF revenues.
- ✓ The surging inflationary pressures in 2022-23, which led the Federal Reserve to aggressively raise rates multiple times, allowed JCDA to benefit from higher interest revenue for tax increment financing funds. However, Federal Reserve cut interest rates three times during the fiscal year ended June 30, 2025 and signaled further rate cuts could be coming during the fiscal year ended June 30, 2026. Nonetheless, the current interest rates have raised borrowing rates to the highest in 25 years, since the recession of 2008. Nevertheless, commercial property has continued to show strong interest in downtown Johnson City and the JCDA redevelopment district, often attracting out of region investors. Multi-family units in converted downtown commercial structures consistently rent or sell to capacity, and additional investors are seeking property.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Economic Factors and Next Year's Budget (Continued)

- ✓ The JCDA and the City of Johnson City sought analysis of the John Sevier Center and Downtown Centre properties through a consulting group to assess both the highest and best use and the redevelopment potential. A number of proposals have been submitted for consideration. The next stage of the project, in parallel with the plans for the residents' move to the new residences in South Johnson City, will be to evaluate the submitted proposals and select a developer.

Capital Asset and Debt Administration

The JCDA's investment in capital assets for its governmental and business-type activities as of June 30, 2025 amount to \$1,892,528 (net of depreciation and related debt). This investment in capital assets includes land, buildings and equipment for the Downtown Centre and the John Sevier Center only.

	<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	5,560,412	7,281,390
Furniture and Fixtures	41,849	34,952	76,801
Right-of-Use Leased Asset	85,896	-	85,896
Less Depreciation	<u>(503,742)</u>	<u>(760,199)</u>	<u>(1,263,941)</u>
Total	<u>1,644,981</u>	<u>4,914,465</u>	<u>6,559,446</u>
Related Debt			
Current debt	192,277	29,922	222,199
Long-term debt	<u>559,176</u>	<u>3,631,733</u>	<u>4,190,909</u>
Total	<u>751,453</u>	<u>3,661,655</u>	<u>4,413,108</u>
Net Investment in Capital Assets	<u>\$ 893,528</u>	<u>\$ 1,252,810</u>	<u>\$ 2,146,338</u>

Additional information on the JCDA's capital assets can be found in Note 6 on pages 37 and 38 of this report.

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2025

Long-Term Debt

At the end of the fiscal year, the JCDA had total debt outstanding of \$6,124,051. 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 Government Debt Obligations

	<u>Current</u>	<u>Long Term</u>	<u>Total</u>
Downtown Centre	\$ 173,386	\$ 559,176	\$ 732,562
Cherry Street Project	15,138	66,919	82,057
Downtown Events Center	117,975	508,200	626,175
Commerce Street	27,273	109,089	136,362
Model Mill	60,000	720,000	780,000
Market Street	17,270	69,079	86,349
	<u>411,042</u>	<u>2,032,463</u>	<u>2,443,505</u>
Lease Liability	18,981	-	18,981
	<u>18,981</u>	<u>-</u>	<u>18,981</u>
<u>Business-Type Debt Obligations</u>			
John Sevier Center	<u>29,922</u>	<u>3,631,733</u>	<u>3,661,655</u>
Total JCDA Debt Obligations	<u>\$ 459,945</u>	<u>\$ 5,664,196</u>	<u>\$ 6,124,141</u>

Additional information on the JCDA's long-term debt can be found in Note 7 on pages 38-43 of this report.

**JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2025**

The following additional financial information, statements and notes can be found on pages 19-44:

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

Contacting the JCDA's Financial Management

This financial report is designed to provide a general overview of the JCDA's finances. If you have any questions about this report or need any additional information, contact John Steadman, Economic Development Financial and Incentive Manager at the City of Johnson City, at PO Box 2482, Johnson City, Tennessee 37605 or by email at jsteadman@johnsoncitytn.org

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 3,526,658	71,053	3,597,711
Accounts Receivable	-	8,527	8,527
Rental Security Deposit	600	-	600
Intergovernmental Receivables	475,979	-	475,979
Lease Receivable	183,144	-	183,144
Prepays	2,769	81,959	84,728
Restricted Cash and Deposits	-	483,852	483,852
Capital Assets, Not Depreciated	300,000	79,300	379,300
Capital Assets, Net of Accumulated Depreciation			
Buildings and Improvements	1,326,000	4,835,165	6,161,165
Right-of-Use Leased Building	18,981	-	18,981
TOTAL ASSETS	5,834,131	5,559,856	11,393,987
DEFERRED OUTFLOWS OF RESOURCES			
Tax Increment Financing Related	848,886	-	848,886
LIABILITIES			
Accounts Payable	488	20,413	20,901
Other Accrued Expenses	-	75,493	75,493
Other Accounts Payable	-	12,612	12,612
Accrued Interest Payable	37,088	-	37,088
Deposits Payable	-	40,094	40,094
Unearned Revenue	-	14,022	14,022
Noncurrent Liabilities			
Due Within One Year	430,023	29,922	459,945
Due in More Than One Year	2,032,463	3,631,733	5,664,196
TOTAL LIABILITIES	2,500,062	3,824,289	6,324,351
DEFERRED INFLOWS OF RESOURCES			
Lease Related	171,364	-	171,364
NET POSITION			
Net Investment in Capital Assets	893,438	1,252,810	2,146,248
Restricted by Enabling Legislation	1,803,455	-	1,803,455
Unrestricted	1,314,698	482,757	1,797,455
TOTAL NET POSITION	\$ 4,011,591	1,735,567	5,747,158

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, 2025

Functions/Programs	Expenses	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-Type Activities
Primary Government						
Governmental Activities						
General Government	\$ 333,601	175,695	340,027	-	182,121	-
Tax Increment Financing	313,011	-	1,043,243	-	730,232	-
Interest on Long-Term Debt	127,649	-	127,649	-	-	-
Total Governmental Activities	<u>774,261</u>	<u>175,695</u>	<u>1,510,919</u>	<u>-</u>	<u>912,353</u>	<u>-</u>
Business-Type Activities						
John Sevier Center	<u>1,777,148</u>	<u>2,112,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>335,167</u>
Total Business-Activities	<u>1,777,148</u>	<u>2,112,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>335,167</u>
Total Primary Government	<u>\$ 2,551,409</u>	<u>2,288,010</u>	<u>1,510,919</u>	<u>-</u>	<u>912,353</u>	<u>335,167</u>
General Revenues						
Interest					106,137	-
Total General Revenues					<u>106,137</u>	<u>-</u>
Change in Net Position					1,018,490	335,167
Net Position - Beginning of Fiscal Year					<u>2,993,101</u>	<u>1,400,400</u>
Net Position - End of Fiscal Year					<u>\$ 4,011,591</u>	<u>1,735,567</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, 2025

	General Fund	Special Revenue Fund - TIF	Total Governmental Funds
ASSETS			
Cash	\$ 1,048,701	2,477,957	3,526,658
Due From Other Funds	16,808	-	16,808
Customer Security Deposits	600	-	600
Lease Receivable	183,144	-	183,144
Intergovernmental Receivables	-	475,979	475,979
TOTAL ASSETS	\$ 1,249,253	2,953,936	4,203,189
LIABILITIES			
Due to Other Funds	\$ -	16,808	16,808
Accounts Payable	488	-	488
TOTAL LIABILITIES	488	16,808	17,296
DEFERRED INFLOWS OF RESOURCES			
Lease Related	171,364	-	171,364
Unavailable Revenue - Intergovernmental	-	475,979	475,979
TOTAL DEFERRED INFLOWS OF RESOURCES	171,364	475,979	647,343
FUND BALANCES			
Restricted for Tax Increment Financing Projects	-	2,461,149	2,461,149
Unassigned	1,077,401	-	1,077,401
TOTAL FUND BALANCES	1,077,401	2,461,149	3,538,550
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,249,253	2,953,936	4,203,189

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, 2025

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

Total Fund Balances of Governmental Funds	\$ 3,538,550
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,644,981
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.	848,886
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(2,462,486)
Accrued interest payable on the long-term liabilities does not require the use of current financial resources and is not reported in the governmental funds.	(37,088)
Deferred inflow of resources that are unavailable are not reported as revenue in the funds. Since these have been earned, they are reported as revenue at the government-wide level.	<u>475,979</u>
Net Position of Governmental Activities	<u><u>\$ 4,011,591</u></u>

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

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2025

	General Fund	Special Revenue Fund - TIF	Total Governmental Funds
REVENUES			
Intergovernmental Revenue	\$ 340,000	1,341,447	1,681,447
Administrative Fee Income	32,931	-	32,931
Revenue from Use of Property	142,764	-	142,764
Miscellaneous	31,938	74,226	106,164
TOTAL REVENUES	547,633	1,415,673	1,963,306
EXPENDITURES			
Current			
General Government	285,846	-	285,846
Redevelopment Projects	-	313,011	313,011
Debt Service			
Principal - Long-Term Debt	-	398,639	398,639
Principal - Lease Obligations	23,196	-	23,196
Interest - Long-Term Debt	-	108,398	108,398
TOTAL EXPENDITURES	309,042	820,048	1,129,090
OTHER FINANCING SOURCES (USES)			
Transfers Out	(244,004)	(244,004)	(488,008)
Transfers In	244,004	-	244,004
TOTAL OTHER FINANCING SOURCES (USES)	-	(244,004)	(244,004)
Excess (Deficiency) of Revenues Over (Under) Expenditures	238,591	351,621	590,212
Fund Balances, Beginning of Fiscal Year	838,810	2,109,528	2,948,338
Fund Balances, End of Fiscal Year	<u>\$ 1,077,401</u>	<u>2,461,149</u>	<u>3,538,550</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, 2025**

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

Net Change in Fund Balances - Total Governmental Funds	\$ 590,212
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. This is the amount by which depreciation (\$49,002) exceeded capital outlays \$0 in the current period.	(49,002)
The receipt of Tax Increment Financing (TIF) payments in future years will be used to make the interest and principal payments on long-term debt associated with TIF projects. The amount of deferred outflows for these payments decreased by \$156,743.	(156,743)
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 and lease financing. The decrease in the accrued interest was \$6,868, and the activity related to long-term debt included \$398,639.	405,507
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 \$13,812.	(13,812)
A transfer reported in the Statement of Activities did not require the use of current financial resources and therefore was not reported in the governmental funds.	<u>242,328</u>
Change in Net Position of Governmental Activities	<u><u>\$ 1,018,490</u></u>

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

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 340,000	340,000	340,000	-
Administrative Fee Income	36,000	65,967	32,931	(33,036)
Revenue from Use of Property	126,000	126,001	142,764	16,763
Miscellaneous	-	-	31,938	31,938
TOTAL REVENUES	502,000	531,968	547,633	15,665
EXPENDITURES				
General Government	502,000	365,859	309,042	56,817
TOTAL EXPENDITURES	502,000	365,859	309,042	56,817
Excess (Deficiency) of Operating Revenues Over (Under) Operating Expenditures	-	166,109	238,591	72,482
OTHER FINANCING SOURCES (USES)				
Transfers In	-	244,005	244,004	(1)
Transfers Out	-	(244,005)	(244,004)	1
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	166,109	238,591	72,482
Fund Balance, Beginning of Fiscal Year	838,810	838,810	838,810	-
Fund Balance, End of Fiscal Year	\$ 838,810	1,004,919	1,077,401	72,482

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, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,100,000	1,341,447	1,341,447	-
Miscellaneous	360,000	76,417	74,226	(2,191)
TOTAL REVENUES	1,460,000	1,417,864	1,415,673	(2,191)
EXPENDITURES				
TIF Projects	1,233,247	902,960	820,048	82,912
TOTAL EXPENDITURES	1,233,247	902,960	820,048	82,912
Excess (Deficiency) of Operating Revenues Over (Under) Expenditures	226,753	514,904	595,625	80,721
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(244,004)	(244,004)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(244,004)	(244,004)	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	226,753	270,900	351,621	80,721
Fund Balance, Beginning of Fiscal Year	2,109,528	2,109,528	2,109,528	-
Fund Balance, End of Fiscal Year	<u>\$ 2,336,281</u>	<u>2,380,428</u>	<u>2,461,149</u>	<u>80,721</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 - JOHN SEVIER CENTER
STATEMENT OF NET POSITION
June 30, 2025

ASSETS	
Current Assets	
Cash	\$ 71,053
Tenant Receivables	4,608
Accounts Receivable - HUD	3,919
Prepaid Expenses	81,959
Total Current Assets	<u>161,539</u>
Capital Assets	
Land	79,300
Buildings and Improvements	5,560,411
Furniture and Fixtures	34,952
Less: Accumulated Depreciation	<u>(760,198)</u>
Net Capital Assets	<u>4,914,465</u>
Restricted Assets	
Cash Restricted for Security Deposits	43,333
Cash Restricted for Reserve Account	<u>440,519</u>
Total Restricted Assets	<u>483,852</u>
TOTAL ASSETS	<u>5,559,856</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	20,413
Other Accounts Payable	12,612
Accrued Wages	6,170
Other Accrued Liabilities	12,215
Accrued Audit Fee	24,000
Accrued Management Fee Payable	11,776
Accrued Mortgage Interest Payable	21,332
Deposits Payable	40,094
Mortgage Payable - Current Portion	29,922
Unearned Revenue	<u>14,022</u>
Total Current Liabilities	<u>192,556</u>
Noncurrent Liabilities	
Long Term Debt-Net of Current Portion	<u>3,631,733</u>
Total Noncurrent Liabilities	<u>3,631,733</u>
TOTAL LIABILITIES	<u>3,824,289</u>
NET POSITION	
Net Investment in Capital Assets	1,252,810
Unrestricted (Deficit)	<u>482,757</u>
TOTAL NET POSITION	<u>\$ 1,735,567</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 - JOHN SEVIER CENTER
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2025**

OPERATING REVENUES	
Rent Revenue	
Rent Revenue	\$ 2,112,141
Less: Vacancies	<u>(35,875)</u>
Total Rent Revenue	2,076,266
Other Revenue	<u>36,049</u>
TOTAL OPERATING REVENUES	<u>2,112,315</u>
OPERATING EXPENSES	
Administrative Expenses	418,921
Utilities Expense	93,769
Operating and Maintenance Expenses	601,754
Taxes and Insurance	191,487
Depreciation	<u>174,555</u>
TOTAL OPERATING EXPENSES	<u>1,480,486</u>
OPERATING INCOME (LOSS)	<u>631,829</u>
NONOPERATING REVENUES (EXPENSES)	
Major Building Repairs	(62,212)
Interest Expenses and Related Debt Costs	<u>(234,450)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(296,662)</u>
Change in Net Position	335,167
Net Position, Beginning of Fiscal Year	<u>1,400,400</u>
Net Position, End of Fiscal Year	<u><u>\$ 1,735,567</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 - JOHN SEVIER CENTER
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Rents	\$ 2,330,198
Cash Received from Other Revenues	36,049
Cash Received for Tenant Security Deposits	6,095
Cash Paid for Administration	(147,875)
Cash Paid for Management Fees	(144,111)
Cash Paid for Utilities	(93,769)
Cash Paid for Wages	(268,164)
Cash Paid for Operations and Maintenance	(473,087)
Cash Paid for Property Insurance	(182,832)
Cash Paid for Miscellaneous Tax and Insurance	(53,872)
Cash Paid for Other Operating Expenses	<u>(20,724)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>987,908</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Payments to JCDA	<u>(143,020)</u>
NET CASH USED FOR NONCAPITAL FINANCING ACTIVITIES	<u>(143,020)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest Paid on Capital Debt	(218,324)
Principal Payments on Long-Term Capital Debt	(80,695)
Purchase of Equipment - Construction Projects	(259,433)
Major Building Repairs	(62,212)
Miscellaneous Financial Expenses	<u>(8,986)</u>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(629,650)</u>
NET INCREASE IN CASH	215,238
Cash - Beginning of Fiscal Year	<u>339,667</u>
Cash - End of Fiscal Year	<u><u>\$ 554,905</u></u>

(Continued)

**JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
PROPRIETARY FUND - JOHN SEVIER CENTER
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2025**

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

Operating Income	\$ 631,829
Adjustments to Reconcile Operating Income (Loss) to net cash provided by operating activities:	
Depreciation	174,555
(Increase) Decrease in Tenant Receivables	10,072
(Increase) Decrease in Interfund Receivables	242,328
(Increase) Decrease in Prepaid Expenses	(65,940)
Increase (Decrease) in Accounts Payable	(8,107)
Increase (Decrease) in Other Accrued Liabilities	2,857
Increase (Decrease) in Accrued Wages	1,198
Increase (Decrease) in Accrued Management Fee	897
Increase (Decrease) in Accrued Audit Fee	2,000
Increase (Decrease) in Due to Management Company	(11,407)
Increase (Decrease) in Deposits Payable	6,095
Increase (Decrease) in Unearned Rent	1,531
	<u>1,531</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 987,908

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

Cash	\$ 71,053
Restricted Cash - Security Deposits	43,333
Restricted Cash - Reserve Account	440,519
Total Cash	<u><u>\$ 554,905</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
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

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 May 1985 by Private Act. 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, as provided by the Governmental Accounting Standards Board (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.

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 thirteen 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.

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The government reports the following major governmental funds:

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

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.

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Deposits and Investments

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

Budgets

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

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

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

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 \$1,803,455 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 for both governmental and proprietary funds.

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

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 \$2,461,149 restricted for TIF projects at fiscal year-end.

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

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

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

Use of Estimates

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

Subsequent Events

The JCDA has evaluated subsequent events through December 5, 2025, the date which the financial statements were available to be issued.

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 2 - DEPOSITS

The JCDA maintains deposit accounts at two commercial banks and at a credit union in Johnson City, Tennessee. The deposit accounts at the commercial banks are insured through the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The deposit account at the credit union is a share account that is required to be maintained in accordance with a debt agreement. The balance in the credit union as of June 30, 2025 was \$5.

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 requires that a reserve account be maintained for the purpose of funding repairs, maintenance and other operating expenses of the John Sevier Center. A separate bank account is also restricted for the tenant security deposits. At June 30, 2025, the carrying amount of the JCDA's governmental deposits was \$3,526,658 and the actual cash in bank was \$3,525,564.

The carrying amounts for the John Sevier Center in unrestricted cash and cash equivalents was \$71,053 and the cash in bank for the unrestricted was \$79,164. The carrying amounts in the restricted cash accounts were \$483,852 and the cash in bank for the restricted account was \$483,576.

NOTE 3 - RISK MANAGEMENT ACTIVITIES

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

NOTE 4 - ECONOMIC DEPENDENCY

The JCDA governmental funds have a significant dependence on Tax Increment Financing revenues received from the City of Johnson City and Washington County. For the fiscal year ended June 30, 2025, 72% of the revenues of the JCDA governmental funds were TIF revenues. The proprietary fund is heavily dependent on funds from HUD under the low-income housing assistance program (HAP) to subsidize charges for services.

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 5 - LEASE RECEIVABLE

The JCDA leases a building and parking garage in downtown Johnson City to the State of Tennessee on behalf of East Tennessee State University. On December 20, 2023 the JCDA entered into a lease for 2 years with regular monthly payments of \$10,500. This lease was renewed for an additional one-year term. The JCDA recognized \$142,764 in lease revenue and \$7,800 in interest revenue during the current fiscal year related to this lease. As of June 30, 2025, the JCDA's receivable for lease payments was \$183,144. Also, the JCDA has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2025, the balance of the deferred inflow of resources was \$171,364.

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2025 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 300,000	-	-	300,000
Total Capital Assets, Not Being Depreciated	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>300,000</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	1,720,978	-	-	1,720,978
Downtown Centre Improvements	41,849	-	-	41,849
Right-of-Use Leased Building	85,896	-	-	85,896
Less Accumulated Depreciation for:				
Buildings and Improvements	(383,631)	(43,024)	-	(426,655)
Downtown Centre Improvements	(4,194)	(5,978)	-	(10,172)
Right-of-Use Leased Building	<u>(3,586)</u>	<u>(63,329)</u>	<u>-</u>	<u>(66,915)</u>
Net Capital Asset, Being Depreciated	<u>1,457,312</u>	<u>(112,331)</u>	<u>-</u>	<u>1,344,981</u>
Net Governmental Activities Capital Assets	<u>\$ 1,757,312</u>	<u>(112,331)</u>	<u>-</u>	<u>1,644,981</u>

Depreciation expense of \$49,002 and amortization expense of \$63,329 was charged to the general government function in the Statement of Activities. Net investment in capital assets of \$893,438 is calculated as the total net capital asset amount of \$1,644,981 less the outstanding debt on the Downtown Centre Building of \$732,562 and the lease liability of \$18,981.

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 6 - CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 79,300	-	-	79,300
Construction in Progress	119,355	-	(119,355)	-
Total Capital Assets, Not Being Depreciated	198,655	-	(119,355)	79,300
Capital Assets, Being Depreciated:				
Buildings	4,424,548	-	-	4,424,548
Building Improvements	757,075	378,789	-	1,135,864
Furniture and Fixtures	34,952	-	-	34,952
Less Accumulated Depreciation for:				
Buildings	(534,634)	(110,614)	-	(645,248)
Building Improvements	(46,156)	(61,611)	-	(107,767)
Furniture and Fixtures	(4,854)	(2,330)	-	(7,184)
Net Capital Asset, Being Depreciated	4,630,931	204,234	-	4,835,165
Net Governmental Activities Capital Assets	\$ 4,829,586	204,234	(119,355)	4,914,465

Depreciation expense of \$174,555 was charged to the proprietary fund. Net investment in capital assets was \$1,252,810 when calculated as the total net capital asset amount of \$4,914,465 less the outstanding debt on the John Sevier Center of \$3,661,655.

NOTE 7 - LONG-TERM DEBT

Governmental Activities

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%. 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, 2025, included \$167,304 of principal and \$32,204 of interest.

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Governmental Activities (Continued)

Total remaining payments due on this loan are as follows:

Fiscal Year	Principal	Interest	Total
2026	\$ 173,386	26,122	199,508
2027	179,593	19,915	199,508
2028	186,022	13,486	199,508
2029	193,561	6,826	200,387
Total	<u>\$ 732,562</u>	<u>66,349</u>	<u>798,911</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, 2025, the JCDA has paid \$112,200 in principal and \$21,722 in interest. Total remaining payments due on this note are as follows:

Fiscal Year	Principal	Interest	Total
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	134,475	1,679	136,154
Total	<u>\$ 626,175</u>	<u>40,709</u>	<u>666,884</u>

On February 26, 2016, the JCDA took out a loan at 3.72% in the amount of \$177,170 to fund a project for redevelopment of an obsolete warehouse on Cherry Street into retail and office space. The loan proceeds were paid out to the developer and property owner for project development. During the fiscal year ended June 30, 2025, the JCDA paid \$14,592 in principal and \$3,567 in interest.

Total payments due on this loan are as follows:

Fiscal Year	Principal	Interest	Total
2026	\$ 15,138	3,033	18,171
2027	15,701	2,470	18,171
2028	16,282	1,889	18,171
2029	16,893	1,889	18,782
2030	18,043	1,518	19,561
Total	<u>\$ 82,057</u>	<u>10,799</u>	<u>92,856</u>

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Governmental Activities (Continued)

In April 2018, the JCDA obtained approval for a loan in the amount of \$1,200,000 with an interest rate of 4.25% to purchase the Model Mill property. Upon the purchase, the property was transferred to the developer and the loan was dated May 1, 2019. Of the total amount borrowed, \$23,064 was paid out of the loan proceeds for closing costs. Quarterly interest payments will be made with an annual principal payment each May. During the fiscal year ended June 30, 2025, the JCDA paid \$60,000 in principal and \$36,231 in interest. Total remaining payments due on this loan are as follows:

Fiscal Year	Principal	Interest	Total
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
2031-2035	300,000	77,613	377,613
2036-2038	180,000	15,533	195,533
Total	<u>\$ 780,000</u>	<u>235,423</u>	<u>1,015,423</u>

In May 2019, the JCDA took out a loan at 5.50% in the amount of \$300,000 to fund a project for redevelopment of property on Commerce Street. The loan proceeds were paid out to the developer and property owner for project development. During the fiscal year ended June 30, 2025, the JCDA paid \$27,273 in principal and \$9,146 in interest.

Total remaining payments on this loan are as follows:

Fiscal Year	Principal	Interest	Total
2026	\$ 27,273	7,608	34,881
2027	27,273	6,082	33,355
2028	27,272	4,575	31,847
2029	27,272	3,043	30,315
2030	27,272	1,521	28,793
Total	<u>\$ 136,362</u>	<u>22,829</u>	<u>159,191</u>

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Governmental Activities (Continued)

On January 16, 2020, the JCDA obtained approval for a loan that was issued May 1, 2020 at 5.25% in the amount of \$172,699 to fund a project for redevelopment of property on Market Street. The loan proceeds were paid out to the developer and property owner for project development. During the fiscal year ended June 30, 2025, the JCDA paid \$17,270 in principal and \$5,228 in interest. Total remaining payments on this loan are as follows:

Fiscal Year	Principal	Interest	Total
2026	\$ 17,270	4,596	21,866
2027	17,270	3,677	20,947
2028	17,270	2,765	20,035
2029	17,270	1,839	19,109
2030	17,269	919	18,188
Total	<u>\$ 86,349</u>	<u>13,796</u>	<u>100,145</u>

Governmental Activities (Lease Liability)

On May 1, 2024, the JCDA began regular monthly payments of \$1,933 for two office spaces in the King's Centre Building for 24 months at an interest rate of 4.00%. The total balance outstanding on this lease as of June 30, 2025 was \$18,981. Future minimum lease payments as of June 30, 2025 are:

Fiscal Year	Principal	Interest	Total
2026	\$ 18,981	350	19,331
Total	<u>\$ 18,981</u>	<u>350</u>	<u>19,331</u>

Total annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2026	\$ 430,023	89,756	519,779
2027	421,112	74,542	495,654
2028	431,421	59,458	490,879
2029	442,871	44,447	487,318
2030	257,059	28,906	285,965
2031-2035	300,000	77,613	377,613
2036-2038	180,000	15,533	195,533
Total	<u>\$ 2,462,486</u>	<u>390,255</u>	<u>2,852,741</u>

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Business-Type Activities

On September 5, 2019, the JCDA purchased the John Sevier Center for \$4,100,000 plus closing costs and other related expenses with a loan of \$4,600,000. In addition to the property being pledged for the payment of the debt, the rents received from tenants and from the low-income housing assistance received were assigned as payment for the loan. The loan is at 4.55% interest and no principal payments were due until August of 2020. At that time, a payment of \$500,000 was made toward the principal. Both principal and interest payments became due beginning in September 2020 and are due over the next 24 months. In August 2022, a modification was made that requires equal principal and interest payments over the next 24 months with the remaining balance being due in full in September 2024. In August 2024, an extension was made that requires the remaining balance due in full in December 2024. In November 2024, a modification was made that requires equal principal and interest payments over the next 24 months with the remaining balance being due in full on December 1, 2026.

Upon the occurrence of any Event of Default, the balance may, at its option, without written notice to borrower, except as required within the agreement, declare the entire unpaid principal balance of the note, all interest accrued and unpaid thereon and all other amounts payable under this loan agreement to be immediately due and payable for all purposes, and may exercise all rights and remedies available to it under any instrument or document securing the loan, or available at law or in equity. All such rights and remedies are cumulative and nonexclusive and may and may be exercised by the Bank concurrently or sequentially, in such order as the bank may choose.

The total principal payments for the year ended June 30, 2025 were \$80,695 and the total interest and related charges was \$225,464.

Fiscal Year	Principal	Interest	Total
2026	\$ 29,922	54,547	84,469
2027	3,631,733	126,967	3,758,700
	<u>\$ 3,661,655</u>	<u>181,514</u>	<u>3,843,169</u>

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Total Long-Term Obligations

Long-term liability activity for the year ended June 30, 2025 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Notes Payable					
Collateralized by property	\$ 899,866	-	(167,304)	732,562	173,386
Collateralized by pledge revenues	1,942,278	-	(231,335)	1,710,943	237,656
Right-of-Use Leased Assets	82,310	-	(63,329)	18,981	18,981
	<u>\$ 2,924,454</u>	<u>-</u>	<u>(461,968)</u>	<u>2,462,486</u>	<u>430,023</u>
Business-type Activities:					
Notes Payable					
Collateralized by property and pledge of revenues	<u>\$ 3,742,350</u>	<u>-</u>	<u>(80,695)</u>	<u>3,661,655</u>	<u>29,922</u>

Total interest expense of \$104,453 has been included as a direct function expense in the Statement of Activities in the governmental activities and \$108,398 in the fund level statement of revenues, expenditures and changes in fund balances, since it is related to TIF funded projects.

Interest and related debt expense of \$225,464 has been included in the statement of revenues, and expenses and changes in net position for the John Sevier Center.

NOTE 8 - LEASE PAYABLE

During 2024, the JCDA entered into a two-year lease agreement as lessee for an office space. An initial lease liability was recorded in the amount of \$85,896 during the current fiscal year. As of June 30, 2025, the value of the lease liability was \$18,981. The JCDA is required to make monthly principal and interest payments of \$1,933. The lease has an interest rate of 4%. The value of the right-to-use assets as of the end of June 30, 2024, was \$85,896 and had accumulated amortization of \$66,915.

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 9 - DUE TO/FROM OTHER FUNDS AND TRANSFERS

Certain expenses were paid by the General Fund for the TIF fund that were not repaid during the fiscal year. As of June 30, 2025, the total amount of \$16,808 is due to the General Fund.

The TIF Fund transferred \$244,004 to the General Fund to fund capital improvements for the John Sevier Center. Those funds were then transferred to the John Sevier Center from the General Fund to reimburse those expenses. A receivable was recorded in the financial statements of the proprietary fund in the prior year.

NOTE 10 – MANAGEMENT SERVICES ARRANGEMENT

The JCDA utilized the services of a property management company to oversee and manage the property and operations of the John Sevier Center. The agreement has a one-year term and automatically renews each year unless either party cancels prior to the anniversary date. The property management fees were 7% of revenues. The John Sevier Center owed \$11,776 to the management company at June 30, 2025 for management fees payable. For the year ended June 30, 2025, the total fees paid for management services were \$145,008.

NOTE 11 – CONTINGENT LIABILITY

The JCDA was the defendant in a lawsuit in the prior year. The lawsuit was resolved; therefore, no liability has been recorded by the JCDA.

NOTE 12 – SUBSEQUENT EVENTS

Also, on May 9, 2022, the JCDA signed an agreement with the Industrial Development Board (IDB) of the City of Johnson City to facilitate the development of approximately 145 new units of affordable housing that will provide safe, energy-efficient affordable housing at a new site with enhanced amenities to current residents of the existing project as well as continuing the redevelopment at the existing site. The IDB has identified a site for the new project located in Johnson City. The owner of the project is Roan Hill, LP and the current property management company will oversee operations of the new site (“the Tapestry”). The Housing Assistance Payment (HAP) contract will transfer from the John Sevier Center to the Tapestry. The IDB has agreed to make a loan no less than the amount of \$5,943,525 for purposes of economic development to Roan Hill, LP. The new site, The Tapestry, is currently under construction and set to be completed in October 2025 with residents to be relocated by mid-November. The JCDA is currently exploring options to repurpose the John Sevier Center.

SUPPLEMENTARY INFORMATION

**JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2025**

Federal Grantor/ Pass-Through Grantor	Cluster Name/ Program Title	Assistance Listing Number	Expenditures
United States Department of Housing and Urban Development	Section 8 - Project-Based Cluster		
Tennessee Department of Housing and Urban Development	Section 8 - Housing Assistance Payments Program	14.195	\$ 1,672,056
Total Federal Expenditures			<u>\$ 1,672,056</u>

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the JCDA under programs of the federal government for the fiscal year ended June 30, 2025. Because the schedule presents only a selected portion of the operations of the JCDA, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the JCDA.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C: SUBRECIPIENTS

The JCDA had no subrecipients under these grants.

NOTE D: INDIRECT COST RATE

The JCDA has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

See Independent Auditors' Report.

**JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
For the Fiscal Year Ended June 30, 2025**

	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Last Maturity Date</u>	<u>Outstanding July 1, 2024</u>	<u>Issued During Period</u>	<u>Paid / Refunded During Period</u>	<u>Outstanding June 30, 2025</u>
GOVERNMENTAL ACTIVITIES:								
<u>LOANS PAYABLE:</u>								
GENERAL FUND:								
Northeast State Community College Loan No. 103819902	\$ 2,230,000	3.58%	8/1/2015	11/1/2028	899,866	-	(167,304)	732,562
TIF FUND:								
Farmer's Market	1,650,000	2.00% - 5.00%	12/18/2014	12/1/2029	738,375	-	(112,200)	626,175
Cherry Street Loan No. 104382255	177,170	3.72%	2/26/2016	12/31/2029	96,649	-	(14,592)	82,057
Model Mill Loan No. 3000012613	1,200,000	4.25%	5/1/2019	5/1/2038	840,000	-	(60,000)	780,000
Triple G Bank of TN / Carter Co. Bank	300,000	5.50%	5/1/2019	5/1/2030	163,635	-	(27,273)	136,362
MMM Enterprises Carter Co. Bank	172,699	5.25%	5/1/2020	5/1/2030	<u>103,619</u>	<u>-</u>	<u>(17,270)</u>	<u>86,349</u>
					<u>\$ 2,842,144</u>	<u>-</u>	<u>(398,639)</u>	<u>2,443,505</u>
BUSINESS-TYPE ACTIVITIES:								
<u>LOAN PAYABLE:</u>								
John Sevier Center	\$ 4,600,000	4.55%	9/5/2019	12/1/2026	<u>\$ 3,742,350</u>	<u>-</u>	<u>(80,695)</u>	<u>3,661,655</u>

See Independent Auditors' Report.

**JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF CHANGES IN LEASE OBLIGATIONS
For the Fiscal Year Ended June 30, 2025**

	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Last Maturity Date</u>	<u>Outstanding July 1, 2024</u>	<u>Issued During Period</u>	<u>Paid / Refunded During Period</u>	<u>Remeasurements</u>	<u>Outstanding June 30, 2025</u>
GOVERNMENTAL ACTIVITIES:									
<u>LEASE PAYABLE:</u>									
GENERAL FUND:									
Right-of-Use Leased Building	\$ 85,896	4.00%	5/1/2024	4/30/2026	82,310	-	(21,985)	(41,344)	18,981
Total Lease Payable - Governmental Activities					<u>\$ 82,310</u>	<u>-</u>	<u>(21,985)</u>	<u>(41,344)</u>	<u>18,981</u>

See Independent Auditors' Report.

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF LONG-TERM LEASE PRINCIPAL AND INTEREST
GENERAL FUND
For the Fiscal Year Ended June 30, 2025

Right-of-Use Leased Building			
Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 18,981	350	19,331
Total	\$ 18,981	350	19,331

See Independent Auditors' Report.

**JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST
GENERAL FUND
For the Fiscal Year Ended June 30, 2025**

Downtown Centre			
Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 173,386	26,122	199,508
2027	179,593	19,915	199,508
2028	186,022	13,486	199,508
2029	193,561	6,826	200,387
	\$ 732,562	66,349	798,911

See Independent Auditors' Report.

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST
TIF FUND
For the Fiscal Year Ended June 30, 2025

Farmer's Market

Fiscal Year Ending June 30	Principal	Interest	Total
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	134,475	1,679	136,154
	<u>\$ 626,175</u>	<u>40,709</u>	<u>666,884</u>

Cherry Street

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 15,138	3,033	18,171
2027	15,701	2,470	18,171
2028	16,282	1,889	18,171
2029	16,893	1,889	18,782
2030	18,043	1,518	19,561
	<u>\$ 82,057</u>	<u>10,799</u>	<u>92,856</u>

Triple G

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 27,273	7,608	34,881
2027	27,273	6,082	33,355
2028	27,272	4,575	31,847
2029	27,272	3,043	30,315
2030	27,272	1,521	28,793
	<u>\$ 136,362</u>	<u>22,829</u>	<u>159,191</u>

(Continued)

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST
TIF FUND
For the Fiscal Year Ended June 30, 2025

Model Mill			
Fiscal Year Ending June 30	Principal	Interest	Total
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	20,683	80,683
2032	60,000	18,148	78,148
2033	60,000	15,513	75,513
2034	60,000	12,926	72,926
2035	60,000	10,343	70,343
2036	60,000	7,778	67,778
2037	60,000	5,169	65,169
2038	60,000	2,586	62,586
	\$ 780,000	235,423	1,015,423

MMM Enterprises			
Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 17,270	4,596	21,866
2027	17,270	3,677	20,947
2028	17,270	2,765	20,035
2029	17,270	1,839	19,109
2030	17,269	919	18,188
	\$ 86,349	13,796	100,145

See Independent Auditors' Report.

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST
JOHN SEVIER CENTER
For the Fiscal Year Ended June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 29,922	54,547	84,469
2027	3,631,733	126,967	3,758,700
	<u>\$ 3,661,655</u>	<u>181,514</u>	<u>3,843,169</u>

See Independent Auditors' Report.

JOHN SEVIER CENTER
A PROPRIETARY FUND OF JOHNSON CITY DEVELOPMENT AUTHORITY
PROJECT #TN37-0070-001
SCHEDULE OF BALANCE SHEET DATA
June 30, 2025

ASSETS

CURRENT ASSETS

1120 Cash - Operations	\$ 71,053
1130 Tenant / Member Receivable (Coops)	21,623
1131 Less: Allowance for Doubtful Accounts	(17,015)
1130N Net Tenant Accounts Receivable	4,608
1135 Accounts Receivable - HUD	3,919
1200 Prepaid Expenses	81,959
 1100T Total Current Assets	 161,539

TENANT SECURITY DEPOSITS

1191 Tenant Security Deposits	43,333
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RESTRICTED DEPOSITS

1330 Other Reserves - Reserve Account	440,519
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PROPERTY AND EQUIPMENT

1410 Land	79,300
1420 Building	5,560,411
1450 Furniture for Project / Tenant Use	34,952
1400T Total Fixed Assets	5,674,663
1495 Less: Accumulated Depreciation	(760,198)

1400N Net Fixed Assets	4,914,465
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1000T TOTAL ASSETS	\$ 5,559,856
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(Continued)

JOHN SEVIER CENTER
A PROPRIETARY FUND OF JOHNSON CITY DEVELOPMENT AUTHORITY
PROJECT #TN37-0070-001
SCHEDULE OF BALANCE SHEET DATA
June 30, 2025

LIABILITIES

CURRENT LIABILITIES

2110 Accounts Payable	\$	20,413
2120 Accrued Wages		6,170
2123 Accrued Management Fee Payable		11,776
2131 Accrued Interest Payable - First Mortgage		21,332
2170 Mortgage Payable - First Mortgage		29,922
2190 Miscellaneous Current Liabilities		48,827
2210 Prepaid Revenue		<u>14,022</u>
2122T Total Current Liabilities		<u>152,462</u>

TENANT SECURITY DEPOSITS

2191 Deposits Payable		<u>40,094</u>
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NON CURRENT LIABILITIES

2320 Mortgage Payable - Net of Current Portion		<u>3,631,733</u>
2300T Total Long Term Liabilities		<u>3,631,733</u>

2000T TOTAL LIABILITIES		<u>3,824,289</u>
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NET ASSETS

Net Assets Without Donor Restrictions, Beginning		1,400,400
Net Income (Loss)		<u>335,167</u>

3131 NET ASSETS WITHOUT DONOR RESTRICTIONS		<u>1,735,567</u>
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3130 TOTAL NET ASSETS		<u>1,735,567</u>
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2033T TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 5,559,856</u></u>
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See Independent Auditors' Report.

JOHN SEVIER CENTER
A PROPRIETARY FUND OF JOHNSON CITY DEVELOPMENT AUTHORITY
PROJECT #TN37-0070-001
SCHEDULE OF PROFIT AND LOSS DATA
For the Fiscal Year Ended June 30, 2025

REVENUES	
5120 Rent Revenue - Gross Potential	\$ 440,085
5121 Tenant Assistance Payments	1,661,235
5190 Miscellaneous Rent Revenue	26,884
5193 Special Claims Revenue	10,821
5100T Total Rent Revenue	<u>2,139,025</u>
5220 Vacancies - Apartments	(35,875)
5152N Total Rental Revenue	<u>2,103,150</u>
5910 Laundry and Vending	875
5920 Tenant Charges	8,290
5900T Total Other Revenue	<u>9,165</u>
5000T TOTAL REVENUES	<u>2,112,315</u>
OPERATING EXPENSES	
Administrative Expenses	
6203 Conventions and Meeting	1,544
6210 Advertising and Marketing	11,427
6310 Office Salaries	44,162
6311 Office Expense	14,211
6320 Management Fee	145,008
6330 Manager's Salary	78,543
6340 Legal Expense	10,243
6350 Audit Expense	24,000
6351 Bookkeeper Expenses	3,500
6370 Bad Debts	43,734
6390 Miscellaneous Administrative Expenses	42,549
6263T Total Administrative Expenses	<u>418,921</u>
Utilities	
6450 Electricity	30,458
6451 Water	19,770
6452 Natural Gas	2,230
6453 Sewer	41,311
6400T Total Utilities Expense	<u>93,769</u>

(Continued)

JOHN SEVIER CENTER
A PROPRIETARY FUND OF JOHNSON CITY DEVELOPMENT AUTHORITY
PROJECT #TN37-0070-001
SCHEDULE OF PROFIT AND LOSS DATA
For the Fiscal Year Ended June 30, 2025

OPERATING EXPENSES (CONTINUED)

Operating and Maintenance

6510 Payroll	145,325
6515 Supplies	60,082
6520 Contracts	205,173
6525 Garbage and Trash Removal	18,349
6530 Security Payroll / Contract	159,833
6546 Heating / Cooling Repair	17,253
6590 Miscellaneous Operating Expense	57,951
6500T Total Operating and Maintenance Expenses	663,966

Taxes and Insurance

6711 Payroll Taxes	20,723
6720 Property and Liability Insurance	116,892
6722 Workmen's Compensation	5,174
6723 Health Insurance and Other Employee Benefits	48,173
6790 Miscellaneous Taxes, Licenses, Permits, and Insurance	525
6700T Total Taxes and Insurance	191,487

Financial Expenses

6830 Interest on Note Payable (Long-Term)	225,464
6890 Miscellaneous Financial Expenses	8,986
6800T Total Financial Expenses	234,450

OPERATING RESULTS

6000T Total Cost of Operations before Depreciation	1,602,593
5060T Profit (Loss) before Depreciation	509,722
6600 Depreciation	174,555
5060N Operating Profit (Loss)	335,167

CHANGE IN NET ASSETS FROM OPERATIONS

3250 Change in Total Net Assets from Operations	\$ 335,167
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Part II

S1000-010 Total First Mortgage principal payments	80,695
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See Independent Auditors' Report.

JOHN SEVIER CENTER
A PROPRIETARY FUND OF JOHNSON CITY DEVELOPMENT AUTHORITY
PROJECT #TN37-0070-001
SCHEDULE OF EQUITY DATA
For the Fiscal Year Ended June 30, 2025

S1100-060 Previous Year Net Assets Without Donor Restrictions	\$ 1,400,400
3247 Change in Net Assets Without Donor Restrictions	<u>335,167</u>
3131 Net Assets Without Donor Restrictions	<u>\$ 1,735,567</u>
S1100-050 Previous Year Total Net Assets	\$ 1,400,400
3250 Change in Total Net Assets from Operations	<u>335,167</u>
3130 Total Net Assets	<u>\$ 1,735,567</u>

See Independent Auditors' Report.

JOHN SEVIER CENTER
A PROPRIETARY FUND OF JOHNSON CITY DEVELOPMENT AUTHORITY
PROJECT #TN37-0070-001
SCHEDULE OF CASH FLOW DATA
For the Fiscal Year Ended June 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES		
S1200-010	Rental Receipts	\$ 2,330,198
S1200-030	Other Operating Receipts	36,049
S1200-040	Total Receipts	<u>2,366,247</u>
S1200-050	Administrative	(147,875)
S1200-070	Management Fees	(144,111)
S1200-090	Utilities	(93,769)
S1200-100	Salaries and Wages	(268,164)
S1200-110	Operating and Maintenance	(535,298)
S1200-140	Property Insurance	(182,832)
S1200-150	Miscellaneous Tax and Insurance	(53,872)
S1200-160	Tenant Security Deposits	109
S1200-170	Other Operating Expenses	(20,724)
S1200-180	Interest on First Mortgage	(218,324)
S1200-230	Total Disbursements	<u>(1,664,860)</u>
S1200-240	NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>701,387</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
S1200-255	Net Deposits from Other Reserves	(254,990)
S1200-330	Purchase of Fixed Assets	<u>(259,433)</u>
S1200-350	NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(514,423)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
S1200-360	Principal Payments on Mortgage Payable	(80,695)
S1200-410	Principal Payments on Operating Loss Loan Payable	(143,020)
S1200-450	Other Financing Activities	(8,986)
S1200-460	NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(232,701)</u>
S1200-470	NET INCREASE (DECREASE) IN CASH	(45,737)
S1200-480	CASH AT BEGINNING OF YEAR	<u>116,790</u>
S1200T	CASH AT END OF YEAR	<u>\$ 71,053</u>

See Independent Auditors' Report.

JOHN SEVIER CENTER
A PROPRIETARY FUND OF JOHNSON CITY DEVELOPMENT AUTHORITY
PROJECT #TN37-0070-001
COMPUTATION OF SURPLUS CASH
For the Fiscal Year Ended June 30, 2025

S1300-010 Cash	\$ 114,386
1135 Accounts Receivable - HUD	3,919
S1300-040 Total Cash	<u>118,305</u>
Current Obligations	
S1300-050 Accrued Mortgage Interest Payable	21,332
S1300-075 Accounts Payable - 30 days	20,413
S1300-100 Accrued Expenses (Not Escrowed)	66,773
2210 Prepaid Rents	14,022
2191 Tenant Security Deposits Liability	40,094
S1300-140 Total Current Obligations	<u>162,634</u>
S1300-150 Surplus Cash (Deficiency)	<u>\$ (44,329)</u>
S1300-200 Amount Available for Distribution during Next Fiscal Period	<u>\$ -</u>

See Independent Auditors' Report.

JOHN SEVIER CENTER
A PROPRIETARY FUND OF JOHNSON CITY DEVELOPMENT AUTHORITY
PROJECT #TN37-0070-001
SCHEDULE OF FIXED ASSETS
For the Fiscal Year Ended June 30, 2025

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
1410 Land	\$ 79,300	-	-	79,300
1420 Buildings and Building Upgrades	5,181,623	378,788	-	5,560,411
1450 Furniture and Fixtures for Project / Tenant Use	34,952	-	-	34,952
1490 CIP	119,355	-	(119,355)	-
1400T TOTAL FIXED ASSETS	<u>\$ 5,415,230</u>	<u>378,788</u>	<u>(119,355)</u>	<u>5,674,663</u>
1495 Accumulated Depreciation	<u>\$ (585,643)</u>	<u>(174,555)</u>	<u>-</u>	<u>(760,198)</u>
1400N TOTAL NET BOOK VALUE				<u>\$ 4,914,465</u>

See Independent Auditors' Report.

JOHN SEVIER CENTER
A PROPRIETARY FUND OF JOHNSON CITY DEVELOPMENT AUTHORITY
PROJECT #TN37-0070-001
SCHEDULE OF MISCELLANEOUS DETAILS
For the Fiscal Year Ended June 30, 2025

2190	Miscellaneous Current Liabilities		
	1 Other Accrued Liabilities	\$	12,215
	2 Other Accounts Payable		12,612
	3 Accrued Audit Fee		24,000
	Total		\$ 48,827
5190	Miscellaneous Rent Revenue		
	1 Other Income	\$	3,922
	2 Late Fees		2,122
	3 Damages		20,840
	Total		\$ 26,884
6390	Miscellaneous Administrative Expense		
	1 Miscellaneous Administrative Expense	\$	2,532
	2 Meals and Entertainment		713
	3 Computer Expense		14,474
	4 Travel Expenses		1,395
	5 Bank Charges		5,063
	6 Professional Fees		13,814
	7 Payroll Processing Fee		1,332
	8 Mileage		2,866
	9 Dues and Subscriptions		360
	Total		\$ 42,549
6590	Miscellaneous Operating and Maintenance		
	1 Appliances	\$	13,740
	2 Carpentry		30,024
	3 Uniform Expense		1,288
	4 Fire Casualty Loss Expense		12,899
	Total		\$ 57,951

See Independent Auditors' Report.

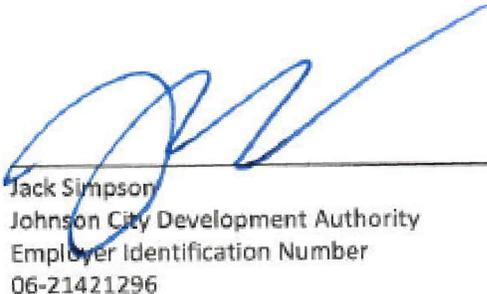


**JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
PROPRIETARY FUND – JOHN SEVIER CENTER
PROJECT #TN37-0070-001**

CERTIFICATION OF PROJECT OWNER

I hereby certify that I have examined the accompanying financial statements and supplementary information of the John Sevier Center, a Proprietary Fund of the Johnson City Development Authority, Project #TN37-0070-001, and to the best of my knowledge and belief, the same are complete and accurate.

Signed this 5th day of December, 2025
Johnson City Development Authority



Jack Simpson
Johnson City Development Authority
Employer Identification Number
06-21421296

See Independent Auditors' Report.



**JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
PROPRIETARY FUND – JOHN SEVIER CENTER
PROJECT #TN37-0070-001**

CERTIFICATION OF MANAGEMENT AGENT

I hereby certify that I have examined the accompanying financial statements and supplementary information of the John Sevier Center, a Proprietary Fund of the Johnson City Development Authority, Project #TN37-0070-001, and to the best of my knowledge and belief, the same are complete and accurate.

Signed this 5th day of December, 2025
Johnson City Development Authority

A handwritten signature in blue ink that reads 'Kelly M. Kirby' is written over a horizontal line.

Kelly Kirby
LHP Management, LLC

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, 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, 2025, 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 5, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Purpose of this Report

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


BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

December 5, 2025

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
THE MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
AND THE CONSOLIDATED AUDIT GUIDE FOR AUDITS OF HUD PROGRAMS**

To the Board of Commissioners of the
Johnson City Development Authority

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Johnson City Development Authority (JCDA), a component unit of the City of Johnson City, Tennessee's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the JCDA's major federal program for the fiscal year ended June 30, 2025. The JCDA's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the JCDA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2025.

Basis for our Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the JCDA, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the JCDA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the JCDA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the JCDA's compliance with the requirements of the major federal program as a whole.

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

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

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

Report on Internal Control over Compliance

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

Johnson City Development Authority
Independent Auditors' Report on Compliance

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

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

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


BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

December 5, 2025

**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, 2025**

PRIOR FINANCIAL STATEMENT FINDINGS

Not applicable.

PRIOR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not applicable.

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2025

SECTION I - SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the governmental activities, the business-type activities, and each major fund of the JCDA.
2. No material weaknesses or significant deficiencies are reported.
3. There are no instances of noncompliance material to the financial statements of the JCDA, which are required to be reported in accordance with *Government Auditing Standards* and disclosed during the audit of the JCDA.
4. No material weaknesses in internal control over the major federal award program are disclosed during the audit of the JCDA.
5. The auditors' report on compliance for the major federal award program of the JCDA expresses an unmodified opinion on the major federal program.
6. There are no audit findings relative to the major federal award program that are required to be disclosed in accordance with Title 2 U.S. CFR section 200.516 (a) of the Uniform Guidance.
7. The program tested as major was:

<u>Program</u>	
HUD-Section 8-Housing Assistance Payments	Assistance Listing Number 14.195
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The JCDA was determined to be a low-risk auditee.