Tennessee Duck River Development Agency

Report to the Board of Directors

KraftCPAs
PLLC

January 31, 2013

Board of Directors
Tennessee Duck River Development Agency
Shelbyville, TN

Ladies and Gentlemen:

We are pleased to present this report related to our audit of the financial statements and compliance of Tennessee Duck River Development Agency (the "Agency") for the year ended June 30, 2012. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Agency's financial and compliance reporting process.

This report is intended solely for the information and use of the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the Agency.

KraftCPAs PLLC

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Required Communications

Statement on Auditing Standards No. 114 requires the auditor to communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications:

Area	Comments
Auditor's Responsibility Under Professional Standards	Our responsibility under auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States, has been described to you in our contract and addendum dated May 8, 2012.
Accounting Practices	**Adoption of, or Change in, Accounting Policies** Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Agency. The Agency did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period. **Significant or Unusual Transactions** We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. **Alternative Treatments Discussed with Management** We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.
Management's Judgments and Accounting Estimates	Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached "Summary of Accounting Estimates".
Financial Statement Disclosures	Disclosures are detailed in Note 1 of the financial statements.

Area	Comments
Audit Adjustments	There were no adjustments posted as a result of the audit.
Uncorrected Misstatements	There were no uncorrected misstatements which management declined to record.
Disagreements with Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations with Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed with Management	No significant issues arising from the audit were discussed or were the subject of correspondence with management.
Difficulties Encountered in Performing the Audit	We did not encounter any difficulties in dealing with management during the audit.
Certain Written Communications Between Management and Our Firm	Copies of certain written communications between our firm and the management of the Agency are attached as Exhibit A.

Tennessee Duck River Development Agency
Summary of Accounting Estimates
Year Ended June 30, 2012

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the Agency's June 30, 2012 financial statements:

Area	Accounting Policy	Estimation Process	Comments
Depreciation of Property, Plant, and Equipment	The Agency calculates depreciation of property, plant, and equipment using the straight-line and accelerated methods over statutory recovery periods for specific asset categories.	The Agency estimates depreciation of property, plant and equipment on a monthly basis and adjust the appropriate accounts accordingly.	We have reviewed the Agency's methodology and believe it is reasonable.

Exhibit A - Material Written Communications between Management and Our Firm

Tennessee Duck River Development Agency

210 East Depot Street • Shelbyville, TN 37160 • O (931)684-7820 • F (931)685-0949 • www.duckriveragency.org

December 11, 2012

KraftCPAs PLLC
610 N. Garden St., Suite 200
Columbia, Tennessee 38401

In connection with your audit of the basic financial statements of Tennessee Duck River Development Agency (the "Agency") as of and for the year ended June 30, 2012, we confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in financial position, and cash flows in conformity with accounting principles generally accepted in the United States of America.

We confirm to the best of our knowledge and belief, as of December 11, 2012, the following representations made to you during your audit:

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. We have identified for you all organizations that are a part of this reporting entity or with which we have a relationship, as these organizations are defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, that are:
   a. Component units.
   b. Other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.
   c. Jointly governed organizations in which we participated.
3. We have identified for you all of our funds, governmental functions, and identifiable business-type activities.
4. We have properly classified all funds and activities.
5. We have properly determined and reported the major governmental and enterprise funds based on the required quantitative criteria. We have elected to report all funds as major funds. We believe that all judgmentally determined major funds are particularly important to the financial statement users.
6. We are responsible for compliance with laws and regulations applicable to the Agency including adopting, approving, and amending budgets.
7. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts including legal and contractual provisions for reporting specific activities in separate funds.

8. We have made available to you:
   a. All financial records and related data of all funds and activities, including those of all special funds, programs, departments, projects, activities, etc., in existence at any time during the period covered by your audit.
   b. All minutes of the meetings of the governing board and committees of board members or summaries of actions of recent meetings for which minutes have not yet been prepared.
   c. All communications from grantors, lenders, other funding sources, or regulatory agencies concerning noncompliance with:
      (1) Statutory, regulatory, or contractual provisions or requirements.
      (2) Financial reporting practices that could have a material effect on the financial statements.
9. We have no knowledge of fraud or suspected fraud affecting the entity involving:
   a. Management.
   b. Employees who have significant roles in the internal control, or
   c. Others where the fraud could have a material effect on the financial statements.
10. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
11. We have no knowledge of any allegations of fraud or suspected fraud affecting the Agency received in communications from employees, former employees, analysts, regulators, short sellers, or others.
12. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the entity's ability to record, process, summarize, and report financial data.
13. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
14. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
15. The following have been properly recorded and/or disclosed in the financial statements:
   a. Amounts of contractual obligations for construction and purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.
   b. All significant estimates and material concentrations known to management which are required to be disclosed in accordance with the AICPA's Statement of Position No. 94-6, *Disclosure of Certain Significant Risks and Uncertainties*. Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year.
   c. Assets and liabilities measured at fair value.
16. We are responsible for making the accounting estimates included in the financial statements.

Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:

a. To reduce receivables to their estimated net collectable amounts.

b. For pension obligations, post-retirement benefits other than pensions, and deferred compensation agreements attributable to employee services rendered through June 30, 2012.

c. For environmental clean-up obligations.

17. There are no:

a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.

b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.

c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5 and/or GASB Statement No. 10.

18. We are not aware of any pending or threatened litigation, claims, or assessments that are required to be accrued or disclosed in the financial statements in accordance with Statement of Financial Accounting Standards No.5 and/or GASB Statement No. 10 and we have not consulted a lawyer concerning litigation claims or assessments.

19. We have no direct or indirect, legal or moral obligation for any debt of any organization, public or private that is not disclosed in the financial statement.

20. We have satisfactory title to all owned assets.

21. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

22. Net asset components invested in capital assets and fund balances are properly classified and, when applicable, approved.

23. Expenses or expenditures have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

24. Revenues are appropriately classified in the statements of activities within program revenues general revenues.

25. Capital assets, including infrastructure assets, are properly capitalized, reported, and depreciated.

26. Required supplementary information is properly measured and presented.

27. There were no proposed adjustments to the trial balances identified during the audit. We have reviewed, approved, and are responsible for overseeing the preparation and completion of the basic financial statements and related notes.

Tennessee Duck River Development Agency

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No events or transactions have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the financial statements.

During the course of your audit, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Tennessee Duck River Development Agency

Doug Murphy
Executive Director

Linda Justice
Director of Finance

CONTRACT TO AUDIT ACCOUNTS
OF
Tennessee Duck River Development Agency (Prior:Upper Duck)

FROM July 01, 2011 TO June 30, 2012

This agreement made this **8th** day of **May 2012**, by and between **KraftCPAs PLLC**, **610 North Garden Street, Suite 200, Columbia, TN 38401**, hereinafter referred to as the "auditor" and **Tennessee Duck River Development Agency (Prior:Upper Duck)**, of **210 E. Depot Street, Shelbyville, TN 37160**, hereinafter referred to as the "organization", as follows:

1. In accordance with the requirements of the laws and/or regulations of the State of Tennessee, the auditor shall perform a financial and compliance audit of the financial statements of all funds of the organization for the period beginning **July 01, 2011**, and ending **June 30, 2012** with the **exception of the funds (if any) listed below**:

2. The auditor shall conduct the audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and requirements prescribed by the Comptroller of the Treasury, State of Tennessee, as detailed in the *Audit Manual*. If applicable, the audit is to be conducted in accordance with the provisions of the Single Audit Act and U.S. Office of Management and Budget (OMB) *Circular A-133*. The audit is also to be conducted in accordance with any other applicable federal management circulars. It is agreed that this audit will conform to standards, procedures, and reporting requirements established by the Comptroller of the Treasury. It is further agreed that any deviation from these standards and procedures will be approved in writing by the Comptroller of the Treasury prior to the execution of the contract. The interpretation of this contract shall be governed by the above-mentioned publications and the laws of the State of Tennessee.

3. The auditor shall, as part of the written audit report, submit to the organization's management and those charged with governance:

- a report containing an expression of an unqualified or modified opinion on the financial statements, as prescribed by the *Audit Manual*. This report shall state the audit was performed in accordance with *Government Auditing Standards*, except when a disclaimer of opinion is issued. If the organization is a component unit or fund of another entity, it is agreed that: (a) the financial statements may be included in the financial statements of the other entity; (b) the principal auditor for the other entity may rely upon the contracted auditor's report; (c) any additional information required by the principal auditor of the other entity will be provided in a timely manner.

- a report on the internal control and on compliance with applicable laws and regulations and other matters. This report shall be issued regardless of whether the organization received any federal funding. Audit reports of entities which are subject to the provisions of the Single Audit Act and *OMB Circular A-133* shall include the additional report required by that circular. The reports will set forth findings, recommendations for improvement, concurrence or nonconcurrence of appropriate officials with the audit findings, comments on corrective action taken or planned, and comments on the disposition of prior year findings.

4. If a management letter or any other reports or correspondence relating to other matters involving internal controls or noncompliance are issued in connection with this audit, a copy shall be filed with the Comptroller of the Treasury. Such management letters, reports, or correspondence shall be consistent with the findings published in the audit report (i.e., they shall disclose no reportable matters or significant deficiencies not also disclosed in the findings found in the published audit report).

5. The auditor shall file **one (1)** electronic copy of said report with the Comptroller of the Treasury, State of Tennessee. The auditor shall furnish **33** printed copies and/or an electronic copy of the report to the organization's management and those charged with governance. It is anticipated that the auditor's report shall be filed prior to **December 31, 2012**, **but in no case, shall be filed later than six (6) months following the period to be audited, without prior written explanation to the Comptroller of the Treasury, State of Tennessee and the organization.** Requirements for additional copies, including those to be filed with the appropriate officials of granting agencies, are listed below:

6. The auditor agrees to retain working papers for no less than five (5) years from the date the report is received by the Department of Audit. In addition, the auditor agrees that all audit working papers shall, upon request, be made available in the manner requested by the Comptroller for review by the Comptroller of the Treasury or the Comptroller's representatives, agents, and legal counsel, while the audit is in progress and/or subsequent to the completion of the report. Furthermore, at the Comptroller's discretion, it is agreed that the working papers will be reviewed at the office of the auditor, the entity, or the Comptroller and that copies of the working papers can be made by the Comptroller's representatives or may be requested to be made by the firm and may be retained by the Comptroller's representatives.

CONTINUED ON NEXT PAGE -->>

7. Provisions for reporting fraud:

Any reasonable suspicion of fraud, such as defalcation, misappropriation, misfeasance, malfeasance, embezzlement or other illegal acts shall be reported by the auditor, **in writing immediately upon discovery**, to the Comptroller of the Treasury, State of Tennessee, who shall under all circumstances have the authority, at the discretion of the Comptroller, to directly investigate such matters. If the circumstances disclosed by the audit call for a more detailed investigation by the auditor than necessary under ordinary circumstances, the auditor shall inform the organization's management and those in charge of governance in writing of the need for such additional investigation and the additional compensation required therefor. Upon approval by the Comptroller of the Treasury, an amendment to this contract may be made by the organization's management and those charged with governance and the auditor for such additional investigation.

8. (Special Provisions) **This contract is subject to the conditions and requirements described in the attached "Addendum to Audit Contracts."**

9. In consideration of the satisfactory performance of the provisions of this contract, the organization shall pay to the auditor a fee of (Fees may be fixed amounts or per diem.) (Fixed Amount: **$10,000**) or (Estimated gross fee:)

(If per diem, an estimated gross fee should be furnished to the governing unit for budgetary purposes. A schedule of such per diem fees should be set forth below. Interim billings may be arranged with consent of both parties to this contract.) Provision for the payment of fees under this agreement has been or will be made by appropriation of management and those charged with governance.

SCHEDULE OF PER DIEM FEES:

*****Plus out-of-pocket costs to include travel, phone calls, preparing report copies in excess of the number previously noted. Fees for additional services will be billed according to the terms of the attached addendum.**

10. As the authorized representative of the firm, I do hereby affirm that:

- our firm and all individuals participating in the audit are in compliance with all requirements of the Tennessee State Board of Accountancy and;
- our firm has part has participated in an external quality control review at least once every three (3) years, conducted by an organization not affiliated with our firm, and that a copy of our most recent external quality control review report has been provided to the organization, and the office of the Tennessee Comptroller of the Treasury approving this contract;
- all members of the staff assigned to this audit have obtained the necessary hours of continuing professional education required by *Government Auditing Standards*.
- all auditors participating in the engagement are independent under the requirements of the American Institute of Certified Public Accountants and *Government Auditing Standards*.

11. This writing, including any amendments, contains all terms of this contract. There are no other agreements between the parties hereto and no other agreements relative hereto shall be enforceable, unless entered into in accordance with the procedures set out herein and approved by the Comptroller of the Treasury, State of Tennessee. All parties agree that the digital signatures, that is, the electronic signatures applied by submitting the contract, are acceptable as provided for in the Uniform Electronic Transaction Act. Any paper documents submitted related to this contract will be converted to an electronic format and such electronic document(s) will be treated as the official document(s). All electronic documents should be indistinguishable from paper documents and should comply with the requirements of the *Audit Manual*.

KraftCPAs PLLC

Audit firm

Beverly L. Horner

By _____
Signature

Title/Position: **member**

E-mail address: **bhorner@kraftcpas.com**

Date: **May 08, 2012**

Tennessee Duck River Development Agency (Prior:Upper Duck)

Governmental Unit or Organization

Thomas H. Peebles IV

By _____
Signature

Title/Position: **Chairman**

E-mail address: **linda@duckriveragency.org; doug@c**

Date: **May 11, 2012**

Approved by the Comptroller of the Treasury, State of Tennessee

For the Comptroller:

David Sturtevant

By _____

Date: **June 07, 2012**

ADDENDUM TO CONTRACT TO AUDIT ACCOUNTS

OF

Tennessee Duck River Development Agency
FOR THE PERIOD July 1, 2011 to June 30, 2012

This letter is to explain our understanding of the arrangements for the services we are to perform. The purpose of this addendum is to elaborate on matters described in the preceding "Contract to Audit Accounts" (the "Contract").

AUDIT SERVICES

We will perform an audit of Tennessee Duck River Development Agency (the "Agency"), Lewisburg, Tennessee's basic financial statements. We understand that the financial statements will be prepared in accordance with the accounting principles generally accepted in the United States of America. The objective of an audit of financial statements is to express an opinion on those statements.

We are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the board of directors are presented fairly, in all material respects, in conformity with the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

We will conduct the audit in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards* issued by the Comptroller General of the United States; the provisions of the Single Audit Act, OMB Circular A-133, and OMB's Compliance Supplement. Those standards, circulars, supplements, or guides require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement whether caused by error or fraud. Accordingly, a material misstatement may remain undetected. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. The determination of abuse is subjective; therefore, Government Auditing Standards do not expect us to provide reasonable assurance of detecting abuse. You have informed us that you do not expect to have funding subject to A-133 audit requirements for 2012.

An audit of financial statements also includes obtaining an understanding of the entity and its environment, including its internal control, sufficient to assess the risks of material misstatement of the financial statements, and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, we will communicate to management and the governing board any significant deficiencies or material weaknesses that become known to us during the course of the audit.

We will communicate to the board of directors *(a)* any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements, *(b)* any fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse that come to our attention (unless they are clearly inconsequential), *(c)* any disagreements with management and other serious difficulties encountered in performing the audit, and *(d)* various matters related to the entity's accounting policies and financial statements.

In addition to our report on the financial statements, we will also issue the following types of reports:

- A report on the fairness of the presentation of the schedule of expenditures of federal awards for the year end indicated on the Contract.

- Reports on internal control related to the financial statements, and major programs. These reports will describe the scope of testing of internal control and the results of our tests of internal controls.

- Reports on compliance with laws, regulations, and the provisions of contracts or grant agreements. We will report on any noncompliance with compliance requirements which could have a material effect on the financial statements and any noncompliance which could have a direct and material effect, as defined by OMB Circular A-133, on each major program.

- A schedule of findings and questioned costs.

Our report(s) on internal control will include any significant deficiencies and material weaknesses in controls of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with requirements of the standards and circulars identified above. Our report(s) on compliance matters will address material errors, fraud, abuse, violations of compliance obligations, and other responsibilities imposed by state and federal statutes and regulations or assumed by contracts, and any state or federal grant, entitlement, or loan program questioned costs of which we become aware, consistent with requirements of the standards and circulars identified above.

Beverly Horner is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

CLIENT RESPONSIBILITIES

Management is responsible for the financial statements, including the selection and application of accounting policies, adjusting the financial statements to correct material misstatements, and for making all financial records and related information available to us. Management is responsible for providing us with a written management representation letter confirming certain representations made during the course of our audit of the financial statements and affirming to us that it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and to the opinion units of the financial statements.

At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters, including that you are responsible for designing and implementing programs and controls to prevent and detect fraud.

Management is responsible for establishing and maintaining effective internal control over financial reporting and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge.

Management is responsible for identifying and ensuring that the entity complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the entity involving management, employees who have significant roles in internal control, and others

where the fraud could have a material effect on the financial statements. Management is also responsible for informing us of its knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.

Management is also responsible for *(a)* making us aware of significant vendor relationships where the vendor is responsible for program compliance, *(b)* following up and taking corrective action on audit findings, including the preparation of a summary schedule of prior audit findings, and a corrective action plan, and *(c)* report distribution including submitting the reporting package(s).

The governing board is responsible for informing us of its views about the risks of fraud within the entity, and its knowledge of any fraud or suspected fraud affecting the entity.

The Agency also agrees that it will not associate us with any public or private securities offering without first obtaining our consent. Therefore, the Agency agrees to contact us before it includes our reports or otherwise makes reference to us, in any public or private securities offering. We may conclude that we are not otherwise associated with the proposed offering and that our association with the proposed offering is not necessary, providing the Agency agrees to clearly indicate that we are not associated with the contents of the official statement. The Agency agrees that the following disclosure will be prominently displayed in the official statement:

> *KraftCPAs PLLC, our independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. KraftCPAs PLLC also has not performed any procedures relating to this official statement.*

Our association with an official statement is a matter for which separate arrangements will be necessary. The Agency agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when the Agency seeks such consent, we will be under no obligation to grant such consent or approval.

Because KraftCPAs PLLC will rely on Agency and its management and board of directors to discharge the forgoing responsibilities, the Agency holds harmless and releases KraftCPAs PLLC, its members, and employees from all claims, liabilities, losses and costs arising in circumstances where there has been a knowing misrepresentation by a member of the Agency's management which has caused, in any respect, KraftCPAs PLLC breach of contract or negligence. This provision shall survive the termination of this arrangement for services.

During the course of our engagement, we may accumulate records containing data that should be reflected in your books and records. You will determine that all such data, if necessary, will be so reflected. Accordingly, you will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by Agency personnel, including the preparation of schedules and analyses of accounts, will be discussed and coordinated with Linda Justice, Finance Director. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

FEES, COSTS AND ACCESS TO AUDIT DOCUMENTATION

Our fees are based upon the time required by the individuals assigned to the engagement, plus direct expenses. Engagement related expenses will be billed annually in addition to the above fees. These

proposed fees will be subject to adjustments based on unanticipated changes in the scope of our work or the incomplete or untimely receipt by us of information on the client participation list. Our engagement assumes you will have adequately closed the Agency's books and that limited adjusting journal entries will be made by your staff and our engagement team. Our invoices for these services will be submitted as work progresses and as expenses are incurred. Billings are due upon submission. All other provisions of this letter will survive any fee adjustment.

Our fees for other non-attest services will be based on the time required for the work performed, plus engagement related expenses.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client. Accordingly, the client agrees it will compensate KraftCPAs PLLC for any additional costs incurred as a result of the employment of a partner or professional employee of KraftCPAs PLLC.

In the event we are requested or authorized by the client or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for the Agency, the Agency will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

The documentation for this engagement is the property of KraftCPAs PLLC. However, you acknowledge and grant your assent that representatives of the cognizant or oversight agency or their designee, other government audit staffs, and the U.S. Government Accountability Office shall have access to the audit working papers upon their request and that we shall maintain the working papers for a period of at least three years after the date of the report, or for a longer period if we are requested to do so by the cognizant or oversight agency. Access to requested working papers will be provided under the supervision of KraftCPAs PLLC audit personnel and at a location designated by our Firm.

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose confidential client information to them. We enter into confidentiality agreements with all third-party service providers and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others.

If circumstances arise relating to the condition of the Agency's records, the availability of appropriate audit evidence or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, or misappropriation of assets which in our professional judgment prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawal from the engagement.

We will assist in drafting the Agency's financial statements and will propose adjustments to the trial balance (if necessary), which are reviewed and approved by management. The draft and the adjustments are the responsibility of management.

The two overarching principles of the independence standards of the "Government Auditing Standards" issued by the Comptroller General of the United States provide that management is responsible for the

substantive outcomes of the work and, therefore, has a responsibility and is able to make any informed judgment on the results of the services described above. Accordingly, Agency agrees to the following:

1. Linda Justice, Finance Director will be accountable and responsible for overseeing the draft of the financial statements and trial balance adjustments.

2. The Agency will establish and monitor the performance of the draft of the financial statements and trial balance adjustments to ensure that they meet management's objectives.

3. The Agency will make any decisions that involve management functions related to the draft of the financial statements and trial balance adjustments and accepts full responsibility for such decisions.

4. The Agency will evaluate the adequacy of services performed and any findings that result.

In accordance with *Government Auditing Standards*, a copy of our most recent peer review report has been provided to you via the State of Tennessee CARS website for your information.

This letter constitutes the complete and exclusive statement of agreement between KraftCPAs PLLC and the Agency, superseding all proposals, oral or written, and all other communication, with respect to the terms of the engagement between the parties.

If this letter defines the arrangements as the Agency understands them, please sign the "Contract to Audit Accounts", which incorporates this addendum by reference, and submit electronically to the Comptroller of the Treasury, State of Tennessee in accordance with the requirements.

KraftCPAs PLLC