



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

AUDITED FINANCIAL STATEMENTS

2023

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, 2023

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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, 2023**

Hank Carr, Chairman

Shannon Castillo, Vice Chairman

Seth Thomas, Treasurer

Jodi Jones, Washington County Commission

Freddie Malone, Washington County Commission

Aaron Murphy, City of Johnson City Commission

Robert Williams, Past Chairman

Mayor Joe Wise, City of Johnson City Commission

Jack Simpson, Member

Jim Fickley, Member

Ernest Campbell, Member

Patricia C. Oldham, Executive Director

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of the
Johnson City Development Authority

Report on Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Johnson City Development Authority (JCDA), a component unit of the City of Johnson City, Tennessee, as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the JCDA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the JCDA, as of June 30, 2023, 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 these 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 schedules of long-term debt principal and interest on pages 48-53, supplemental schedules required by Housing and Urban Development (HUD) on pages 54-64 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, 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 September 26, 2023, 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

September 26, 2023

**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, 2023**

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, 2023. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

- ✓ The JCDA ended the fiscal year with \$3,062,186 in total net position. The net position for the governmental activities was \$2,783,953 and the net position for the business-type activities was \$278,233.
- ✓ The year ended with an increase in total net position of \$1,223,876, which included an increase of \$606,807 in the governmental activity and an increase in net position of \$617,069 for the business-type activities.
- ✓ The JCDA receives three different types of revenue in the governmental activities: public funds from the City of Johnson City for administrative and operational costs, lease revenue from Northeast State Community College and tax increment financing (TIF) revenue generated from property tax growth for the City of Johnson City and Washington County. The business-type activities are for the rental of the John Sevier Center.
- ✓ The Connect Downtown Johnson City Foundation, Inc. is a component unit of the JCDA. The organization, a 501(c)3, received \$152,223 in revenue from donations, grants, and fundraising and spent \$103,271 in providing projects and programs for the year ending June 30, 2023.

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.

**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, 2023**

Overview of the Financial Statements (Continued)

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

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

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

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

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

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

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

**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, 2023**

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 of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid. These tables reflect both the governmental activities and the business-type activities and as noted earlier for the JCDA, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$3,062,186.

JOHNSON CITY DEVELOPMENT AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2023

Overview of the Financial Statements (Continued)

Net Position - Table 1A

	2023	2022
Current and Other Assets	\$ 2,778,138	\$ 2,157,978
Capital Assets, Net	6,500,259	6,173,643
Total Assets	<u>9,278,397</u>	<u>8,331,621</u>
Deferred Outflows of Resources	<u>1,162,372</u>	<u>1,316,640</u>
Total Assets and Deferred Outflow of Resources	<u>10,440,769</u>	<u>9,648,261</u>
Current and Other Liabilities	756,181	1,359,840
Long-term Liabilities	6,622,402	6,450,111
Total Liabilities	<u>7,378,583</u>	<u>7,809,951</u>
Net Investment in Capital Assets	1,533,082	1,016,478
Restricted by Enabling Legislation	1,406,090	933,009
Unrestricted	123,014	(111,177)
Total Net Position	<u>3,062,186</u>	<u>1,838,310</u>
Total Liabilities and Net Position	<u>\$ 10,440,769</u>	<u>\$ 9,648,261</u>

Statement of Activities - Table 1B

	2023	2022
Charges for Services	\$ 2,185,435	\$ 1,089,243
Operating Grants and Contributions	<u>1,300,322</u>	<u>967,409</u>
Program Revenues	<u>3,485,757</u>	<u>2,056,652</u>
Other Financing Sources	75,894	-
Interest and Dividends	<u>17,651</u>	<u>4,803</u>
General Revenues	<u>93,545</u>	<u>4,803</u>
Total Revenues	<u>3,579,302</u>	<u>2,061,455</u>
General Government	417,786	296,418
Business Activities	1,556,366	1,357,614
Tax Increment Financing	<u>381,274</u>	<u>435,103</u>
Total Expenses	<u>2,355,426</u>	<u>2,089,135</u>
Change in Net Position	1,223,876	(27,680)
Net Position - Beginning	1,838,310	1,965,582
Prior Period Adjustment	<u>-</u>	<u>(99,592)</u>
Net Position - Ending	<u>\$ 3,062,186</u>	<u>\$ 1,838,310</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, 2023

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	
	2023	2022	2023	2022	2023	2022
Current and Other Assets	\$ 3,232,234	\$ 2,816,258	\$ (454,096)	\$ (658,280)	\$ 2,778,138	\$ 2,157,978
Capital Assets, Net	1,741,809	1,723,395	4,758,450	4,450,248	6,500,259	6,173,643
Total Assets	4,974,043	4,539,653	4,304,354	3,791,968	9,278,397	8,331,621
Deferred Outflows of Resources	1,162,372	1,316,640	-	-	1,162,372	1,316,640
Total Assets and Deferred Outflow of Resources	6,136,415	5,856,293	4,304,354	3,791,968	10,440,769	9,648,261
Current and Other Liabilities	469,084	445,083	287,097	914,757	756,181	1,359,840
Long-term Liabilities	2,883,378	3,234,064	3,739,024	3,216,047	6,622,402	6,450,111
Total Liabilities	3,352,462	3,679,147	4,026,121	4,130,804	7,378,583	7,809,951
Net Investment in Capital Assets	617,882	506,274	915,200	510,204	1,533,082	1,016,478
Restricted by Enabling Legislation	1,406,090	933,009	-	-	1,406,090	933,009
Unrestricted	759,981	737,863	(636,967)	(849,040)	123,014	(111,177)
Total Net Position	2,783,953	2,177,146	278,233	(338,836)	3,062,186	1,838,310
Total Liabilities and Net Position	\$ 6,136,415	\$ 5,856,293	\$ 4,304,354	\$ 3,791,968	\$ 10,440,769	\$ 9,648,261

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

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Charges for Services	\$ 12,000	\$ 12,000	\$ 2,173,435	\$ 1,077,243	\$ 2,185,435	\$ 1,089,243
Operating Grants and Contributions	1,300,322	967,409	-	-	1,300,322	967,409
Program Revenues	1,312,322	979,409	2,173,435	1,077,243	3,485,757	2,056,652
Other Financing Sources	75,894	-	-	-	75,894	-
Interest and Dividends	17,651	4,803	-	-	17,651	4,803
General Revenues	93,545	4,803	-	-	93,545	4,803
Total Revenues	1,405,867	984,212	2,173,435	1,077,243	3,579,302	2,061,455
General Government	417,786	339,442	-	-	417,786	339,442
Business Activities	-	-	1,556,366	1,357,614	1,556,366	1,357,614
Tax Increment Financing	381,274	392,079	-	-	381,274	392,079
Total Expenses	799,060	731,521	1,556,366	1,357,614	2,355,426	2,089,135
Change in Net Position	606,807	252,691	617,069	(280,371)	1,223,876	(27,680)
Net Position - Beginning	2,177,146	2,024,047	(338,836)	(58,465)	1,838,310	1,965,582
Prior Period Adjustment	-	(99,592)	-	-	-	(99,592)
Net Position - Ending	\$ 2,783,953	\$ 2,177,146	\$ 278,233	\$ (338,836)	\$ 3,062,186	\$ 1,838,310

**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, 2023**

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 \$1,223,876 compared to a decrease of \$127,272 in 2022. The following explains some of the most significant changes.

- ✓ In both the governmental activities and the business type activities significant changes to revenue were realized as a result of an operating allocation increase, a special allocation of \$400,000 from the City for the elevator modernization project, and rent increase at the John Sevier Center. These revenue changes resulted in a substantial increase in net position ending fiscal year 2023 as compared to the decrease realized in fiscal year 2022. More details about these changes are discussed in the comparative fund data analysis.
- ✓ Total Debt reflected under Total Liabilities includes \$517,740 due within one year and \$6,622,401 which is due in more than one year. Of the amounts due within one year, \$413,514 is due from governmental activities and \$104,226 is due from business-type activities. Of the amounts due in more than one year, \$2,883,377 is due from governmental activities and \$3,739,024 is due from business-type activities.
- ✓ Also captured in the current fiscal year and reflected on the balance sheet is accrued interest payable of \$50,604 all of which is for governmental activities.
- ✓ Total debt was reduced by \$417,824. The John Sevier Center debt was reduced by \$96,794, which consisted of monthly principal payments. Debt from governmental activities was reduced by \$321,030. Scheduled payments for the various debt agreements resulted in a decrease of \$383,067, while the recognition of a right-of-use asset under GASB 87 resulted in additional debt of \$62,037. Principal payments were made towards the Downtown Centre (Northeast State) TIF project of \$155,231 the Downtown Events Center (Downtown Pavilion) TIF project of \$109,725, the Cherry Street TIF project of \$13,568, Model Mill TIF project of \$60,000, the Commerce Street project of \$27,273 and the Market Street (MMM Enterprises) project of \$17,270 creating the reduction of \$383,067 in total governmental debt.
- ✓ Government funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. There was \$43,024 of depreciation expense and \$14,456 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 \$1,162,372.

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, 2023

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>2023</u>	<u>2022</u>	<u>Change</u>
ASSETS			
Cash and Other Assets	\$ 2,929,644	\$ 2,542,390	\$ 387,254
Intergovernmental Receivables	314,221	324,705	(10,484)
TOTAL ASSETS	<u>3,243,865</u>	<u>2,867,095</u>	<u>376,770</u>
LIABILITIES			
Due To / From Other Funds	14,400	53,606	39,206
Accounts Payable	4,947	4,147	(800)
TOTAL LIABILITIES	<u>19,347</u>	<u>57,753</u>	<u>38,406</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Intergovernmental	314,221	324,705	10,484
FUND BALANCE			
Restricted for Tax Increment Financing	2,153,086	1,752,384	400,702
Unassigned	757,211	732,253	24,958
TOTAL FUND BALANCE	<u>\$ 2,910,297</u>	<u>\$ 2,484,637</u>	<u>\$ 425,660</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, 2023**

Financial Analysis of the JCDA – Fund Level (Continued)

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

	Total Governmental Funds 2023	Total Governmental Funds 2022	Change	Change
REVENUES				
Intergovernmental Revenue	\$ 1,464,912	\$ 1,208,417	\$ 256,495	21%
Revenue from Use of Property	12,000	12,000	-	0%
Miscellaneous	17,813	15,178	2,635	17%
TOTAL REVENUES	1,494,725	1,235,595	259,130	
EXPENDITURES				
General Government	418,794	296,418	122,376	41%
Tax Increment Financing	726,166	772,975	(46,809)	-6%
TOTAL EXPENDITURES	1,144,960	1,069,393	75,567	
OTHER FINANCING SOURCES (USES)				
Lease Financing	75,894	-	75,894	100%
TOTAL OTHER FINANCING SOURCES (USES)	75,894	-	75,894	
Excess (Deficiency) of Revenues Over (Under) Expenditures	425,659	166,202	259,457	
Fund Balance, Beginning of Fiscal Year	2,484,638	2,318,436	166,202	
Fund Balance, End of Fiscal Year	<u>\$ 2,910,297</u>	<u>\$ 2,484,638</u>	<u>\$ 425,659</u>	

Comparative Data – General Fund

- ✓ Revenues for the General Fund, at the fund level, were \$367,858 compared to \$177,574 for the fiscal year that ended June 30, 2023. The increase was due to an increase in funding received from the City of Johnson City through budget request and subsequent allocation for fiscal year 2023. Other Financing Sources were \$75,894 in the current year. This balance is a direct result of the recognition of a right-of-use building in the current year.
- ✓ Expenditures in the General Fund were \$418,794 compared to \$296,418 for the previous fiscal year. This increase reflects an intentional investment in uniquely skilled full-time staff starting with the executive director’s hiring in February 2022. The director brings municipal and public administration experience along with city planning and economic development experience to the staff leadership role of the JCDA. Additional staff in the fiscal year 2023 also included a full-time finance manager and an administrative coordinator to handle the increased complexity of real estate holdings, HUD financials, and an expanding TIF portfolio. The General Fund also supported increased rent in new office space, office furnishings, unemployment expense, IT and computer purchases, as well as increased overall administrative expenditures to support staff operations.
- ✓ As a result of the increased revenue allocation and controlling of expenses to budget, the General Fund balance realized a slight increase of 3%.

**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, 2023**

Comparative Data – TIF Fund

- ✓ Revenues for the TIF Fund, at the fund level, were \$1,126,867 compared to \$1,058,021 for the fiscal year ending June 30, 2023. The increase was primarily due to an increase in the TIF contribution from both Washington County, Tennessee and Johnson City, Tennessee in the aggregate amount of \$56,495. Aggregate increased amounts are tied to higher property assessed values which increased by a little over \$857,000 from tax year 2021 to tax year 2022. Tax year 2022 TIF contributions are recorded as revenue in fiscal year 2023.
- ✓ Expenditures for redevelopment projects and debt service totaled \$726,166, compared to \$772,975 from fiscal year 2022. The year ending 2023 realized a reduction in expenditures due to a significant reduction of TIF façade grants awarded. JCDA staff, which experienced turnovers in the executive director role and finance manager role, allotted significant time in fiscal year 2023 to ensuring the TIF façade and project requests were current and reviewed by legal counsel, as well reorganizing the TIF advisory committee before relaunching both the project and façade grants in spring of 2023.
- ✓ As a result of the increased funding partially offset by reduced spending for facade projects, the fund balance increased by \$400,701.

Taken together, expenditures from the General Fund and Special Revenue Fund totaled \$1,144,960.

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, 2023, is as shown in the following table.

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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 2023	Business-Type Activities John Sevier Center 2022	Change	Percent Change
OPERATING REVENUES				
Rent Revenue				
Rent Revenue	\$ 1,799,397	\$ 1,060,680	\$ 738,717	70%
Less: Vacancies	(41,926)	(35,966)	(5,960)	17%
Total Rent Revenue	<u>1,757,471</u>	<u>1,024,714</u>	<u>732,757</u>	<u>72%</u>
Other Revenue	<u>415,964</u>	<u>52,529</u>	<u>363,435</u>	<u>692%</u>
TOTAL REVENUES	<u>2,173,435</u>	<u>1,077,243</u>	<u>1,096,192</u>	
OPERATING EXPENDITURES				
Administrative Expenses	353,836	286,949	66,887	23%
Utilities Expense	140,039	122,478	17,561	14%
Operating and Maintenance Expenses	443,803	411,094	32,709	8%
Taxes and Insurance	214,961	197,474	17,487	9%
Depreciation	<u>127,887</u>	<u>111,607</u>	<u>16,280</u>	<u>15%</u>
TOTAL OPERATING EXPENSES	<u>1,280,526</u>	<u>1,129,602</u>	<u>150,924</u>	
OPERATING INCOME (LOSS)	<u>892,909</u>	<u>(52,359)</u>	<u>945,268</u>	
NONOPERATING EXPENSES				
Interest Expenses and Major Repairs	<u>(275,840)</u>	<u>(228,012)</u>	<u>(47,828)</u>	-14%
TOTAL NONOPERATING EXPENSES	<u>(275,840)</u>	<u>(228,012)</u>	<u>(47,828)</u>	
Change in Net Position	617,069	(280,371)	897,440	
Net Position, Beginning	<u>(338,836)</u>	<u>(58,465)</u>	<u>(280,371)</u>	
Net Position, Ending	<u>\$ 278,233</u>	<u>\$ (338,836)</u>	<u>\$ 617,069</u>	

The John Sevier Center, in fiscal year 2023, was approved by HUD for a mark up to market rent increase (MUTM) that increased the total rent revenue by \$716,823. The MUTM rate increase was approved late September 2022 and increased rent revenue by approximately 70%, retroactive to August 1, 2022. (Once the budget authority is transferred and residents potentially move to new units, approximately December 2025, pending HUD approvals, the John Sevier Center will not have the Section 8 voucher revenue.) Along with the MUTM, the Johnson City, City Commission agreed to fund an elevator modernization project at \$400,000 to cover the projected costs. Of the \$431,898 listed in other revenue, \$386,600 of that amount is elevator modernization funds transferred in fiscal year 2023. Operating expenses for the John Sevier saw the highest percentage increase in administrative expenses due to John Sevier staff hiring and compensation increases. The second highest in that category was the utilities expense increase, which was tied primarily to systematic water leaks from aged and bad valves that also incurred increased expense to fix and replace.

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Proprietary Fund (Continued)

Property insurance cost increased over last year and cable TV /internet service cost was added for residence quality of life to meet market expectations and comparisons. Depreciation expense realized a 15% increase due to capitalized improvements of a fire suppression system, roof upgrades, and the elevator modernization already mentioned, incurring a new depreciation expense after installation inside fiscal year 2023.

Net position change for the John Sevier Center was a significant amount of \$617,069 resulting in an ending position on June 30, 2023 of \$278,233. This change over last year's ending position of a negative \$338,836 is due to increased rent revenue, per HUD approvals, and elevator modernization funding that counted as revenue. 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 a specific emphasis around Downtown Johnson City and the TIF redevelopment district. External factors that can impact the financial condition of the JCDA include the City of Johnson City finances and the growth or decline of the TIF redevelopment plan downtown district.

The JCDA Board of Commissioners, Executive Director, and Finance Manager considered a number of issues that would impact planning the budget for fiscal year 2024. Key budget and financial conditions included the following:

- ✓ The economy has continued to recover from the COVID-19 pandemic, which has eased supply chain demands, which allowed customers to return to shops, restaurants, and community activities. In return that has attracted additional property purchases and building restoration efforts to downtown, as seen in new ownership and plan approvals.
- ✓ Rising property values could increase property taxes collected and increase TIF revenues received.
- ✓ Surging inflationary pressures in 2022-23 resulted in the Federal Reserve aggressively raising rates multiple times, beginning in March 2022, to the highest in decades in order to slow and reduce price growth due to post pandemic spending. Yet the rate impact on the JCDA allowed higher interest revenue for tax increment financing funds, that will be captured in the coming fiscal year for future use. However, these increased rates do impact property investors. The opportunity for TIF funding can be presented as an opportunity to offset construction costs rendered too high by increased capital borrowing rates and materials cost.
- ✓ JCDA requested targeted funding contributions from the City for the fiscal year 2024 budget. The general operating allocation from the City remained the same, but the City has granted financial assistance for special projects.

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

- ✓ The notice in June of the early exit of the tenant from the JCDA owned Downtown Centre will place additional expense on the JCDA in fiscal year 2024 to sustain the property during the transition to a new tenant, however there is potential for a significant revenue increase from the property with a new tenant. The previous lease agreement structured the final five-year lease payments at a very reduced rate.
- ✓ Due to the September 1, 2023, release of prior contract agreements upon the Downtown Centre parking garage the JCDA has an opportunity to increase public access and develop an overall parking strategy to make it easier for people to work, reside, and recreate downtown, thus increasing economic investment opportunities.
- ✓ The parking garage is also essential to the adaptive reuse of the John Sevier Center. This is a key downtown property currently in the very earliest stages of a redevelopment planning process. Redevelopment can commence once new and better affordable housing for the current residents at a new location is approved by HUD. The John Sevier Center redevelopment has the goal of transforming the property into a downtown mixed-use anchor and development catalyst.

Capital Asset and Debt Administration

The JCDA's investment in capital assets for its governmental and business-type activities as of June 30, 2023 amount to \$1,533,681 (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	5,086,483	6,807,461
Furniture and Fixtures	-	34,952	34,952
Right-of-Use Leased Asset	75,894	-	75,894
Less Depreciation	<u>(355,063)</u>	<u>(442,285)</u>	<u>(797,348)</u>
Total	<u>1,741,809</u>	<u>4,758,450</u>	<u>6,500,259</u>
Related Debt			
Current debt	182,707	104,226	286,933
Long-term debt	<u>941,220</u>	<u>3,739,024</u>	<u>4,680,244</u>
Total	<u>1,123,927</u>	<u>3,843,250</u>	<u>4,967,177</u>
Net Investment in Capital Assets	<u>\$ 617,882</u>	<u>\$ 915,200</u>	<u>\$ 1,533,082</u>

Additional information on the JCDA's capital assets can be found in Note 5 on pages 38 and 39 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, 2023

Long-Term Debt

At the end of the fiscal year, the JCDA had total debt outstanding of \$7,140,161. 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.

<u>Total Government Debt Obligations</u>	<u>Current</u>	<u>Long Term</u>	<u>Total</u>
Downtown Centre	\$ 161,608	\$ 900,282	\$ 1,061,890
Downtown Events Center	14,084	96,528	110,612
Cherry Street Project	112,200	738,375	850,575
Model Mill	27,273	163,635	190,908
Commerce Street	60,000	840,000	900,000
Market Street	17,270	103,619	120,889
	<u>392,435</u>	<u>2,842,439</u>	<u>3,234,874</u>
Lease Liability	21,099	40,938	62,037
	<u>21,099</u>	<u>40,938</u>	<u>62,037</u>
<u>Business-Type Debt Obligations</u>			
John Sevier Center	104,226	3,739,024	3,843,250
	<u>104,226</u>	<u>3,739,024</u>	<u>3,843,250</u>
Total JCDA Debt Obligations	<u>\$ 517,760</u>	<u>\$ 6,622,401</u>	<u>\$ 7,140,161</u>

Additional information on the JCDA's long-term debt can be found in Note 6 on pages 39-44 of this report.

JOHNSON CITY DEVELOPMENT AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2023

The following additional financial information, statements and notes can be found on pages 19-46:

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

Contacting the JCDA's Financial Management

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

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Johnson City Foundation
ASSETS				
Cash and Cash Equivalents	\$ 2,314,107	71,544	2,385,651	96,895
Accounts Receivable	-	21,826	21,826	7,784
Rental Security Deposit	600	-	600	
Intergovernmental Receivables	314,221	-	314,221	-
Interfund Receivables	600,537	(600,537)	-	-
Prepaid Expenses	2,769	8,327	11,096	-
Restricted Cash and Deposits	-	44,744	44,744	-
Capital Assets, Not Depreciated	300,000	79,300	379,300	-
Capital Assets, Net of Accumulated Depreciation				
Buildings and Improvements	1,380,371	4,679,150	6,059,521	-
Right-of-Use Leased Building	61,438	-	61,438	-
TOTAL ASSETS	4,974,043	4,304,354	9,278,397	104,679
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflow of TIF Funds	1,162,372	-	1,162,372	-
LIABILITIES				
Accounts Payable	4,947	12,045	16,992	150
Other Accrued Expenses	-	92,083	92,083	-
Other Accounts Payable	-	28,820	28,820	-
Accrued Interest Payable	50,604	-	50,604	-
Deposits Payable	-	29,832	29,832	-
Deferred Revenue	-	20,091	20,091	-
Noncurrent Liabilities				
Due Within One Year	413,534	104,226	517,760	-
Due in More Than One Year	2,883,377	3,739,024	6,622,401	-
TOTAL LIABILITIES	3,352,462	4,026,121	7,378,583	150
NET POSITION				
Net Investment in Capital Assets	617,882	915,200	1,533,082	-
Restricted by Enabling Legislation	1,406,090	-	1,406,090	-
Restricted by External Contributors	-	-	-	104,529
Unrestricted (Deficit)	759,981	(636,967)	123,014	-
TOTAL NET POSITION	\$ 2,783,953	278,233	3,062,186	104,529

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, 2023

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Unit
					Governmental Activities	Business-Type Activities	Downtown Johnson City Foundation
Primary Government							
Governmental Activities							
General Government	\$ 341,892	12,000	355,162	-	25,270	-	-
Tax Increment Financing	251,282	-	815,168	-	563,886	-	-
Interest on Long-Term Debt	129,992	-	129,992	-	-	-	-
Total Governmental Activities	<u>723,166</u>	<u>12,000</u>	<u>1,300,322</u>	<u>-</u>	<u>589,156</u>	<u>-</u>	<u>-</u>
Business-Type Activities							
John Sevier Center	1,556,366	2,173,435	-	-	-	617,069	-
Total Business-Activities	<u>1,556,366</u>	<u>2,173,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>617,069</u>	<u>-</u>
Total Primary Government	<u>\$ 2,279,532</u>	<u>2,185,435</u>	<u>1,300,322</u>	<u>-</u>	<u>589,156</u>	<u>617,069</u>	<u>-</u>
Component Unit							
Downtown Johnson City Foundation	<u>\$ 103,271</u>	<u>28,303</u>	<u>123,920</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,952</u>
General Revenues							
Interest					17,651	-	-
Total General Revenues					<u>17,651</u>	<u>-</u>	<u>-</u>
Change in Net Position					606,807	617,069	48,952
Net Position - Beginning of Fiscal Year					<u>2,177,146</u>	<u>(338,836)</u>	<u>55,577</u>
Net Position - End of Fiscal Year					<u>\$ 2,783,953</u>	<u>278,233</u>	<u>104,529</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, 2023

	General Fund	Special Revenue Fund - TIF	Total Governmental Funds
ASSETS			
Cash	\$ 161,021	2,153,086	2,314,107
Due From Other Funds	614,937	-	614,937
Customer Security Deposits	600	-	600
Intergovernmental Receivables	-	314,221	314,221
TOTAL ASSETS	\$ 776,558	2,467,307	3,243,865
LIABILITIES			
Due to Other Funds	\$ 14,400	-	14,400
Accounts Payable	4,947	-	4,947
TOTAL LIABILITIES	19,347	-	19,347
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Intergovernmental	-	314,221	314,221
FUND BALANCES			
Restricted for Tax Increment Financing Projects	-	2,153,086	2,153,086
Unassigned	757,211	-	757,211
TOTAL FUND BALANCES	757,211	2,153,086	2,910,297
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 776,558	2,467,307	3,243,865

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, 2023**

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

Total Fund Balances of Governmental Funds	\$ 2,910,297
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,741,809
Prepays are expensed when disbursed and are not recognized based upon economic benefit or recorded as assets in the governmental funds.	2,769
Deferred outflows of resources are expected to be received in future years in the form of TIF payments that will be used to pay the outstanding long-term liabilities related to the TIF Projects as they become due.	1,162,372
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(3,296,911)
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.	(50,604)
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.	314,221
	314,221
Net Position of Governmental Activities	\$ 2,783,953

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, 2023

	General Fund	Special Revenue Fund - TIF	Total Governmental Funds
REVENUES			
Intergovernmental Revenue	\$ 355,000	1,109,912	1,464,912
Revenue from Use of Property	12,000	-	12,000
Miscellaneous	858	16,955	17,813
TOTAL REVENUES	367,858	1,126,867	1,494,725
EXPENDITURES			
Current			
General Government	342,900	-	342,900
Redevelopment Projects	-	208,258	208,258
Leased Right-of-Use Building	75,894	-	75,894
Debt Service			
Principal	-	383,067	383,067
Interest	-	134,841	134,841
TOTAL EXPENDITURES	418,794	726,166	1,144,960
OTHER FINANCING SOURCES (USES)			
Lease Financing	75,894	-	75,894
TOTAL OTHER FINANCING SOURCES (USES)	75,894	-	75,894
Excess (Deficiency) of Revenues Over (Under) Expenditures	24,958	400,701	425,659
Fund Balances, Beginning of Fiscal Year	732,253	1,752,385	2,484,638
Fund Balances, End of Fiscal Year	\$ 757,211	2,153,086	2,910,297

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, 2023**

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

Net Change in Fund Balances - Total Governmental Funds	\$ 425,659
Governmental funds report capital outlays and right-to-use lease payments 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 or amortization expense for leased assets. In the current fiscal year, depreciation expense of (\$43,024) and amortization expense of (\$14,456) and a leased right-of-use asset of \$75,894 was recognized at the government-wide level. This is the amount by which capital outlays exceeded depreciation and amortization in the current fiscal year.	18,414
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 \$154,268.	(154,268)
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 \$6,456, the right-of-use lease financing was (\$75,894) and the activity related to long-term debt included \$396,924.	327,486
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 \$10,484.	<u>(10,484)</u>
Change in Net Position of Governmental Activities	<u>\$ 606,807</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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 459,501	367,510	355,000	(12,510)
Revenue from Use of Property	-	-	12,000	12,000
Miscellaneous	-	-	858	858
TOTAL REVENUES	459,501	367,510	367,858	348
EXPENDITURES				
General Government	499,501	367,510	342,900	24,610
Capital Outlay	-	75,894	75,894	-
TOTAL EXPENDITURES	499,501	443,404	418,794	24,610
Excess (Deficiency) of Operating Revenues Over (Under) Operating Expenditures	(40,000)	(75,894)	(50,936)	24,958
OTHER FINANCING SOURCES (USES)				
Transfers In	-	75,894	75,894	-
TOTAL OTHER FINANCING SOURCES (USES)	-	75,894	75,894	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(40,000)	(151,788)	(126,830)	24,958
Fund Balance, Beginning of Fiscal Year	732,253	732,253	732,253	-
Fund Balance, End of Fiscal Year	\$ 692,253	580,465	605,423	24,958

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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,004,500	1,096,094	1,109,912	13,818
Miscellaneous	-	-	16,955	16,955
TOTAL REVENUES	1,004,500	1,096,094	1,126,867	30,773
EXPENDITURES				
TIF Projects	779,748	772,659	726,166	46,493
TOTAL EXPENDITURES	779,748	772,659	726,166	46,493
Excess (Deficiency) of Revenues Over (Under) Expenditures	224,752	323,435	400,701	77,266
Fund Balance, Beginning of Fiscal Year	1,752,385	1,752,385	1,752,385	-
Fund Balance, End of Fiscal Year	<u>\$ 1,977,137</u>	<u>2,075,820</u>	<u>2,153,086</u>	<u>77,266</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, 2023

ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 71,544
Tenant Receivables	12,302
Accounts Receivable - HUD	9,524
Due from Other Funds - Johnson City Development Authority	14,400
Prepaid Expenses	8,327
Total Current Assets	116,097
Capital Assets	
Land	79,300
Building and Improvements	5,086,483
Furniture and Fixtures	34,952
Less: Accumulated Depreciation	(442,285)
Net Capital Assets	4,758,450
Restricted Assets	
Cash Restricted for Security Deposits	36,229
Cash Restricted for Reserve Account	8,515
Total Restricted Assets	44,744
TOTAL ASSETS	4,919,291

(Continued)

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, 2023

LIABILITIES

Current Liabilities

Accounts Payable	12,045
Due to Other Funds - Johnson City Development Authority	614,937
Accounts Payable - Management Company	3,242
Other Accounts Payable	28,820
Accrued Wages	4,456
Other Accrued Liabilities	15,798
Accrued Audit Fee	21,800
Accrued Management Fee Payable	11,225
Accrued Mortgage Interest Payable	14,576
Accrued Property Taxes	20,986
Deposits Payable	29,832
Mortgage Payable - Current Portion	104,226
Prepaid Revenue	20,091
Total Current Liabilities	902,034

Noncurrent Liabilities

Long Term Debt-Net of Current Portion	3,739,024
Total Noncurrent Liabilities	3,739,024

TOTAL LIABILITIES

4,641,058

NET POSITION

Net Investment in Capital Assets	915,200
Unrestricted (Deficit)	(636,967)

TOTAL NET POSITION

\$ 278,233

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, 2023

OPERATING REVENUES	
Rent Revenue	
Rent Revenue	\$ 1,783,463
Less: Vacancies	<u>(41,926)</u>
Total Rent Revenue	1,741,537
Other Revenue	<u>431,898</u>
TOTAL OPERATING REVENUES	<u>2,173,435</u>
OPERATING EXPENSES	
Administrative Expenses	353,836
Utilities Expense	140,039
Operating and Maintenance Expenses	443,803
Taxes and Insurance	214,961
Depreciation	<u>127,887</u>
TOTAL OPERATING EXPENSES	<u>1,280,526</u>
OPERATING INCOME (LOSS)	<u>892,909</u>
NONOPERATING REVENUES (EXPENSES)	
Major Building Repairs	96,357
Interest Expenses and Related Debt Costs	<u>179,483</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>275,840</u>
Change in Net Position	617,069
Net Position, Beginning of Fiscal Year	(338,836)
Net Position, End of Fiscal Year	<u>\$ 278,233</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, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Rents	\$ 1,749,540
Cash Received from Other Revenues	415,964
Cash Received for Tenant Security Deposits	1,680
Cash Paid for Administration	(121,464)
Cash Paid for Management Fees	(115,471)
Cash Paid for Utilities	(140,039)
Cash Paid for Wages	(245,978)
Cash Paid for Operations and Maintenance	(312,825)
Cash Paid for Real Estate Taxes	(67,673)
Cash Paid for Property Insurance	(80,485)
Cash Paid for Miscellaneous Tax and Insurance	(73,413)
Cash Paid for Other Operating Expenses	<u>(18,602)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>991,234</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Payments to JCDA	<u>(114,460)</u>
NET CASH USED FOR NONCAPITAL FINANCING ACTIVITIES	<u>(114,460)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest Paid on Capital Debt	(179,846)
Principle Payments on Long-Term Capital Debt	(96,794)
Major Building Repairs	(96,357)
Purchase of Equipment	<u>(436,089)</u>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(809,086)</u>
NET INCREASE IN CASH	67,688
Cash - Beginning of Fiscal Year	<u>48,600</u>
Cash - End of Fiscal Year	<u><u>\$ 116,288</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, 2023

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

Operating Loss	\$ 892,909
Adjustments to Reconcile Operating Income (Loss) to net cash provided by operating activities:	
Depreciation	127,887
(Increase) Decrease in Tenant Receivables	(21,370)
(Increase) Decrease in Prepaid Expenses	(666)
Increase (Decrease) in Accounts Payable	4,787
Increase (Decrease) in Other Accrued Liabilities	5,438
Increase (Decrease) in Accrued Wages	891
Increase (Decrease) in Accrued Property Taxes	(24,546)
Increase (Decrease) in Accrued Management Fee	5,418
Increase (Decrease) in Accrued Audit Fee	1,800
Increase (Decrease) in Due to Management Company	(16,433)
Increase (Decrease) in Deposits Payable	1,680
Increase (Decrease) in Unearned Rent	13,439

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 991,234

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

Cash	\$ 71,544
Restricted Cash - Security Deposits	36,229
Restricted Cash - Reserve Account	8,515
Total Cash	\$ 116,288

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, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Johnson City Development Authority (JCDA) is a component unit of the City of Johnson City, Tennessee (the City) established in February 1990. The JCDA's purpose is to facilitate business development within the City of Johnson City. As a component unit of a municipality, the JCDA follows Governmental Accounting Standards, 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. Likewise, the *primary government* is reported separately from the legally separate *component unit* for which the primary government is financially accountable.

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

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

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

Reporting Entity

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

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

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

In addition, the accompanying financial statements also present the activities of the Downtown Johnson City Foundation (the Foundation), an entity for which the JCDA is considered to have significant influence and management authority. The Foundation is a legally separate non-profit organization under Internal Revenue Code Section 501(c)(3) created for the purpose of accepting private citizen donations to assist with the redevelopment of the historic downtown district in Johnson City. The Foundation is reported as a discretely presented component unit of the JCDA because the funds collected by this entity are used to assist the JCDA with approved redevelopment projects. Separate audited financial statements have not been issued for the Foundation. Financial information may be obtained by contacting the JCDA. Summarized audited financial information is included in Note 9.

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.

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$1,406,090 restricted by enabling legislation at fiscal year-end and \$104,529 restricted by external contributors.

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

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

Fund Equity

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

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

Restricted fund balance – amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation. The JCDA has \$2,153,086 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.

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity (Continued)

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 September 26, 2023, the date which the financial statements were available to be issued.

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, 2023 was \$7.

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, 2023, the carrying amount of the JCDA's governmental deposits was \$2,314,107 and the actual cash in bank was \$2,326,743. The carry amount and the cash in bank was \$96,895 for the Foundation's deposits.

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 - DEPOSITS (CONTINUED)

The carrying amounts for the John Sevier Center in unrestricted cash and cash equivalents was \$71,544 and the cash in bank for the unrestricted was \$89,703. The carrying amounts in the restricted cash accounts were \$44,744 and the cash in bank for the restricted account was \$44,510.

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, 2023, 75% 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.

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2023 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
Right-of-Use Leased Building	-	75,894	-	75,894
Less Accumulated Depreciation for:				
Buildings and Improvements	(297,583)	(43,024)	-	(340,607)
Right-of-Use Leased Building	-	(14,456)	-	(14,456)
Net Capital Asset, Being Depreciated	<u>1,423,395</u>	<u>18,414</u>	<u>-</u>	<u>1,441,809</u>
Net Governmental Activities Capital Assets	<u>\$ 1,723,395</u>	<u>18,414</u>	<u>-</u>	<u>1,741,809</u>

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Depreciation expense of \$43,024 and amortization expense of \$14,456 was charged to the general government function in the Statement of Activities. Net investment in capital assets of \$618,481 is calculated as the total net capital asset amount of \$1,680,371 less the outstanding debt on the Downtown Center Building of \$1,061,890.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 79,300	-	-	79,300
Total Capital Assets, Not Being Depreciated	<u>79,300</u>	<u>-</u>	<u>-</u>	<u>79,300</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	4,650,395	436,088	-	5,086,483
Furniture and Fixtures	34,952	-	-	34,952
Less Accumulated Depreciation for:				
Buildings and Improvements	<u>(314,399)</u>	<u>(127,886)</u>	<u>-</u>	<u>(442,285)</u>
Net Capital Asset, Being Depreciated	<u>4,370,948</u>	<u>308,202</u>	<u>-</u>	<u>4,679,150</u>
Net Governmental Activities Capital Assets	<u>\$ 4,450,248</u>	<u>308,202</u>	<u>-</u>	<u>4,758,450</u>

Depreciation expense of \$127,886 was charged to the proprietary fund. Net investment in capital assets was \$915,200 when calculated as the total net capital asset amount of \$4,758,450 less the outstanding debt on the John Sevier Center of \$3,843,250.

NOTE 6 - LONG-TERM DEBT

Governmental Activities (TIF Agreements)

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

In December 2011, the JCDA obtained a loan in the amount of \$2,192,050 with an interest rate of 2.79%. 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, 2023 included \$155,231 of principal and \$44,278 of interest.

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Governmental Activities (TIF Agreements) (Continued)

Total remaining payments due on this loan are as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 161,608	37,900	199,508
2025	167,393	32,115	199,508
2026	173,386	26,122	199,508
2027	179,593	19,915	199,508
2028	186,022	13,486	199,508
2029	193,888	-	193,888
Total	<u>\$ 1,061,890</u>	<u>129,538</u>	<u>1,191,428</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, 2023, the JCDA has paid \$109,725 in principal and \$25,167 in interest. Total remaining payments due on this note are as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 112,200	20,339	132,539
2025	115,500	17,424	132,924
2026	117,975	14,436	132,411
2027	121,275	11,373	132,648
2028	124,575	8,226	132,801
2029-2030	259,050	6,674	265,724
Total	<u>\$ 850,575</u>	<u>78,472</u>	<u>929,047</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, 2023, the JCDA paid \$13,568 in principal and \$4,591 in interest.

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Governmental Activities (TIF Agreements) (Continued)

Total payments due on this loan are as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 14,084	4,107	18,171
2025	14,602	3,570	18,172
2026	15,138	3,033	18,171
2027	15,701	2,470	18,171
2028	16,282	1,889	18,171
2029-2030	34,805	1,518	36,323
Total	<u>\$ 110,612</u>	<u>16,587</u>	<u>127,179</u>

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, 2023, the JCDA paid \$60,000 in principal and \$41,324 in interest. Total remaining payments due on this loan are as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 60,000	38,888	98,888
2025	60,000	36,195	96,195
2026	60,000	33,611	93,611
2027	60,000	31,025	91,025
2028	60,000	28,517	88,517
2029-2033	300,000	103,468	403,468
2034-2038	300,000	38,799	338,799
Total	<u>\$ 900,000</u>	<u>310,503</u>	<u>1,210,503</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, 2023, the JCDA paid \$27,273 in principal and \$12,142 in interest.

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Governmental Activities (TIF Agreements) (Continued)

Total remaining payments on this loan are as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 27,273	10,674	37,947
2025	27,273	9,125	36,398
2026	27,273	7,608	34,881
2027	27,273	6,082	33,355
2028	27,272	4,575	31,847
2029-2030	54,544	4,563	59,107
Total	<u>\$ 190,908</u>	<u>42,627</u>	<u>233,535</u>

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, 2023, the JCDA paid \$17,270 in principal and \$7,339 in interest. Total remaining payments on this loan are as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 17,270	6,452	23,722
2025	17,270	5,516	22,786
2026	17,270	4,597	21,867
2027	17,270	3,678	20,948
2028	17,270	2,759	20,029
2029-2030	34,539	2,762	37,301
Total	<u>\$ 120,889</u>	<u>25,764</u>	<u>146,653</u>

Governmental Activities (Lease Liability)

On November 1, 2022, the JCDA began regular monthly payments of \$1,933 for two office spaces in the King's Centre Building for 18 months at an interest rate of 4.00% with the option to extend the lease for an additional 24 months. The total balance outstanding on this lease as of June 30, 2023 was \$62,307. Future minimum lease payments as of June 30, 2023 are:

Fiscal Year	Principal	Interest	Total
2024	\$ 21,099	2,097	23,196
2025	21,958	1,238	23,196
2026	18,980	350	19,330
Total	<u>\$ 62,037</u>	<u>3,685</u>	<u>65,722</u>

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Governmental Activities (Lease Liability) (Continued)

Total annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 413,534	120,457	533,991
2025	423,996	105,183	529,179
2026	430,022	89,757	519,779
2027	421,112	74,543	495,655
2028	431,421	59,452	490,873
2029-2033	876,826	118,985	995,811
2034-2038	300,000	38,799	338,799
Total	<u>\$ 3,296,911</u>	<u>607,176</u>	<u>3,904,087</u>

Business-Type Activities

On September 5, 2019, the JCDA purchased the John Sevier Center for \$4,100,000 plus closing costs and other related expenses with a loan of \$4,600,000. In addition to the property being pledged for the payment of the debt, the rents received from tenants and from the low-income housing assistance received were assigned as payment for the loan. The loan is at 4.55% interest and no principal payments were due until August of 2020. At that time, a payment of \$500,000 was made toward the principal. Both principal and interest payments became due beginning in September 2020 and are due over the next 24 months. 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. The total principal payments for the year ended June 30, 2023 were \$96,794 and the total interest and related charges was \$179,483.

Fiscal Year	Principal	Interest	Total
2024	\$ 104,226	172,414	276,640
2025	3,739,024	42,355	3,781,379
	<u>\$ 3,843,250</u>	<u>214,769</u>	<u>4,058,019</u>

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Total Long-Term Obligations

Long-term liability activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Notes Payable					
Collateralized by property	\$ 1,217,121	-	(155,231)	1,061,890	161,608
Collateralized by pledge revenues	2,400,820	-	(227,836)	2,172,984	251,926
Right-of-Use Leased Assets	-	75,894	(13,857)	62,037	21,099
	<u>\$ 3,617,941</u>	<u>75,894</u>	<u>(396,924)</u>	<u>3,296,911</u>	<u>434,632</u>
Business-type Activities:					
Notes Payable					
Collateralized by property and pledge of revenues	<u>\$ 3,940,044</u>	<u>-</u>	<u>(96,794)</u>	<u>3,843,250</u>	<u>104,226</u>

Total interest expense of \$128,385 has been included as a direct function expense in the Statement of Activities in the governmental activities and in the fund level statement of revenues, expenditures and changes in fund balances, since it is related to TIF funded projects.

Interest and related debt expense of \$179,483 has been included in the statement of revenues and expenses and changes in net position for the John Sevier Center.

NOTE 7 - DUE TO/FROM OTHER FUNDS

Certain expenses were paid by the General Fund for the John Sevier Center prior to the separate bank accounts and proprietary fund being established. In addition, in prior years, the JCDA General Fund paid the John Sevier Center's principal payments on their note. During the current year, the John Sevier Center began repaying the amount due to the JCDA General Fund. The remaining amount is recorded as due to the General Fund from the John Sevier Center fund of \$614,937. The John Sevier Center has a plan in place to continue repaying this amount. Also, in the current year, the JCDA funded an elevator modernization project at the John Sevier Center. The project was under budget by \$14,000 and the JCDA determined that this amount would be transferred to John Sevier Center to be used for additional elevator repairs. As of June 30, 2023, the total amount of \$14,000 is due to the John Sevier Center.

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 8 - RELATED PARTY TRANSACTIONS

The JCDA utilized the services of a property company to oversee and manage the property and operations of the John Sevier Center. The agreement has a one-year term and automatically renews each year unless either party cancels prior to the anniversary date. The property management fees were 7% of revenues. The John Sevier Center owed \$11,225 to the management company at June 30, 2023 for management fees payable and \$3,242 for operating expenses to be reimbursed.

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

NOTE 9 - DOWNTOWN JOHNSON CITY FOUNDATION

The Foundation was incorporated during the fiscal year ended June 30, 2008 and received its tax-exempt status with the Internal Revenue Service as a 501(c)(3) organization in July 2010. The Foundation's activities further the purpose of the JCDA through the use of donations and grants to assist with redevelopment projects undertaken by the JCDA. The Foundation did not have unrecognized tax liabilities as of June 30, 2023 and does not expect this to change significantly over the next 12 months. The Foundation will recognize interest and penalties accrued on any unrecognized tax liabilities as a component of income tax expense. As of June 30, 2023, the Foundation has not accrued interest or penalties related to uncertain tax positions.

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 9 - DOWNTOWN JOHNSON CITY FOUNDATION (CONTINUED)

The Foundation follows the same accounting policies of the JCDA and received support in the current fiscal year from sponsorships and sale of merchandise. The JCDA has also approved to cover operating costs of the Foundation. The financial information for the Foundation for the fiscal year ended June 30, 2023 is as follows:

Revenues	
Contributions	\$ 96,790
Grants	27,130
Charges for Services	<u>28,303</u>
Total Revenues	<u>152,223</u>
Expenses	
Administrative	<u>103,271</u>
Total Expenses	<u>103,271</u>
Change in Net Position	48,952
Net Position - Beginning of Fiscal Year	<u>55,577</u>
Net Position - End of Fiscal Year	<u><u>\$ 104,529</u></u>

NOTE 10 - GRANTS

A TN Placemakers Grant for \$50,000 was approved by the State of Tennessee. The State has extended the start date of the grant and made the guidelines and parameters more flexible due to the COVID-19 situation. The grant, which is for a 24-month period, has a matching requirement of \$5,000 and was scheduled to begin in January 2021. The original grant was for retail but may be adapted to include other projects. Funds received in the fiscal year-ended June 30, 2023 totaled \$27,130.

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

SUPPLEMENTARY INFORMATION

**JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2023**

Assistance Listing Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Expenditures
JOHN SEVIER CENTER			
14.195	Section 8 - Housing Assistance Payments Program	United States Department of Housing and Urban Development through Tennessee Department of Housing and Urban Development	<u>\$ 1,415,875</u>
		Total Federal Assistance	<u><u>\$ 1,415,875</u></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, 2023. 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, TN
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
For the Fiscal Year Ended June 30, 2023

	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Last Maturity Date</u>	<u>Outstanding July 1, 2022</u>	<u>Issued During Period</u>	<u>Paid / Refunded During Period</u>	<u>Outstanding June 30, 2023</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	\$ 1,217,121	-	(155,231)	1,061,890
TIF FUND:								
Farmer's Market	1,650,000	2.00% - 5.00%	12/18/2014	12/1/2029	960,300	-	(109,725)	850,575
Cherry Street Loan No. 104382255	177,170	3.72%	2/26/2016	12/31/2029	124,180	-	(13,568)	110,612
Model Mill Loan No. 3000012613	1,200,000	4.25%	5/1/2019	5/1/2038	960,000	-	(60,000)	900,000
Triple G Bank of TN / Carter Co. Bank	300,000	5.50%	5/1/2019	5/1/2030	218,181	-	(27,273)	190,908
MMM Enterprises Carter Co. Bank	172,699	5.25%	5/1/2020	5/1/2030	138,159	-	(17,270)	120,889
<u>LEASE PAYABLE:</u>								
GENERAL FUND:								
Right-of-Use Leased Building	75,894	4.00%	11/1/2022	4/1/2026	-	75,894	(13,857)	62,037
					<u>\$ 3,617,941</u>	<u>75,894</u>	<u>(396,924)</u>	<u>3,296,911</u>
BUSINESS-TYPE ACTIVITIES:								
<u>LOAN PAYABLE:</u>								
John Sevier Center	\$ 4,600,000	4.55%	9/5/2019	8/26/2024	<u>\$ 3,940,044</u>	<u>-</u>	<u>(96,794)</u>	<u>3,843,250</u>

See Independent Auditors' Report.

**JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TN
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST
GENERAL FUND
For the Fiscal Year Ended June 30, 2023**

Fiscal Year Ending June 30	Right-of-Use Leased Building		
	Principal	Interest	Total
2024	\$ 21,099	2,097	23,196
2025	21,958	1,238	23,196
2026	18,980	350	19,330
	\$ 62,037	3,685	65,722

See Independent Auditors' Report.

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TN
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST
TIF FUND
For the Fiscal Year Ended June 30, 2023

Northeast State Community College

Fiscal Year Ending June 30	Principal	Interest	Total
2024	\$ 161,608	37,900	199,508
2025	167,393	32,115	199,508
2026	173,386	26,122	199,508
2027	179,593	19,915	199,508
2028	186,022	13,486	199,508
2029	193,888	-	193,888
	<u>\$ 1,061,890</u>	<u>129,538</u>	<u>1,191,428</u>

Farmer's Market

Fiscal Year Ending June 30	Principal	Interest	Total
2024	\$ 112,200	20,339	132,539
2025	115,500	17,424	132,924
2026	117,975	14,436	132,411
2027	121,275	11,373	132,648
2028	124,575	8,226	132,801
2029	127,875	4,995	132,870
2030	131,175	1,679	132,854
	<u>\$ 850,575</u>	<u>78,472</u>	<u>929,047</u>

Cherry Street

Fiscal Year Ending June 30	Principal	Interest	Total
2024	\$ 14,084	4,107	18,191
2025	14,602	3,570	18,172
2026	15,138	3,033	18,171
2027	15,701	2,470	18,171
2028	16,282	1,889	18,171
2029	16,893	1,278	18,171
2030	17,912	240	18,152
	<u>\$ 110,612</u>	<u>16,587</u>	<u>127,199</u>

(Continued)

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TN
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST
TIF FUND
For the Fiscal Year Ended June 30, 2023

Model Mill			
Fiscal Year Ending June 30	Principal	Interest	Total
2024	\$ 60,000	38,888	98,888
2025	60,000	36,195	96,195
2026	60,000	33,611	93,611
2027	60,000	31,025	91,025
2028	60,000	28,517	88,517
2029	60,000	25,855	85,855
2030	60,000	23,269	83,269
2031	60,000	20,682	80,682
2032	60,000	18,149	78,149
2033	60,000	15,513	75,513
2034	60,000	12,926	72,926
2035	60,000	10,343	70,343
2036	60,000	7,898	67,898
2037	60,000	5,170	65,170
2038	60,000	2,462	62,462
	\$ 900,000	310,503	1,210,503

(Continued)

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TN
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST
TIF FUND
For the Fiscal Year Ended June 30, 2023

Triple G

Fiscal Year Ending June 30	Principal	Interest	Total
2024	\$ 27,273	10,674	37,947
2025	27,273	9,125	36,398
2026	27,273	7,608	34,881
2027	27,273	6,082	33,355
2028	27,272	4,575	31,847
2029	27,272	3,043	30,315
2030	27,272	1,520	28,792
	<u>\$ 190,908</u>	<u>42,627</u>	<u>233,535</u>

MMM Enterprises

Fiscal Year Ending June 30	Principal	Interest	Total
2024	\$ 17,270	6,452	23,722
2025	17,270	5,516	22,786
2026	17,270	4,597	21,867
2027	17,270	3,678	20,948
2028	17,270	2,759	20,029
2029	17,270	1,840	19,110
2030	17,269	922	18,191
	<u>\$ 120,889</u>	<u>25,764</u>	<u>146,653</u>

See Independent Auditors' Report.

**JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TN
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST
JOHN SEVIER CENTER
For the Fiscal Year Ended June 30, 2023**

Fiscal Year Ending June 30	Principal	Interest	Total
2024	\$ 104,226	172,414	276,640
2025	3,739,024	42,355	3,781,379
	<u>\$ 3,843,250</u>	<u>214,769</u>	<u>4,058,019</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, 2023

ASSETS

CURRENT ASSETS

1120 Cash - Operations	\$ 71,544
1130 Tenant / Member Receivable (Coops)	13,166
1131 Less: Allowance for Doubtful Accounts	(864)
1130N Net Tenant Accounts Receivable	12,302
1135 Accounts Receivable - HUD	9,524
1145 Accounts and Notes Receivable - Entity	14,400
1200 Prepaid Expenses	8,327
1100T Total Current Assets	<u>116,097</u>

TENANT SECURITY DEPOSITS

1191 Tenant Security Deposits	<u>36,229</u>
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RESTRICTED DEPOSITS

1330 Other Reserves - Reserve Account	<u>8,515</u>
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PROPERTY AND EQUIPMENT

1410 Land	79,300
1420 Building	5,086,483
1450 Furniture for Project / Tenant Use	34,952
1400T Total Fixed Assets	<u>5,200,735</u>
1495 Less: Accumulated Depreciation	<u>(442,285)</u>
1400N Net Fixed Assets	<u>4,758,450</u>

1000T TOTAL ASSETS	<u><u>\$ 4,919,291</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 BALANCE SHEET DATA
June 30, 2023

LIABILITIES

CURRENT LIABILITIES

2110 Accounts Payable	\$ 12,045
2120 Accrued Wages	4,456
2123 Accrued Management Fee Payable	11,225
2131 Accrued Interest Payable - First Mortgage	14,576
2150 Accrued Property Taxes	20,986
2170 Mortgage Payable - First Mortgage	104,226
2190 Miscellaneous Current Liabilities	684,597
2210 Prepaid Revenue	<u>20,091</u>
2122T Total Current Liabilities	<u>872,202</u>

TENANT SECURITY DEPOSITS

2191 Deposits Payable	<u>29,832</u>
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NON CURRENT LIABILITIES

2320 Mortgage Payable - Net of Current Portion	<u>3,739,024</u>
2300T Total Long Term Liabilities	<u>3,739,024</u>
2000T TOTAL LIABILITIES	<u>4,641,058</u>

NET ASSETS

Net Assets Without Donor Restrictions, Beginning	(338,836)
Net Income (Loss)	<u>617,069</u>
3131 NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>278,233</u>
3130 TOTAL NET ASSETS	<u>278,233</u>
2033T TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,919,291</u>

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, 2023

REVENUES

5120 Rent Revenue - Gross Potential	\$ 367,588
5121 Tenant Assistance Payments	1,395,272
5193 Special Claims Revenue	20,603
5100T Total Rent Revenue	<u>1,783,463</u>
5220 Vacancies - Apartments	<u>(41,926)</u>
5152N Total Rental Revenue	<u>1,741,537</u>
5910 Laundry and Vending	2,755
5920 Tenant Charges	9,474
5990 Miscellaneous Revenue	419,669
5900T Total Other Revenue	<u>431,898</u>
5000T TOTAL REVENUES	<u>2,173,435</u>

OPERATING EXPENSES

Administrative Expenses

6203 Conventions and Meeting	541
6210 Advertising and Marketing	9,783
6310 Office Salaries	34,812
6311 Office Expense	14,461
6320 Management Fee	120,889
6330 Manager's Salary	73,689
6340 Legal Expense	6,582
6350 Audit Expense	21,800
6351 Bookkeeper Expenses	2,650
6370 Bad Debts	33,358
6390 Miscellaneous Administrative Expenses	35,271
6263T Total Administrative Expenses	<u>353,836</u>

Utilities

6450 Electricity	35,399
6451 Water	30,682
6452 Natural Gas	2,561
6453 Sewer	71,397
6400T Total Utilities Expense	<u>140,039</u>

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, 2023

OPERATING EXPENSES (CONTINUED)

Operating and Maintenance

6510 Payroll	137,186
6515 Supplies	68,597
6520 Contracts	150,203
6525 Garbage and Trash Removal	16,735
6530 Security Payroll / Contract	73,026
6546 Heating / Cooling Repair	21,245
6590 Miscellaneous Operating Expense	<u>73,168</u>
6500T Total Operating and Maintenance Expenses	<u>540,160</u>

Taxes and Insurance

6710 Real Estate Taxes	43,127
6711 Payroll Taxes	18,602
6720 Property and Liability Insurance	79,819
6722 Workmen's Compensation	11,134
6723 Health Insurance and Other Employee Benefits	61,297
6790 Miscellaneous Taxes, Licenses, Permits, and Insurance	<u>982</u>
6700T Total Taxes and Insurance	<u>214,961</u>

Financial Expenses

6830 Interest on Note Payable (Long-Term)	<u>179,483</u>
6800T Total Financial Expenses	<u>179,483</u>

OPERATING RESULTS

6000T Total Cost of Operations before Depreciation	<u>1,428,479</u>
5060T Profit (Loss) before Depreciation	744,956
6600 Depreciation	<u>127,887</u>
5060N Operating Profit (Loss)	<u>617,069</u>

CHANGE IN NET ASSETS FROM OPERATIONS

3250 Change in Total Net Assets from Operations	<u><u>\$ 617,069</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 EQUITY DATA
For the Fiscal Year Ended June 30, 2023

S1100-060 Previous Year Net Assets Without Donor Restrictions	\$ (338,836)
3247 Change in Net Assets Without Donor Restrictions	<u>617,069</u>
3131 Net Assets Without Donor Restrictions	<u><u>\$ 278,233</u></u>
S1100-050 Previous Year Total Net Assets	\$ (338,836)
3250 Change in Total Net Assets from Operations	<u>617,069</u>
3130 Total Net Assets	<u><u>\$ 278,233</u></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, 2023

CASH FLOWS FROM OPERATING ACTIVITIES		
S1200-010	Rental Receipts	\$ 1,749,540
S1200-030	Other Operating Receipts	415,964
S1200-040	Total Receipts	<u>2,165,504</u>
S1200-050	Administrative	(121,464)
S1200-070	Management Fees	(115,471)
S1200-090	Utilities	(140,039)
S1200-100	Salaries and Wages	(245,978)
S1200-110	Operating and Maintenance	(409,182)
S1200-120	Real Estate Taxes	(67,673)
S1200-140	Property Insurance	(80,485)
S1200-150	Miscellaneous Tax and Insurance	(73,413)
S1200-160	Tenant Security Deposits	(2,904)
S1200-170	Other Operating Expenses	(18,602)
S1200-180	Interest on First Mortgage	(179,846)
S1200-230	Total Disbursements	<u>(1,455,057)</u>
S1200-240	NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>710,447</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
S1200-255	Net Deposits from Other Reserves	(7,726)
S1200-330	Purchase of Fixed Assets	<u>(436,089)</u>
S1200-350	NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(443,815)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
S1200-360	Principal Payments on Mortgage Payable	(96,794)
S1200-410	Principal Payments on Operating Loss Loan Payable	<u>(114,460)</u>
S1200-460	NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(211,254)</u>
S1200-470	NET INCREASE (DECREASE) IN CASH	55,378
S1200-480	CASH AT BEGINNING OF YEAR	<u>16,166</u>
S1200T	CASH AT END OF YEAR	<u><u>\$ 71,544</u></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, 2023

S1300-010 Cash	\$ 107,773
1135 Accounts Receivable - HUD	<u>9,524</u>
S1300-040 Total Cash	<u>117,297</u>
Current Obligations	
S1300-050 Accrued Mortgage Interest Payable	14,576
S1300-075 Accounts Payable - 30 days	12,045
S1300-100 Accrued Expenses (Not Escrowed)	106,327
2210 Prepaid Rents	20,091
2191 Tenant Security Deposits Liability	<u>29,832</u>
S1300-140 Total Current Obligations	<u>182,871</u>
S1300-150 Surplus Cash (Deficiency)	<u>\$ (65,574)</u>
S1300-200 Amount Available for Distribution during Next Fiscal Period	<u><u>\$ -</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, 2023

	<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	4,650,395	436,088	-	5,086,483
1450 Furniture and Fixtures for Project / Tenant Use	34,952	-	-	34,952
1400T TOTAL FIXED ASSETS	<u>\$ 4,764,647</u>	<u>436,088</u>	<u>-</u>	<u>5,200,735</u>
1495 Accumulated Depreciation	<u>\$ (314,399)</u>	<u>(127,886)</u>	<u>-</u>	<u>(442,285)</u>
1400N TOTAL NET BOOK VALUE				<u>\$ 4,758,450</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, 2023

2190 Miscellaneous Current Liabilities	
1 Other Accrued Liabilities	\$ 15,798
2 Other Accounts Payable	28,820
3 Accrued Audit Fee	21,800
4 Due to Other Funds	614,937
5 Accounts Payable - Management Company	3,242
Total	<u>\$ 684,597</u>
5990 Miscellaneous Rent Revenue	
1 Other Income	\$ 403,735
2 Late Fees	3,358
3 Damages	12,576
	<u>419,669</u>
6390 Miscellaneous Administrative Expense	
1 Miscellaneous Administrative Expense	\$ 5,604
2 Meals and Entertainment	796
3 Computer Expense	12,473
4 Travel Expenses	459
5 Bank Charges	3,940
6 Professional Fees	6,186
7 Payroll Processing Fee	1,182
8 Mileage	4,281
9 Dues and Subscriptions	350
Total	<u>\$ 35,271</u>
6590 Miscellaneous Operating and Maintenance	
1 Appliances	\$ 20,537
2 Carpentry	51,570
3 Uniform Expense	1,061
Total	<u>\$ 73,168</u>
6790 Miscellaneous Taxes, Licenses, Permits and Insurance	
1 Licenses and Permits	\$ 520
2 Taxes - Other	462
Total	<u>\$ 982</u>

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 26th day of September, 2023
Johnson City Development Authority

A handwritten signature in blue ink, reading 'Patricia C. Oldham', is written over a horizontal line.

Patricia Oldham
Johnson City Development Authority
Employer Identification Number
06-21421296

See Independent Auditors' Report.

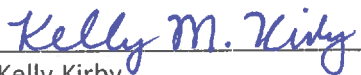


**JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
PROPRIETARY FUND - JOHN SEVIER CENTER
PROJECT #TN37-0070-001**

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 26th day of September, 2023
Johnson City Development Authority



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, the discretely presented component unit, and each major fund of the Johnson City Development Authority (the JCDA), a component unit of the City of Johnson City, Tennessee, as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the JCDA's basic financial statements, and have issued our report thereon dated September 26, 2023.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify and deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

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 items of noncompliance that are required to be reported under *Government Auditing Standards*.

JCDA's Response to Finding

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

Purpose of this Report

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


BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

September 26, 2023

**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 and Management of the
Johnson City Development Authority

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Johnson City Development Authority (JCDA), a component unit of the City of Johnson City, Tennessee's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the JCDA's major federal programs for the fiscal year ended June 30, 2023. 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, 2023.

Basis for our Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance


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

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 have not been identified.

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

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


BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

September 26, 2023

**JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2023**

PRIOR FINANCIAL STATEMENT FINDINGS

Original Finding Number	Prior Fiscal Year Finding Number	Finding Title	Status / Current Fiscal Year Finding Number
2022-001	2022-001	Significant Deficiency - Deficit and Payments Due to the JCDA	Corrected
2020-003	2022-002	Significant Deficiency - Tracking of Government-Wide Accounts	Corrected
2022-003	2022-003	Significant Deficiency and Noncompliance - Budgeting	Corrected

PRIOR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not applicable.

JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2023

SECTION I - SUMMARY OF AUDITORS' RESULTS

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

<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 not be a low-risk auditee.

**JOHNSON CITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2023**

SECTION II - FINANCIAL STATEMENT FINDING

Current Fiscal Year Finding

2023-001: Significant Deficiency: Deficit in Unrestricted Net Position

Cause and Condition: The John Sevier Center has a deficit in the unrestricted net position of \$(636,967) at year end.

Criteria: A proprietary fund should earn sufficient income to maintain a positive net position.

Effect: The effect the accumulated deficit resulted in difficult cash flow management.

Recommendation: Management should continue to take steps to ensure the deficit is eliminated.

Management's Response: Operations at the John Sevier Center over fiscal year 2023 realized a significant positive change in net position of \$617,069. This change, which came through significant gains in operation revenue and significant capital investments, has still not provided sufficient cash flow to overcome the negative equity position. The ongoing challenge is ensuring that operations continue with sufficient funds in order that both living conditions for residents are maintained and improved, while building updates are also performed. The funds from rental revenue that otherwise would have been used to payback funds due to the JCDA are often utilized for these needs and important updates for residents and the building.

JCDA staff continues to work closely with LHP, the management group supervising John Sevier operations, to ensure that the operations budget is crafted and closely managed to effectively support operations, provide needed capital for necessary building upgrades, and provide available cash to payback due to funds. The JCDA board approved a second HUD Mark-Up-To-Market (MUTM) application in May of 2023 to increase rental rates 8.02% or \$143,340 annually, which was approved and implemented in August 2023. Along with the MUTM increase, during the annual budget request to the City of Johnson City, JCDA requested and was awarded a special budget allocation for \$120,000 to underwrite new security service costs, which had been initiated following board approval in December of 2022. As a result of these measures, along with close monthly review of operations and finances, the JCDA staff and board members continue to work towards ensuring the John Sevier operations are sufficiently funded to support resident living as well as provide cash to payback monies owed to the JCDA.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no material compliance issues or questioned costs regarding the federal award.



September 26, 2023

RE: Management's Corrective Action Plan June 30, 2023

Name of Contact Person

Patricia Oldham, Executive Director

A handwritten signature in blue ink that reads 'Patricia C. Oldham' is written over a horizontal line.

Anticipated Completion Date:

December 31, 2023

2023-001: Significant Deficiency: Deficit in Unrestricted Net Position

JCDA staff continues to work closely with LHP, the management group supervising John Sevier operations, to ensure that the operations budget is crafted and closely managed to effectively support operations, provide needed capital for necessary building upgrades, and provide available cash to payback due to funds. The JCDA board approved a second HUD Mark-Up-To-Market (MUTM) application in May of 2023 to increase rental rates 8.02% or \$143,340 annually, which was approved and implemented in August 2023. Along with the MTUM increase, during the annual budget request to the City of Johnson City, JCDA requested and was awarded a special budget allocation for \$120,000 to underwrite new security service costs, which had been initiated following board approval in December of 2022. As a result of these measures, along with close monthly review of operations and finances, the JCDA staff and board members continue to work towards ensuring the John Sevier operations are sufficiently funded to support resident living as well as provide cash to payback monies owed to the JCDA.