AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

TENNESSEE DUCK RIVER DEVELOPMENT AGENCY

June 30, 2021

TABLE OF CONTENTS

INTRODUCTORY SECTION

List of Principal Officials..... 4

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT..... 6

MANAGEMENT'S DISCUSSION AND ANALYSIS..... 8

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements:

Statement of Net Position..... 13

Statement of Activities 14

Fund Financial Statements:

Balance Sheet - Governmental Fund 15

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund..... 16

Notes to Financial Statements..... 17

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS..... 30

Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS..... 31

SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Change in Fund Balance, Budget to Actual - General Fund..... 33

Note to Supplementary Information..... 34

OTHER REPORT

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*..... 36

Schedule of Prior Year Findings 38

INTRODUCTORY SECTION

TENNESSEE DUCK RIVER DEVELOPMENT AGENCY

LIST OF PRINCIPAL OFFICIALS

June 30, 2021

BOARD OF DIRECTORS:

Director Position	Director	DRA Officer Position
Bedford County Citizen	Charles McDonald	
Coffee County Citizen	Vacant	
Hickman County Citizen	Hershel Mayberry	
Marshall County Citizen	Tony White	
Maury County Citizen	Joanne Pogue	Secretary/Treasurer
Member-At-Large	Tommy Peebles	Chairman
Member-At-Large	Eslick Daniel	Vice Chairman
City Mayor-At-Large, Columbia	Andy Ogles	
City Mayor-At-Large, Lewisburg	Jim Bingham	
City Mayor-At-Large, Manchester	Vacant	
County Mayor-At-Large, Marshall County	Mike Keny	
Governor's Representative	April Grippo	

MANAGEMENT:

Executive Director:	Doug Murphy
Director of Finance and Administration:	Jamey Owen

FINANCIAL SECTION

WINNETT
Associates, PLLC
Certified Public Accountants and Consultants

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Tennessee Duck River Development Agency
Shelbyville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Tennessee Duck River Development Agency (the "Agency"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Tennessee Duck River Development Agency, as of June 30, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 8 - 12, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, and the Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS on pages 30 - 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The introductory section and the Schedule of Revenues, Expenditures, and Net Changes in Fund Balance, Budget to Actual - General Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenues, Expenditures, and Net Change in Fund Balance, Budget to Actual - General Fund 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. Such 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 6, 2021, on our consideration of the 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 the 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 the Agency's internal control over financial reporting and compliance.

Winnett Associates, PLLC

December 7, 2021

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, 2021.

Financial Highlights

- The assets of the Agency exceeded its liabilities at the close of the most recent fiscal year by $158,400 (*net position*). Except for investment in capital assets and amounts restricted for pension, all of this amount may be used to meet the Agency's ongoing obligations to projects and vendors.
- The Agency's total net position increased by $17,731. 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 $109,087, an increase of $11,653 in comparison with the prior year. With the exception of amounts spent on prepaid expenses and deposits, the amount of $106,610 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.

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, the only fund of the Agency, is a governmental fund.

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 one governmental fund, the General Fund. 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 is considered to be a major fund.

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 $158,400 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:

	2021	2020
Current assets	$ 131,396	$ 122,869
Pension assets	60,999	36,830
Capital assets	9,851	10,241
Total assets	202,246	169,940
Deferred outflows related to pension contributions	14,273	13,293
Current liabilities	22,309	25,435
Deferred inflows related to pension activity	35,810	17,129
Investment in capital assets	9,851	10,241
Restricted for other purposes	60,999	36,830
Unrestricted net position	87,550	93,598
Total net position	$ 158,400	$ 140,669

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 increase of $17,731 in net position reported.

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:

	2021	2020
Revenues:		
Administrative	$ 235,002	$ 232,914
Program revenues	76,368	68,658
Water supply projects	182,504	162,566
DRATAC programs-pathogen study	-	-
Miscellaneous income	-	-
Total revenues	493,874	464,138
Expenses:		
Administration	217,277	218,551
Programs	258,866	232,784
Total expenses	476,143	451,335
Increase in net position	17,731	12,803
Net position-beginning of the year	140,669	127,866
Net position-end of the year	$ 158,400	$ 140,669

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 $109,087.

The fund balance of the Agency's General Fund increased $11,653 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 fiscal year 2021. The following amendments to the original administrative budget were approved by the Board of Directors: amendment reduction of $1,073 for disability insurance, amendment of $400 for local government software, amendment of $500 for bank fees, amendment of $10,000 for legal fees, amendment of revenue reduction of $6,614. Program budget amendments included: Program Budget for NEPA TVA reduction of $20,213, amendment reduction of $24,760 for NEPA Ramboll, amendment of $10,000 for NEPA Ramboll, amendment of $20,000 for Water Demand Project, amendment of $17,000 for NEPA Ramboll, amendment reduction of $12,000 for Water Demand Project and amendment reduction of $5,000 for NEPA Ramboll.

Significant budget to actual variations is explained below:

- During 2021, management was able to operate under budget on various administrative expenses and increased the fund balance by $11,653. This increased our fund balance to $109,087.

- Administrative expenses came in under budget. Total administrative expenses were $20,542 less than budgeted.

    - Professional services were under budget by $8,760 due to the $10,000 amendment for legal fees not being used in total. However, the balance of the $10,000 was carried over into the FY2022 year.

    - Accounting consultation expenses of $1,300 were not needed during this year but were budgeted for FY2022 for an as needed service.

    - Staff travel was down by $1,168 due to less travel and more web meeting still in FY2021. This is projected to be more back to normal for FY2022 and budgeted accordingly.

- The agency also expended $352,936 less than budgeted during 2021 on projects and programs.

    - The Duck River Welcome Center came in under budget for $226,639 due to the timing of the project's design approval. This balance has been re-budgeted into the FY2022 budget.

    - The budget for the TVA NEPA review process is a multi-year budget with remaining contractor budgets carried over. At the end of FY2021, the NEPA review was not complete: therefore, the remaining budgets will be carried over to FY2022.

    - Modeling/Consulting-Hazen: This is an annual material/labor contract for modeling as needed for $10,000. Only $2,806 was used of this contract in FY 2021. This was re-budgeted in FY2022 for as needed purposes.

    - Environmental/Regulatory Permitting-BDY: This is an annual labor/material contract for environmental and regulatory consulting for $10,000. This was not needed during FY2021 but re-budgeted in FY2022 for as needed purposes.

    - Program Management-Ramboll: This is an annual labor/material contract for project and program consulting as needed for $10,000. Only $6,984 was used of this contract in FY2021. This was re-budgeted in FY2022 for as needed purposes.

- NEPA -Ramboll- This is a support for the NEPA process and the budget was for $35,628 and only $24,902 was used. This was budgeted in FY2022 for continued support.

- Water Demand Model Support-Ramboll: This is a support for our water demand projections with a budget of $8,000. Only $4,576 was used of this contract in FY2021. This was not re-budgeted in FY2022.

- Annual programs for Water Stewardship of $5,000 and Utility board training of $2,000 were not used during FY2021 but were re-budgeted in FY2022.

Capital Asset Administration

Capital assets. The Agency's investment in capital assets for its governmental type activities as of June 30, 2021, amounts to $9,851 (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.

	2021	2021
Land	$ 6,000	$ 6,000
Buildings and improvements	1	1
Equipment	3,850	4,240
Total capital assets	$ 9,851	$ 10,241

Additional information on the Agency's capital assets can be found in Note 3 of the Financial Section of this report.

Economic Factors and Next Year's Budget

The Agency's revenue for operations is limited to a maximum of 60 percent of prior fiscal year deposits from seven water systems in the Duck River Region that pay a nickel per 1,000 gallons of water sold into the Operating and Project Fund trust. Water system deposits for fiscal year ended June 30, 2021, totaled $391,230 limiting the Agency's 2022 fiscal year budget for operations to $235,002. However, during the October 21, 2021 board meeting the board approved a change to a 70 percent making the budgeted operations revenue $273,861 for the 2022 fiscal year budget.

TENNESSEE DUCK RIVER DEVELOPMENT AGENCY

STATEMENT OF NET POSITION

June 30, 2021

	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS	
Cash and cash equivalents - unrestricted	$ 103,624
Due from Operating and Project Fund	24,995
Prepaid expenses	2,477
Deposits	300
Net pension asset	60,999
Capital assets, net of accumulated depreciation	9,851
Total assets	202,246
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	14,273
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
LIABILITIES	
Contract payable and accrued expenses	22,309
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	35,810
NET POSITION	
Investment in capital assets	9,851
Restricted for other purposes	60,999
Unrestricted	87,550
Total net position	$ 158,400

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, 2021

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES OPERATING GRANTS AND CONTRIBUTION	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION GOVERNMENTAL ACTIVITIES
Governmental activities:			
Environmental programs	$ 258,866	$ 258,872	$ 6
Administration	217,277	235,002	17,725
Total governmental activities:	$ 476,143	$ 493,874	$ 17,731
General revenues:			
Net Position-beginning of year			140,669
Net Position - end of year			$ 158,400

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

TENNESSEE DUCK RIVER DEVELOPMENT AGENCY
BALANCE SHEET
GOVERNMENTAL FUND

June 30, 2021

		General Fund
ASSETS		
Cash and cash equivalents - unrestricted		$ 103,624
Due from Operating and Project Fund		24,995
Prepaid items		2,477
Deposits		300
	TOTAL ASSETS	$ 131,396
LIABILITIES AND FUND BALANCE		
Contracts payable and accrued expenses		$ 22,309
	TOTAL LIABILITIES	22,309
FUND BALANCE		
Nonspendable		2,477
Unassigned		106,610
	TOTAL FUND BALANCE	109,087
TOTAL LIABILITIES AND FUND BALANCE		$ 131,396
Total Fund Balance		$ 109,087
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.		60,999
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 fund Balance Sheet:		
Deferred inflows related to pensions		(35,810)
Deferred outflows related to pensions		8,821
Employer contributions made since the measurement date are deferred outflows of resources in governmental activities, but have been expensed in the governmental funds.		5,452
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.		9,851
Net Position of Governmental Activities		$ 158,400

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 FUND
June 30, 2021

		GENERAL FUND
REVENUES		
Operating and Project Fund - Administrative	$	235,002
Operating and Project Fund - Program revenues		76,368
Water supply projects		182,504
TOTAL REVENUES		493,874
EXPENDITURES		
Current:		
Environmental programs		258,866
Administration		223,355
TOTAL EXPENDITURES		482,221
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		11,653
NET CHANGE IN FUND BALANCE		11,653
FUND BALANCE, beginning of year		97,434
FUND BALANCE, end of year	$	109,087
Net change in Fund Balance - Governmental Funds	$	11,653
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.		
Pension contributions in excess of pension expense		6,468
Change in Net Position of Governmental Activities	$	17,731

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."

The Agency receives funding from two trust funds. 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. The Duck River Agency Operating and Project Fund (Operating and Project Fund) receives a nickel for every 1,000 gallons of water sold by seven Water Systems in the Duck River region under a fifty-year agreement dated September 13,1971. It allows the Agency to make annual withdrawals for its administrative budget up to 60% of the prior year's total contributions to the Operating and Project Fund, and additional amounts for projects recommended by the Duck River Agency Technical Advisory Committee (DRATAC) and approved by the DRA Board.

Financial reporting entity

The financial statements present the accounts and operations of the Agency, which is the reporting entity. Because the Water Supply Project Trust and the Operating and Project Fund are separate legal entities from the Agency and the Agency is not financially accountable for the Water Supply Project Trust or the Operating and Project Fund, the Trusts' assets, liabilities, and operations are excluded from the reporting entity.

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 of the activities of the special purpose government.

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.*

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

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, except for prepaid expenses, which are recognized when paid.

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.

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 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.

Statutes authorize the Agency to invest in: (1) U.S. government securities and obligations guaranteed by the U.S. government; (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; and (4) obligations of the United States or its agencies under repurchase agreements with certain restrictions.

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

Cash and cash equivalents (continued)

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.

Receivables

Receivables consist of payments due from other government agencies for contracted services and reimbursements due from the Water Supply Project Trust and the Operating and Project Fund for environmental program and project expenditures. Based on favorable collection history, no provision for uncollectible accounts receivable has been recorded.

Prepaid items

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.

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.

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

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 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's policy permits employees to accumulate earned but unused vacation benefits, which may be taken subsequent to June 30. The liability for such leave and salary-related benefits is reported as incurred in the government-wide fund statements, if significant. Unused sick leave is treated as additional service time in the calculation of postemployment benefits.

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

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.
- Restricted net position - net position is considered restricted if its 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 as of June 30, 2021.
- 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.

The Agency has no restricted, committed, or assigned fund balances as of June 30, 2021.

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 first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

NOTE 2 - CASH AND CASH EQUIVALENTS

As of June 30, 2021, the Agency's demand deposit accounts amounted to $103,474, and the petty cash balance amounted to $150. Bank balances for such accounts totaled $104,067, all of which was covered by federal depository insurance.

NOTE 3 - PROPERTY AND EQUIPMENT

A summary of changes in capital assets for the year ended June 30, 2021, 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	(3,560)	(390)	(3,950)
Total accumulated depreciation	(115,355)	(390)	(115,745)
Total capital assets, being depreciated, net	4,241	(390)	3,851
Governmental activities capital assets, net	$ 10,241	$ (390)	$ 9,851

Depreciation expense of $390 was charged to administration.

NOTE 4 - 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 5 - 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 non-service related disability eligibility. The service-related and non-service 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.

Employees covered by benefit terms

At the measurement date of June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	1
Active employees	2
Total Employees	3

NOTE 5 - RETIREMENT PLAN (CONT'D)

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, 2021, the employer contributions for the Agency were $5,452 based on a rate of 3.49 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Agency's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (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, 2020, 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, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in measurement:

Inflation	2.5 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	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.25 percent

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

The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

NOTE 5 - RETIREMENT PLAN (CONT'D)

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, 2016 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 2.5 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	Real Rate of Return	Target Allocation
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	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 7.25 percent based on a blending of the factors described above.

Discount rate

The discount rate used to measure the total pension liability was 7.25 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 5 - RETIREMENT PLAN (CONT'D)

Changes in the net pension liability (asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
BALANCE AT JUNE 30, 2019	$ 205,059	$ 241,889	$ (36,830)
CHANGES FOR THE YEAR:			
Service cost	13,199	-	13,199
Interest	15,824	-	15,824
Difference between expected and actual experience	(28,051)	-	(28,051)
Changes in assumptions	-	-	-
Contributions-employer	-	5,354	(5,354)
Contributions-employee	-	7,671	(7,671)
Net investment income	-	12,315	(12,315)
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expense		(199)	199
Net changes	972	25,141	(24,169)
BALANCE AT JUNE 30, 2020	$ 206,031	$ 267,030	$ (60,999)

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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Agency's net pension liability (asset)	$ (31,717)	$ (60,999)	$ (85,758)

NOTE 5 - 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, 2021, the Agency recognized pension expense (negative pension expense) of ($1,226).

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2021, 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	$ 1,829	$ 35,810
Net difference between projected and actual earnings on pension plan investments	2,203	-
Changes in assumptions	4,789	-
Contributions subsequent to the measurement date of June 30, 2020	5,452	(Not applicable)
Totals	$ 14,273	$ 35,810

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2020," 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:	
2022	$ (6,270)
2023	(4,993)
2024	(4,586)
2025	(4,500)
2026	(5,637)
Thereafter	(1,011)

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

NOTE 5 - RETIREMENT PLAN (CONT'D)

Payable to the Pension Plan

At June 30, 2021, the Tennessee Duck River Development Agency reported no amounts payable to the pension plan for outstanding contributions for the year ended June 30, 2021.

NOTE 6 - PROJECT COMMITMENTS

The Board has approved $395,000 in funding for conducting the environmental review for the Optimization and Drought Management of Normandy Reservoir. The status of this project as of June 30, 2021, is as follows:

Contractor	Total approved	Incurred through June 30
TVA	$ 222,589	$ 137,688
HydroLogics, Inc.	45,300	45,300
Ramboll Americas Engineering Solutions, Inc.	127,111	116,590

On October 27, 2016, the Board authorized using $350,000 of Operating and Project Fund monies for interpretative and education displays for the new Duck River Visitor and Education Center at Henry Horton State Park. The total amount spent on this project through June 30, 2021, totaled $123,360.

NOTE 7 - SUBSEQUENT AGREEMENT

As disclosed in the Summary of Significant Accounting Policies on page 17, the agreement ` between the Agency and the seven water systems was amended. The new agreement dated August 16, 2021, effective as of July 1, 2021, amends the term of the agreement through June 30, 2024, unless sooner replaced or terminated by agreement of the Agency and a majority of the water systems. The agreement also acknowledges the terms of an amendment to the Operating and Project Trust Agreement to allow the agency to make annual withdrawals for its administrative budget up to 70% of the prior year's total contributions to the operating and project fund made by the seven water systems.

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,

	2014	2015	2016	2017	2018	2019	2020
TOTAL PENSION LIABILITY							
Service cost	$ 11,192	$ 11,624	$ 11,924	$ 12,189	$ 13,270	$ 12,882	$ 13,199
Interest	6,614	8,027	9,486	11,012	13,175	14,075	15,824
Differences between expected and actual experience	590	(494)	(1,328)	2,634	(13,644)	(3,157)	(28,051)
Changes in assumptions	-	-	-	7,985	-		
Benefit payments, including refunds of employee	-	-	-	-	-		
NET CHANGE IN TOTAL PENSION LIABILITY	18,396	19,157	20,082	33,820	12,801	23,800	972
TOTAL PENSION LIABILITY - BEGINNING	77,003	95,399	114,556	134,638	168,458	181,259	205,059
TOTAL PENSION LIABILITY - ENDING (A)	95,399	114,556	134,638	168,458	181,259	205,059	206,031
PLAN FIDUCIARY NET POSITION							
Contributions - employer	1,438	1,355	1,384	1,454	1,597	4,859	5,354
Contributions - employee	6,419	6,579	6,720	7,057	6,825	6,961	7,671
Net investment income	19,087	4,375	4,093	18,873	16,077	16,360	12,315
Benefit payments, including refunds of employee contributions	-	-	-	-	-	-	-
Administrative expense	(74)	(102)	(151)	(170)	(190)	(178)	(199)
NET CHANGE IN FIDUCIARY NET POSITION	26,870	12,207	12,046	27,214	24,309	28,002	25,141
FIDUCIARY NET POSITION - BEGINNING	111,241	138,111	150,318	162,364	189,578	213,887	241,889
FIDUCIARY NET POSITION - ENDING (B)	138,111	150,318	162,364	189,578	213,887	241,889	267,030
NET PENSION LIABILITY (ASSET) - ENDING (A) - (B)	$ (42,712)	$ (35,762)	$ (27,726)	$ (21,120)	$ (32,628)	$ (36,830)	$ (60,999)
Plan fiduciary net position as a percentage of total pension liability	144.77%	131.22%	120.59%	112.54%	118.00%	117.96%	129.61%
Covered payroll	$ 128,383	$ 131,584	$ 134,399	$ 141,147	$ 136,492	$ 139,222	$ 153,410
Net pension liability (asset) as a percentage of covered payroll	-33.27%	-27.18%	-20.63%	-14.96%	-23.90%	-26.45%	-39.76%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively.

Changes of assumptions: 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,

	2014	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution	$ 1,438	$ 1,355	$ 1,384	$ 1,454	$ 1,597	$ 4,859	$ 4,480	$ 4,562
Contributions in relation to the actuarially determined contribution	1,438	1,355	1,384	1,454	1,597	4,859	5,354	5,452
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ (874)	$ (890)
Covered employee payroll	$ 128,383	$ 132,164	$ 134,399	$ 141,147	$ 136,492	$ 139,222	$ 153,410	$ 156,220
Contribution as a percentage of covered payroll	1.12%	1.03%	1.03%	1.03%	1.17%	3.49%	3.49%	3.49%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively prior to the implementation date. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Notes to the Schedule

Valuation date: Actuarially determined contribution rates for fiscal year 2021 were calculated based on the June 30, 2019 actuarial valuation.

Methods and assumptions 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	10-year smoothed within a 20 percent corridor to market value
Inflation	2.50 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	7.25 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-2019 (static projection to 6 years beyond the valuation date)
Cost of Living Adjustments	2.25 percent

Changes of 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, 2021

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL	OVER (UNDER)
REVENUES				
Operating and Project Fund:				
Administrative	$ 241,617	$ 235,002	$ 235,002	$ -
Program revenues	83,400	83,400	76,368	(7,032)
Water supply projects	543,376	528,403	182,504	(345,899)
Special projects	-	-	-	-
Investment income	-	-	-	-
TOTAL REVENUES	868,393	846,805	493,874	(352,931)
EXPENDITURES				
Current:				
Administration:				
Salaries and benefits	187,420	186,347	184,186	(2,161)
Occupancy	7,800	7,800	6,185	(1,615)
Professional services	19,000	29,000	17,840	(11,160)
Professional development	2,000	2,000	420	(1,580)
Office expense	6,850	7,250	6,242	(1,008)
Insurance	3,500	3,500	3,270	(230)
Meeting expense	5,000	5,000	3,522	(1,478)
Staff travel expense	2,000	2,000	831	(1,169)
Miscellaneous	500	1,000	859	(141)
Total Administration	234,070	243,897	223,355	(20,542)
Environmental programs:				
Annual programs and contracts	83,400	83,400	76,361	(7,039)
Water supply projects	158,376	143,402	49,353	(94,049)
Duck River Welcome Center	350,000	350,000	123,361	(226,639)
Program support	35,000	35,000	9,791	(25,209)
Total environmental programs	626,776	611,802	258,866	(352,936)
TOTAL EXPENDITURES	860,846	855,699	482,221	(373,478)
NET CHANGE IN FUND BALANCE	$ 7,547	$ (8,894)	$ 11,653	$ 20,547

See independent auditor's report.

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"). 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*

The 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 the major fund of the Tennessee Duck River Development Agency (the "Agency"), as of and for the year ended June 30, 2021, 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 7, 2021.

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 may exist that have not been identified.

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.



December 7, 2021

SCHEDULE OF PRIOR YEAR FINDINGS

TENNESSEE DUCK RIVER DEVELOPMENT AGENCY

June 30, 2021

PRIOR YEAR

There were no prior year findings reported.