AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

TENNESSEE DUCK RIVER DEVELOPMENT AGENCY

June 30, 2025

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INTRODUCTORY SECTION

TENNESSEE DUCK RIVER DEVELOPMENT AGENCY

LIST OF PRINCIPAL OFFICIALS

June 30, 2025

BOARD OF DIRECTORS:

Member	Director	Officer
Tommy Peebles	Member-At-Large	Chairman
Eslick Daniel	Member-At-Large	Vice Chairman
Joanne Pogue	Maury County Director	Secretary/Treasurer
Tony White	Marshall County Director	
Charles McDonald	Bedford County Director	
Danny Rochelle	Hickman County Director	
Richard Hanson	Coffee County Director	
April Grippo	Governor's Representative	
Jim Bingham	City Mayor-At-Large	
Jonathan Hardin	Columbia Power and Water Systems	
Shelia Butt	County Mayor-At-Large	
Mike Keny	County Mayor-At-Large	
Randal Braker	Duck River Utility Commission	
Claudia Mallard	Shelbyville Power, Water and Sewerage Systems	
John Jones	Bedford County Utility District	
Trigg Cathey	Lewisburg Water and Wastewater Department	
Vincent Fuqua	City of Spring Hill	
Vacant	City Mayor at Large	

MANAGEMENT:

David Money	Executive Director
Georganne Martin	Finance Director

FINANCIAL SECTION

WINNETT
Associates, PLLC
Certified Public Accountants and Consultants

514 Elm Street, P. O. Box 745
Shelbyville, Tennessee 37162

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tennessee Duck River Development Agency
Shelbyville, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Tennessee Duck River Development Agency, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Tennessee Duck River Development Agency'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 and each major fund of the Tennessee Duck River Development Agency, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Tennessee Duck River Development Agency'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.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Tennessee Duck River Development Agency'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 Tennessee Duck River Development Agency'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, the schedule of changes in Tennessee Duck River Development Agency's net pension liability(asset) and related ratios based on participation in the public employee pension plan of TCRS, and the schedule of Tennessee Duck River Development Agency's contributions based on participation in the public employee pension plan of TCRS on pages 9-13 and 34-35 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 Tennessee Duck River Development Agency's basic financial statements. The accompanying Schedule of Revenues, Expenditures, and Net Changes in Fund Balance, Budget to Actual - General Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 Revenues, Expenditures, and Net Change in Fund Balance, Budget to Actual - General Fund is 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 List of Principal Officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2025, on our consideration of Tennessee Duck River Development Agency'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 Tennessee Duck River Development Agency'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 Tennessee Duck River Development Agency's internal control over financial reporting and compliance.

Winnett Associates, PLLC

Shelbyville, Tennessese
December 26, 2025

TENNESSEE DUCK RIVER DEVELOPMENT AGENCY
Management's Discussion and Analysis

As management of the Tennessee Duck River Development Agency (the "Agency"), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2025.

Financial Highlights

- The assets of the Agency exceeded its liabilities at the close of the most recent fiscal year by $13,133,913 (*net position*). The unrestricted amount of $309,918 may be used to meet the Agency's ongoing obligations to projects and vendors.
- The Agency's total net position decreased by $3,012,958. The Agency had adequate funds in its operating account at the beginning of the year and withdrew the full amount allowed from Operating and Project Fund Trust.
- As of the close of the current fiscal year, the Agency's General Fund reported ending fund balance of $327,501, an increase of $75,170 in comparison with the prior year. With the exception of amounts spent on prepaid expenses and deposits, the amount of $322,508 is *available for spending* at the Agency's discretion (*unassigned fund balance*).

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Agency's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The *statement of activities* presents information showing how the Agency's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The governmental activities of the Agency include operating and administrative.

The government-wide financial statements include not only the Agency itself, but also the component units, Water Supply Project Trust and Duck River Agency Operating and Project Fund. Financial statements of the trusts may be obtained by writing to the Tennessee Duck River Development Agency, 210 East Depot Street, Shelbyville, TN 37160**.**

Fund financial statements. A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The General Fund and the two trust funds are governmental funds.

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 near-term inflows and outflows of spendable resources, as well as on balance of 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 the 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Agency maintains three governmental funds, the General Fund and two special revenue funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund and the special revenue funds, all of which are considered to be major funds.

The Agency adopts an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets and deferred outflows exceed liabilities and deferred inflows by $13,133,913 at the close of the most recent fiscal year.

A portion of the Agency's net position is invested in capital assets (e.g., land, buildings, and building improvements). There is no outstanding debt related to the Agency's capital assets. The Agency uses these capital assets to provide services to constituents; consequently, these assets are not available for future spending as of and for the year ended:

	2025	2024
Current assets	$13,051,152	$16,106,574
Pension assets	106,321	68,161
Capital assets	8,291	8,681
Total assets	13,165,764	16,183,416
Deferred outflows related to pension contributions	19,871	31,798
Current liabilities	14,267	19,043
Deferred inflows related to pension activity	37,455	49,300
Investment in capital assets	8,291	8,681
Restricted for:		
Pension benefits	106,321	68,161
Agency operations and projects – trust	2,048,000	1,826,972
Water supply projects – trust	10,661,384	14,008,228
Unrestricted net position	309,917	234,829
Total net position	$13,133,913	$16,146,871

Government-wide Financial Analysis (Continued)

The remaining balance of unrestricted net position may be used to meet the Agency's ongoing obligations to constituents and creditors.

At the end of both the current and prior fiscal years, the Agency reported positive balances in all categories of net position. There was an decrease of $3,012,958 in net position reported for the current year.

Governmental activities. Governmental activities make up the entire net position balance, thus are responsible for the changes in total net position. Key elements of this change are as follows:

	2025	2024
Revenues:		
Administrative	$ 584,391	$ 450,606
Investment earnings	781,389	741,393
Total revenues	1,365,780	1,191,999
Expenses:		
Administration	230,947	285,648
Programs	4,147,791	186,835
Total expenses	4,378,738	472,483
Increase (decrease) in net position	(3,012,958)	719,516
Net position-beginning of the year	16,146,871	15,427,355
Net position-end of the year	$ 13,133,913	$ 16,146,871

Financial Analysis of the Government's Funds

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Agency's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable resources*. Such information is useful in assessing the Agency's financing requirements. In particular, *fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Agency. At the end of the current fiscal year, fund balance of the general fund was $327,501.

The fund balance of the Agency's General Fund increased $75,170 during the current fiscal year due to management managing spending for the funds withdrawn from the Operating and Project Fund Trust and withdrawing the allowed amount from the trust as allowed for administrative items and projects.

General Fund Budgetary Highlights

The original budget was amended in the fiscal year 2025.

A. The following amendments to the original administrative budget were approved by the Board of Directors:
    1. April 24, 2025
        a. Operating Revenue of $20,563.88 was added. Doug Murphy, Executive Director, retired as of June 30. David Money was hired as of June 1, 2025, to overlap for one month. The part-time Finance Director, Georganne Martin started full-time as of June 1. Salary, benefit, and employee taxes were increased to cover three full-time employees in the month of June.

        b. A third person was hired. Angie Brown, Depuy Director, was hired. The creates a succession plan for the Executive Director position, Once Doug Murphy retired on June 30, 2022, there would be three full time employees starting July 1.

B. The following amendments to the original Program budget were approved by the Board of Directors:
    1. July 25, 2024
        a. Hazen contract for Forecast Model for $13,000
    2. October 24, 2024
        a. Ramboll for NEPA -(ONRR) added $20,000
        b. Ramboll for Dashboard & Data Management for $9,998.00
        c. Ramboll for Program Management for $25,000

        Total amendments for October were $54,998.

Capital Asset Administration

Capital assets. The Agency's investment in capital assets for its governmental type activities as of June 30, 2025, amounts to $8,290.68 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and building improvements. The decrease in total capital assets was due to annual depreciation of $390.

	2025	2024
Land	$ 6,000	$ 6,000
Buildings and improvements	1	1
Equipment	2,290	2,680
Total capital assets	$ 8,291	$ 8,681

Additional information on the Agency's capital assets can be found in Note 5 of the Financial Section of this report.

Economic Factors and Next Year's Budget

The Agency's revenue for operations is from six water systems in the Duck River Region that pay a nickel per 1,000 gallons of water drawn into the Operating and Project Fund trust. Water system deposits for the fiscal year ended June 30, 2025, totaled $588,338.99. Since the passage of Legislation in April 2024 there is no percentage set for administrative budget versus project and program budget.

A. Revenue for operations and projects

The water system deposit contracts expired June 30, 2024. The companies that have an ARAP permit pay the nickel on water drawn from the river. So, Duck River Utility Commission began paying the nickel on July 1, 2025. Tullahoma Water and Manchester Water are no longer required to pay the nickel since they do not draw water from the Duck River.

B. Columbia Project

Currently, Columbia Power & Water Systems (CPWS) has been issued a new ARAP permit for a new downstream water intake. This new downstream intake would remove CPWS, MCWS and SHWS water supply reliance from Normandy Reservoir during extended drought periods and future demands. The board has approved $10M from DRA funds in support of this regional project. The first draw for $3,000,000 was made o February 6, 2025. The second draw for $1,000,000 was made on August 13, 2025.

C. Duck River Utility Commission

Currently, Duck River Utility Commission (DRUC) is renovating the DRUC water intake to withdraw water at lower reservoir elevations. The agreement between DRUC and DRA is that $3M will be given in $1M increments as the project progresses. The first draw for $1,000,000 was made in November 2024. The second draw for $1,000,000 was made on August 13, 2025.

D. Staffing

As of June 30, 2025, TDRDA has three full-time employees. The retiring Director, the newly-hired Director and a Finance Manager. Starting July 1, 2025, there will be three employees, newly hired Executive Director, Deputy Director plus the full-time Finance Director. This will allow for succession planning with the Executive Director and Deputy Director being involved in all projects and programs.

E. Projects currently in progress:)

a. Columbia Power and Water (CPWS) New Downstream Intake Program ($10M)
b. Duck River Utility Commission (DRUC Intake Modification ($3M)
c. Oasis Model Update and Data Needs
d. Updating Regional Water Supply Plan (WSP)
e. Data Dashboard

TENNESSEE DUCK RIVER DEVELOPMENT AGENCY

STATEMENT OF NET POSITION

June 30, 2025

		GOVERNMENTAL ACTIVITIES
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS		
Cash and cash equivalents	$	4,565,806
Investments		8,480,053
Prepaid items		4,993
Deposits		300
Net pension asset		106,321
Capital assets, net of accumulated depreciation		8,291
Total assets		13,165,764
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions		19,871
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
LIABILITIES		
Contract payables and accrued expenses		14,267
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions		37,455
NET POSITION		
Investment in capital assets		8,291
Restricted for:		
Pension benefits		106,321
Agency operations and projects		2,048,000
Water supply projects		10,661,384
Unrestricted		309,917
Total net position	$	13,133,913

The accompanying notes are an integral part of this financial statement.

TENNESSEE DUCK RIVER DEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2025

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES OPERATING GRANTS AND CONTRIBUTION	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION GOVERNMENTAL ACTIVITIES
Governmental activities:			
Water supply infrastsructure	$ 4,000,000	$ -	$ (4,000,000)
Environmental programs	147,791	-	(147,791)
Administration	230,947	584,391	353,444
Total governmental activities:	$ 4,378,738	$ 584,391	(3,794,347)
General revenues:			
Investment earnings			781,389
Total general revenues:			781,389
Change in net position			(3,012,958)
Net Position - beginning of year			16,146,871
Net Position - end of year			$ 13,133,913

The accompanying notes are an integral part of this financial statement.

TENNESSEE DUCK RIVER DEVELOPMENT AGENCY
BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2025

	General Fund	Water Supply Project Trust	Operating and Project Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 319,919	$ 4,023,161	$ 222,726	$ 4,565,806
Investments	-	6,638,223	1,841,830	8,480,053
Due from Operating and Project Fund	16,556	-	-	16,556
Prepaid items	4,993	-	-	4,993
Deposits	300	-	-	300
TOTAL ASSETS	$ 341,768	$ 10,661,384	$ 2,064,556	$ 13,067,708
LIABILITIES AND FUND BALANCE				
Contracts and other payables	$ 14,267	$ -	$ -	$ 14,267
Due to General Fund	-	-	16,556	16,556
TOTAL LIABILITIES	14,267	-	16,556	30,823
FUND BALANCE				
Nonspendable	4,993	-	-	4,993
Restricted	-	10,661,384	2,048,000	12,709,384
Unassigned	322,508	-	-	322,508
TOTAL FUND BALANCE	327,501	10,661,384	2,048,000	13,036,885
TOTAL LIABILITIES AND FUND BALANCE	$ 341,768	$ 10,661,384	$ 2,064,556	$ 13,067,708

Total Fund Balance	$ 13,036,885
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Net pension asset in governmental activities is not a current financial resource and, therefore, is not reported in the governmental funds Balance Sheet.	106,321
Deferred inflows and outflows of resources that are not financial resources or payable from current financial resources and therefore are not reported on the governmental funds Balance Sheet:	
Deferred inflows related to pensions	(37,455)
Deferred outflows related to pensions	11,187
Employer contributions made since the measurement date are deferred outflows of resources in governmental activities, but have been expensed in the governmental funds.	8,684
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	8,291
Net Position of Governmental Activities	$ 13,133,913

The accompanying notes are an integral part of this financial statement.

TENNESSEE DUCK RIVER DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the year ended June 30, 2025

	General Fund	Water Supply Project Trust	Operating and Project Fund	Total Governmental Funds
Service charges on water sales	$ -	$ -	$ 584,391	$ 584,391
Investment income	275	675,390	105,724	781,389
TOTAL REVENUES	275	675,390	690,115	1,365,780
EXPENDITURES				
Current:				
Water supply infastructure programs		4,000,000		4,000,000
Environmental programs	147,791	-	-	147,791
Administration	240,416	22,234	5,985	268,635
TOTAL EXPENDITURES	388,207	4,022,234	5,985	4,416,426
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(387,932)	(3,346,844)	684,130	(3,050,646)
OTHER FINANCING SOURCES (USES)				
Transfers in	463,102	-	-	463,102
Transfers out	-	-	(463,102)	(463,102)
TOTAL OTHER FINANCING SOURCES (USES)	463,102	-	(463,102)	-
NET CHANGE IN FUND BALANCES	75,170	(3,346,844)	221,028	(3,050,646)
FUND BALANCE, beginning of year	252,331	14,008,228	1,826,972	16,087,531
FUND BALANCE, end of year	$ 327,501	$ 10,661,384	$ 2,048,000	$ 13,036,885

Net change in Fund Balance - Governmental Funds	$ (3,050,646)
Amounts reported for governmental activities in the Statement of Activities are different from amounts reported for governmental funds in the Schedule of Revenues, Expenditures, and Net Change in Fund Balance because:	
Governmental funds report capital outlays as expenditures. However, the cost of those assets is allocated over their useful lives and reported as depreciation expense for governmental activities.	(390)
Pension expense in excess of pension contributions	38,078
Change in Net Position of Governmental Activities	$ (3,012,958)

The accompanying notes are an integral part of this financial statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General and nature of entity

The Tennessee Duck River Development Agency (the "Agency") was established by a Public Act of the General Assembly of the State of Tennessee (the "State") in 1965 for the purpose of developing the natural and economic resources of the Duck River Basin (TCA 64-1-601 as amended). A Board of Directors ("DRA Board"), whose members are appointed by the Governor of Tennessee, governs the Agency. In 1998, the Agency adopted a new mission - "to develop, protect, and sustain a clean and dependable water resource for all citizens of the Duck River region."

As a result of legislation signed into law May 6, 2024, and effective July 1, 2024, all ARAP (Aquatic Resource Alteration Permit) holders within the Duck River Basin are required to pay a membership fee set by the Agency's board of directors. The Agency funds its operating expenses from these fees assessed to six Water Systems in the Duck River region which are deposited and held in trust in the Duck River Agency Operating and Project Fund (Operating and Project Fund).

A second trust, The Water Supply Project Trust, is to be used only for the support of new or improved water supply infrastructure projects in the Duck River basin. Project approval for the Water Supply Project Trust requires approval by a simple majority of the governing bodies of the participating water systems and by the Agency's board of directors and sixty percent of the Tennessee Duck River Technical Advisory Committee's votes. For purposes of voting, the vote of an eligible committee member must be weighted based on 100 multiplied by the ratio of the amount of finished water pumped to the system pursuant to the legislation by the water system from the Upper Duck River watershed in the previous fiscal year to the total amount of finished water pumped to the system pursuant to the legislation by all water systems from the Upper Duck River watershed in the previous fiscal year.

Financial reporting entity

The financial statements present the accounts and operations of the Agency, which is the reporting entity. The Water Supply Project Trust and the Operating and Project Fund (the Trusts) are separate legal entities from the Agency, and the Agency is not financially accountable for the Trusts. The Trusts are included as blended component units of the Agency. The financial statements of the individual component units may be obtained by writing to the Tennessee Duck River Development Agency, 210 East Depot Street, Shelbyville, TN 37160.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues.*

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.* 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.

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 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 Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All revenues collected by the Agency are susceptible to accrual. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The *general fund* is the Agency's primary operating fund. It accounts for all financial resources of the Agency and is reported as a major governmental fund. The two special revenue funds- Water Supply Project Trust and Operating and Project Fund- are also major funds.

Budgetary data

Formal budgetary accounting is employed as a management control by the Agency. A schedule of revenues and expenditures for the general fund and net changes in fund balance, budget to actual is included as supplementary information, although the budget is not required to be legally adopted.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments that have an original maturity date when acquired of three months or less.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash and cash equivalents (continued)

Statutes authorize the Agency to invest in securities or obligations of or guaranteed by: (1) U.S. government, its agencies, and government-sponsored enterprises, (2) deposit accounts at state and federal chartered banks and savings and loan associations, (3) the Local Government Investment Pool of the State of Tennessee, (4) state and local government general obligation bonds, and (5) repurchase agreements of federal agency securities with certain restrictions. The Agency has not formally adopted deposit and investment policies that would further limit its investments.

Deposits in financial institutions are required by State statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. Financial institutions that participate in the bank collateral pool, as administered by the Treasurer of the State of Tennessee, determine the aggregate balance of their deposits for the Agency. Securities are pledged to the State Treasurer on behalf of the bank collateral pool as collateral for the participating institution's public deposits. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

Investments

Investments are reported at fair value. Unrealized gains and losses are recognized currently in the statement of revenues, expenditures, and changes in fund balance and the statement of activities.

Fair value measurements

The Trusts classify assets and liabilities measured at fair value based on a hierarchy consisting of: Level 1 (valued using quoted prices from active markets for identical assets), Level 2 (not traded on an active market but for which observable market inputs are readily available), and Level 3 (valued based on significant unobservable inputs). The asset's or liability's fair measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

Debt securities of U.S. Government Agencies - Securities for which quotations are readily available in active markets are valued at the most recent quote in the principal market in which such securities are normally traded and are classified within Level 1 of the valuation hierarchy. These investments also include securities valued on the basis of information provided by pricing services that employ

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

valuation matrices that may incorporate both broker/dealer supplied valuations as well as valuation models reflecting such factors as benchmark yields, reported trades, broker/dealer quotes, bid/offer data, and other relevant elements, and are classified within Level 2 of the valuation hierarchy.

Certificates of deposit - Certificates of deposit are reported at face value with accrued interest, which approximates future cash flows of the deposit.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Trustee believes its valuation methods are appropriate and consistent with that of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

Receivables

Receivables may consist of payments due from other government agencies for contracted services or other purposes. All receivables are subject to evaluation for collectability. There were no receivables at the end of the current year.

Prepaid items and supplies inventory

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of supplies is recorded as an expenditure/expense when purchased.

Capital assets

Capital assets acquired for general governmental purposes are recorded as expenditures of the governmental fund and accounted for in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are recorded at estimated fair market value at the time received. Depreciation expense is recorded on a straight-line basis, with lives ranging from 5 - 20 years. In the government-wide financial statements, capital assets used in governmental activities with a per unit cost of greater than $5,000 are capitalized at historical cost. Certain exceptions may apply to this policy depending on the nature and expected life of the asset.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Agency's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the Agency's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of the TCRS. Investments are reported at fair value.

Deferred outflows of resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows in the financial statements consist of amounts related to pensions (differences between expected and actual experience, differences between projected and actual earnings in pension plan investments, changes in assumptions, and employer contributions subsequent to the measurement date).

Deferred inflows of resources

Deferred inflows of resources represent 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 Agency has items which arise under the accrual basis of accounting that qualify for reporting in this category. Accordingly, the items are reported in the governmental activities Statement of Net Position. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Differences between expected and actual experience in the calculation of the total pension liability are included in deferred inflows.

Compensated absences

The Agency has implemented GASB Statement 101 which is effective for fiscal years beginning after December 15, 2023. The Statement requires that a liability should be recognized in the government-wide statements for unused leave if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The Agency's policy permits employees to accumulate both vacation and sick leave benefits, which may be taken subsequent to the year in which earned. As the Statement also provides that leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be recognized as a liability for compensated absences, implementation of the Statement did not have a significant effect on the Agency's financial statements. The liability for such leave and salary-related benefits is reported in the government-wide statements, if significant.

Net position

Government-wide net position is divided into three components:

- Investment in capital assets, net of related debt - consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets, if applicable.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- Restricted net position – consists of the portion of net position for which use is constrained to a particular purpose. Restrictions are imposed by external organizations such as the Agency's creditors and by other contributors. The Agency has restricted net position related to the net pension asset and trust assets.

- 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 Agency.

Governmental fund balances

In the governmental fund financial statements, fund balances are defined as follows:

- Nonspendable - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- Restricted - Amounts that can be spent only for specific purposes because of conditions externally imposed by grantors.
- Committed - Amounts that can be used only for specific purposes determined by a formal action by the DRA Board. Conversely, to rescind or modify a fund balance commitment, action by the DRA Board is also required.
- Assigned - Amounts that are designated by the DRA Board or management for a particular purpose but do not meet the criteria to be restricted or committed.
- Unassigned - All amounts not included in other spendable classifications.

Use of restricted resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Agency's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Agency's policy is to determine the best use of the funds based on the specific facts and circumstances at that time. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is depleted last.

NOTE 2 - CASH AND CASH EQUIVALENTS

As of June 30, 2025, the Agency's general fund demand deposit accounts amounted to $319,919. Bank balances for such accounts totaled $324,090, all of which was covered by federal depository insurance or were held with a financial institution participating in the bank collateral pool administered by the state treasurer.

NOTE 3 - INVESTMENTS

The Agency's general fund had no investments as of June 30, 2025. The investment policies of the Trusts are established by the Trustees.

NOTE 3 - INVESTMENTS (CONT'D)

Trust investments consist of the following at June 30, 2025:

Water Supply Project Trust	Cost	Fair Value
Government obligations	$ 4,558,244	$ 4,617,341
Certificates of deposit	1,996,868	2,020,882
	$ 6,555,112	$ 6,638,223

Operating and Project Fund	Cost	Fair Value
Government obligations	$ -	$ -
Certificates of deposit	1,829,825	1,841,830
	$ 1,829,825	$ 1,841,830

NOTE 4 - FAIR VALUE MEASUREMENTS

The following table sets forth the Trusts' major categories of assets measured at fair value on a recurring basis, by level within the fair value hierarchy, as of June 30, 2025:

	Fair Value	Quoted Prices in Active Markets For Identical Assets Level (1)	Significant Other Observable Inputs Level (2)	Significant Unobservable Inputs Level (3)
Water Supply Project Trust				
Government obligations	$ 4,617,341	$ -	$ 4,617,341	$ -
Certificates of deposit	2,020,882	-	2,020,882	-
	$ 6,638,223	$ -	$ 6,638,223	$ -

	Fair Value	Quoted Prices in Active Markets For Identical Assets Level (1)	Significant Other Observable Inputs Level (2)	Significant Unobservable Inputs Level (3)
Operating and Project Fund				
Government obligations	$ -	$ -	$ -	$ -
Certificates of deposit	1,841,830	-	1,841,830	-
	$ 1,841,830	$ -	$ 1,841,830	$ -

NOTE 5 - PROPERTY AND EQUIPMENT

A summary of changes in capital assets for the year ended June 30, 2025, is presented below:

	Beginning Balance	Additions	Ending Balance
Governmental activities:			
Capital assets, not being depreciated:			
Land	$ 6,000	$ -	$ 6,000
Capital assets, being depreciated:			
Buildings and improvements	111,796	-	111,796
Equipment	7,800	-	7,800
Total capital assets, being depreciated	119,596	-	119,596
Less accumulated depreciation for:			
Buildings and improvements	(111,795)	-	(111,795)
Equipment	(5,120)	(390)	(5,510)
Total accumulated depreciation	(116,915)	(390)	(117,305)
Total capital assets, being depreciated, net	2,681	(390)	2,291
Governmental activities capital assets, net	$ 8,681	$ (390)	$ 8,291

Depreciation expense of $390 was charged to administration.

NOTE 6 - RESTRICTIONS ON NET ASSETS

Restricted net position of $106,321 is related to the Agency's net pension asset. Substantially all of the remaining restrictions on net assets at June 30, 2025, are related to the Trustee's fiduciary responsibilities established under the trust agreements.

Under the terms of the trust agreement as amended effective June 23, 2025, the Trustee shall pay to the Agency quarterly disbursements of the total annual administrative budget approved by the Agency.

NOTE 7 - RISK MANAGEMENT

The Agency has purchased commercial insurance against the risk of losses on property, general liability, and workers compensation. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

NOTE 8 - RETIREMENT PLAN

Plan description

Employees of the Agency are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at https://treasury.tn.gov/Retirement/Boards-and-Goverance/Reporting-and-Investment-Policies.

Benefits provided

Tennessee Code Annotated, Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for nonservice-related disability eligibility. The service-related and nonservice-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

NOTE 8 - RETIREMENT PLAN (CONT'D)

Employees covered by benefit terms

At the measurement date of June 30, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	0
Active employees	1
Total Employees	2

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The Agency makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2025, the employer contributions in relation to the actuarial determined contribution (ADC) for the Agency were $8,684 based on a rate of 7.23 percent of covered payroll. By law, employer contributions are required to be paid. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net pension liability (asset)

The Agency's net pension liability (asset) was measured as of June 30, 2024, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total pension liability as of the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.125 percent

NOTE 8 - RETIREMENT PLAN (CONT'D)

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2024 actuarial valuation are based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25 percent. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS board of trustees as 6.75 percent based on a blending of the factors described above.

Discount rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the Agency will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 8 - RETIREMENT PLAN (CONT'D)

Changes in the net pension liability (asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
BALANCE AT JUNE 30, 2023	$ 318,562	$ 386,723	$ (68,161)
CHANGES FOR THE YEAR:			
Service cost	12,475	-	12,475
Interest	21,917	-	21,917
Difference between expected and actual experience	(23,052)	-	(23,052)
Changes in assumptions	-	-	-
Contributions-employer	-	7,026	(7,026)
Contributions-employee	-	4,859	(4,859)
Net investment income	-	37,710	(37,710)
Benefit payments, including refunds of employee contributions	(12,694)	(12,694	-
Administrative expense	-	(95)	95
Net changes	(1,354)	36,806	(38,160)
BALANCE AT JUNE 30, 2024	$ 317,208	$ 423,529	$(106,321)

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) of the Agency calculated using the discount rate of 6.75 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Agency's net pension liability (asset)	$ (75,789)	$ (106,321)	$ (132,719)

NOTE 8 - RETIREMENT PLAN (CONT'D)

Pension expense (negative pension expense) and deferred outflows of resources and deferred inflows of resources related to pensions

Pension expense (negative pension expense)

For the year ended June 30, 2025, the Agency recognized pension expense (negative pension expense) of $(29,264).

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2025, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 581	$ 33,168
Net difference between projected and actual earnings on pension plan investments	-	4,287
Changes in assumptions	10,606	-
Contributions subsequent to the measurement date of June 30, 2024	8,684	(Not applicable)
Totals	$ 19,871	$ 37,455

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2024," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2026	$ (10,606)
2027	(4,646
2028	(8,388)
2029	(2,327)
2030	-
Thereafter	-

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

NOTE 8 - RETIREMENT PLAN (CONT'D)

Payable to the Pension Plan

At June 30, 2025, the Agency reported no amounts due to the pension plan for outstanding contributions for the year ended June 30, 2025.

NOTE 9 - PROJECT COMMITMENTS

On November 16, 2022, the Agency and Columbia Power & Water Systems (CPWS) signed an agreement for partial funding of a downstream intake in Maury County, a project of CPWS. The agreement provides for the funding to be disbursed as follows:

$3,000,000 to be disbursed upon final approval by a simple majority vote from the seven contributing water systems to assist CPWS in finalizing engineering and permitting for the new downstream intake and transmission lines;

$1,000,000 upon land acquisition of the downstream intake site and;

$6,000,000 upon permitting of the downstream intake and execution of the contracts to construct both the downstream intake and the transmission line.

If the project is not completed within 10 years of the date of the agreement, CPWS will repay the Agency its funding contribution.

The agreement was subsequently approved by a majority of the member water systems, $3,000,000 has been disbursed as of June 30, 2025. Subsequent to June 30, 2025, an additional $1,000,000 was disbursed on August 13, 2025.

On August 15, 2024, the Agency and Duck River Utility Commission (DRUC) signed an agreement for partial funding of a project to renovate the DRUC water intake to withdraw water at lower reservoir elevations. The agreement provides for funding the project as follows:

$1,000,000 to be disbursed upon final approval by a majority of the governing boards of the water systems who are members of the Agency, to assist DRUC in finalizing engineering and obtaining all permits needed for the DRUC Project;

$1,000,000 to be disbursed upon execution of contracts to purchase and install pumps and electrical components;

Up to $1,000,000 to complete the DRUC Project installation

As of June 30, 2025, $1,000,000 has been disbursed to DRUC. Subsequent to June 30, 2025, an additional $1,000,000 was disbursed on August 13, 2025.

NOTE 10 – RELATED PARTY TRANSACTIONS

The following schedule presents significant transactions between the Agency and its component units during the year ended June 30, 2025:

Component Unit	Significant Transactions
Operating and Project Fund	Provided $463,302 to the Agency for administrative and project funding

At June 30, 2025, the Agency was due $16,556 from the Operating and Project Fund for project expenditures incurred but not paid as of June 30, 2025.

NOTE 11– SUBSEQUENT EVENTS

On November13, 2025, the governing Board approved a sale of the Agency's commercial real estate property for $351,500, less closing expense of obtaining a termite letter. In conjunction with this sale, the Board also approved an agreement to lease the property from the buyer for 6 months, with an option to renew for an additional six months while replacement property is located. The sale was closed on December 5, 2025.

REQUIRED SUPPLEMENTARY INFORMATION

TENNESSEE DUCK RIVER DEVELOPMENT AGENCY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION
PLAN OF TCRS

Last fiscal year ending June 30,

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
TOTAL PENSION LIABILITY										
Service cost	$ 11,624	$ 11,924	$ 12,189	$ 13,270	$ 12,882	$ 13,199	$ 14,281	$ 21,040	$ 20,780	$ 12,475
Interest	8,027	9,486	11,012	13,175	14,075	15,824	15,973	20,243	22,066	21,917
Differences between expected and actual experience	(494)	(1,328)	2,634	(13,644)	(3,157)	(28,051)	(2,502)	(14,014)	(30,405)	(23,052)
Changes in assumptions	-	-	7,985	-	-	-	45,069	-	-	
Benefit payments, including refunds of employee	-	-	-	-	-	-	-	-	-	(12,694)
NET CHANGE IN TOTAL PENSION LIABILITY	19,157	20,082	33820	12,801	23,800	972	72,821	27,269	12,441	(1,354)
TOTAL PENSION LIABILITY - BEGINNING	95,399	114,556	134638	168,458	181,259	205,059	206,031	278,852	306,121	318,562
TOTAL PENSION LIABILITY - ENDING (A)	114,556	134,638	168458	181,259	205,059	206,031	278,852	306,121	318,562	317,208
PLAN FIDUCIARY NET POSITION										
Contributions - employer	1,355	1,384	1,454	1,597	4,859	5,354	5,452	5,452	7,538	7,026
Contributions - employee	6,579	6,720	7,057	6,825	6,961	7,671	7,811	7,811	5,213	4,859
Net investment income	4,375	4,093	18,873	16,077	16,360	12,315	70,574	(13,667)	23,959	37,710
Benefit payments, including refunds of employee contributions	-	-	-	-	-	-	-	-	-	(12,694)
Administrative expense	(102)	(151)	(170)	(190)	(178)	(199)	(179)	(197)	(74)	(95)
NET CHANGE IN FIDUCIARY NET POSITION	12,207	12,046	27,214	24,309	28,002	25,141	83,658	(601)	36,636	36,806
FIDUCIARY NET POSITION - BEGINNING	138,111	150,318	162,364	189,578	213,887	241,889	267,030	350,688	350,087	386,723
FIDUCIARY NET POSITION - ENDING (B)	150,318	162,364	189,578	213,887	241,889	267,030	350,688	350,087	386,723	423,529
NET PENSION LIABILITY (ASSET) - ENDING (A) - (B)	$ (35,762)	$ (27,726)	$ (21,120)	$ (32,628)	$ (36,830)	$ (60,999)	$ (71,836)	$ (43,966)	$ (68,161)	$ (106,321)
Plan fiduciary net position as a percentage of total pension liability	131.22%	120.59%	112.54%	118.00%	117.96%	129.61%	125.76%	114.36%	121.40%	133.52%
Covered payroll	$ 131,584	$ 134,399	$ 141,147	$ 136,492	$ 139,222	$ 153,410	$ 156,220	$ 156,220	$ 104,257	$ 97,182
Net pension liability (asset) as a percentage of covered payroll	-27.18%	-20.63%	-14.96%	-23.90%	-26.45%	-39.76%	-45.98%	-28.14%	-65.38%	-109.40%

Changes of assumptions: In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment and mortality improvements. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

TENNESSEE DUCK RIVER DEVELOPMENT AGENCY

SCHEDULE OF CONTRIBUTIONS
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS

Last fiscal year ending June 30, 2025

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially determined contribution	$ 1,384	$ 1,454	$ 1,597	$ 4,859	$ 4,480	$ 4,562	$ 4,562	$ 7,538	$ 7,026	$ 8,684
Contributions in relation to the actuarially determined contribution	1,384	1,454	1,597	4,859	5,354	5,452	5,452	7,538	7,026	8,684
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ (874)	$ (890)	$ (890)	$ -	$ -	$ -
Covered employee payroll	$ 134,399	$ 141,147	$ 136,492	$ 139,222	$ 153,410	$ 156,220	$ 156,220	$ 104,257	$ 97,182	$ 120,107
Contribution as a percentage of covered payroll	1.03%	1.03%	1.17%	3.49%	3.49%	3.49%	3.49%	7.23%	7.23%	7.23%

Notes to the Schedule

Actuarially determined contribution rates for fiscal year 2025 were based on the results of the June 30, 2023 actuarial valuation.

Methods and assumptsions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation method	10-year smoothed within a 20 percent corridor to market value
Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including projection of mortality improvement using Scale MP-2021 (generational projection)
Cost of Living Adjustments	2.125 percent

Changes of assumptions: In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

SUPPLEMENTARY INFORMATION

TENNESSEE DUCK RIVER DEVELOPMENT AGENCY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE, BUDGET TO ACTUAL
For the year ended June 30, 2025

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL	OVER (UNDER)
REVENUES				
Operating and Project Fund:				
Oher	$ -	$ -	$ 275	$ 275
TOTAL REVENUES	-	-	275	275
EXPENDITURES				
Current:				
Administration:				
Director of Finance Salary	43,470	50,370	57,289	6,919
Executive Director Salary	102,107	112,407	102,108	(10,299)
Employee Retirement Expense	7,000	8,244	8,684	440
Employee Insurance Benefits	5,000	6,020	4,506	(1,514)
Agency Payroll Taxes	11,000	12,100	12,161	61
Accounting Consultation	1,000	1,000	-	(1,000)
Office Maintenace	2,500	2,500	-	(2,500)
Office Utilities	3,000	3,000	2,471	(529)
Telephone/Internet Expenses	3,600	3,600	3,894	294
Board Meeting Expense	4,000	4,000	2,730	(1,270)
Other Meeting Expenses	5,000	5,000	2,851	(2,149)
Postage Expense	200	200	551	351
Legal Services	23,000	23,000	21,600	(1,400)
Professional Services/Audit	5,000	5,000	4,685	(315)
Professional development	1,000	1,000	310	(690)
Office Supplies	1,500	1,500	859	(641)
Insurance Expense	4,500	4,500	3,968	(532)
Building Maintenace	2,000	2,000	200	(1,800)
Dues and Subscriptions	500	500	160	(340)
Equipment Upgrade/Purchase	2,500	2,500	2,937	437
Staff travel expense	2,500	2,500	1,861	(639)
Miscellaneous	700	700	1,515	815
Software Expense	3,500	3,500	3,876	376
Web/IT Support	3,500	3,500	1,200	(2,300)
Total Administration	238,077	258,641	240,416	(18,225)

The accompanying notes are an integral part of this financial statement.

TENNESSEE DUCK RIVER DEVELOPMENT AGENCY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE, BUDGET TO ACTUAL-CONTINUED
For the year ended June 30, 2025

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL	OVER (UNDER)
EXPENDITURES-CONT'D				
Environmental programs:				
Annual programs and contracts	69,000	69,000	58,201	(10,799)
Water supply projects	41,652	84,650	37,259	(47,391)
Program support	45,000	70,000	50,381	(19,619)
Legal consulting	24,200	24,200	1,950	(22,250)
Total environmental programs	179,852	247,850	147,791	(100,059)
TOTAL EXPENDITURES	417,929	506,491	388,207	(118,284)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(417,929)	(506,491)	(387,932)	(118,559)
Administrative transfers	261,095	302,168	315,424	13,256
Program transfers	86,409	86,409	58,089	(28,320)
Water supply project transfers	144,762	204,762	89,589	(115,173)
Total transfers	492,266	593,339	463,102	(130,237)
NET CHANGE IN FUND BALANCE	$ 74,337	$ 86,848	$ 75,170	$ (11,678)

The accompanying notes are an integral part of this financial statement.

NOTE 1 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and budgetary accounting

Annual budgets are adopted for the general fund on a basis consistent with generally accepted accounting principles ("GAAP"), with the exception of transfers, which are budgeted as revenues. Prior to June 30, the Finance Committee prepares a proposed operating budget for the fiscal year beginning July 1. This budget is submitted to the DRA Board for review and approval. The budget includes all proposed expenditures and the anticipated means of financing them. Any revisions to the budget must be approved by the DRA Board.

OTHER REPORT

WINNETT
Associates, PLLC
Certified Public Accountants and Consultants

514 Elm Street, P. O. Box 745
Shelbyville, Tennessee 37162

INDEPENDENT AUDITOR'S 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*

Board of Directors
Tennessee Duck River Development Agency
Shelbyville, Tennessee

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 and each major fund of the Tennessee Duck River Development Agency (the "Agency"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 26, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Shelbyville, Tennessee
December 26, 2025

SCHEDULE OF PRIOR YEAR FINDINGS

TENNESSEE DUCK RIVER DEVELOPMENT AGENCY

June 30, 2025

PRIOR YEAR

There were no prior year findings reported.