Middle Tennessee Natural Gas Utility District

Annual Financial Report
For the Years Ended March 31, 2024 and 2023

Middle Tennessee Natural Gas Utility District
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For the Years Ended March 31, 2024 and 2023

Contents

Introductory Section

Middle Tennessee Natural Gas Utility District

Directory of Officials (Unaudited)
As of March 31, 2024

Board of Commissioners

Name	Position
Michael D. Bailey	President
Samuel L. Swafford	Vice President
Fred L. Hoover, III	Secretary
David D. Haynes	Treasurer
James D. Vaughn	Commissioner
Leslie B. Enoch, II	Commissioner
Lawrence S. Stone	Commissioner
Rick L. Martin	Commissioner

Management

Name	Position
Michael T. Davidson	Executive Vice President/ Chief Executive Officer
Chris Tramel	Vice President of Administration/ Chief Financial Officer
Ryan Williams	Vice President of Operations and Customer Service/Chief Operating Officer
Matthew C. Stennett	Vice President of Engineering

Financial Section

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Independent Auditor's Report

Board of Commissioners
Middle Tennessee Natural Gas Utility District

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of Middle Tennessee Natural Gas Utility District (the District), as of and for the years ended March 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the District as of March 31, 2024 and 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District'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 Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 GAAS 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 GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District'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 listed on pages 4-9, the schedules of changes in net pension liability and related ratios, the schedules of contributions based on participation in the public employee pension plan of the TCRS, the schedules of changes in the net OPEB liability and related ratios, the schedules of OPEB contributions and related ratios, and the schedules of investment returns on pages 44-48 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 GAAS, 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 District's basic financial statements. The supplementary information on pages 49-53, including the schedule of expenditures of federal awards on page 49 as required by the state of Tennessee, 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 GAAS. In our opinion, the supplementary information 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 introductory section and supplementary information on pages 54-55 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 audits 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 August 28, 2024 on our consideration of the District'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 District'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 District's internal control over financial reporting and compliance.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Mt. Juliet, Tennessee
August 28, 2024

Required Financial Statements

The Financial Statements of the Middle Tennessee Natural Gas Utility District, (District) report information using accounting methods like those used by private sector companies. These statements offer short-term and long-term financial information about its activities.

The Statement of Net Position includes all the District's assets, deferred outflows, liabilities, deferred inflows, and net position that provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure, and assessing the liquidity and financial flexibility of the District.

All the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the performance of the District's operations over the past year and can be used to analyze the results of the District's annual operations.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash position resulting from operations, investing, and financing activities. The statement provides information indicating the sources, uses, and changes in the District's cash during the reporting period.

This section of the annual financial report presents Management's analysis of the District's financial performance during the Fiscal Year ended March 31, 2024. It should be read in conjunction with the financial statements and notes that follow this section.

Financial Highlights

- Net position of the District increased by $7.1 million, or 3.4%.
- Total long-term liabilities increased by $396 thousand, or 1.0%.
- Operating revenue decreased from $87.6 million to $62.9 million, or 28.2%.
- Operating expenses, including cost of gas sold and depreciation, decreased from $84 million in fiscal year 2023 to $58.2 million in fiscal year 2024, or 30.71%.
- Nonoperating income increased by $609 thousand.
- Nonoperating expenses decreased by $95 thousand.
- Capital contributions decreased by $1.6 million.
- Net plant additions were $3.6 million.

Financial Analysis

The following table summarizes the changes in the Condensed Statements of Net Position for the years ended March 31, 2024, 2023, and 2022:

Condensed Statements of Net Position
(In Thousands of Dollars)

	March 31, 2024	March 31, 2023	Dollar Change	Percent Change	March 31, 2022	Dollar Change	Percent Change
Assets							
Current and other assets	$ 43,350	$ 40,918	$ 2,432	5.9%	$ 47,226	$ (6,308)	(13.4)%
Net utility plant	217,452	213,854	3,598	1.7%	200,586	13,268	6.6%
Total assets	260,802	254,772	6,030	2.4%	247,812	6,960	2.8%
Deferred outflows of resources	7,771	7,801	(30)	(0.4)%	6,923	878	12.7%
Total assets and deferred outflows of resources	$ 268,573	$ 262,573	$ 6,000	2.3%	$ 254,735	$ 7,838	3.1%
Liabilities							
Long-term liabilities	$ 40,696	$ 40,300	$ 396	1.0%	$ 35,209	$ 5,091	14.5%
Other liabilities	9,141	10,338	(1,197)	(11.6)%	12,036	(1,698)	(14.1)%
Total liabilities	49,837	50,638	(801)	(1.6)%	47,245	3,393	7.2%
Deferred inflows of resources	222	509	(287)	(56.4)%	4,879	(4,370)	(89.6)%
Total liabilities and deferred inflows of resources	50,059	51,147	(1,088)	(2.1)%	52,124	(977)	(1.9)%
Net position							
Net investment in utility plant	195,297	190,535	4,762	2.5%	175,951	14,584	8.3%
Restricted	1,192	1,730	(538)	(31.1)%	946	784	82.9%
Unrestricted	22,025	19,161	2,864	14.9%	25,714	(6,553)	(25.5)%
Total net position	218,514	211,426	7,088	3.4%	202,611	8,815	4.4%
Total liabilities, deferred inflows and net position	$ 268,573	$ 262,573	$ 6,000	2.3%	$ 254,735	$ 7,838	3.1%

Financial Analysis

For the fiscal year ended March 31, 2024, the District's total assets and deferred outflows of resources of $268.6 million exceeded total liabilities and deferred inflows of resources by $218.5 million, an increase of $7.1 million in net position from fiscal year 2023. Current and other assets increased by approximately $2.4 million due primarily to the increases in cash and accounts receivable. The increase in cash was primarily due to an increase in rates and a decrease in gas cost. The $1.2 million decrease in current liabilities was primarily due to a decrease in accounts payable and over-recovered gas cost.

Total net position of the District increased by $7.1 million during fiscal year 2024. Eighty-nine percent (89%) of the District's net position was related to net investment in utility plant, which includes land and easements, structures and improvements, natural gas distribution infrastructure, and equipment, net of related debt and accumulated depreciation. Restricted net position of $1.2 million is limited to specific uses by the District's bond covenants or through resolutions passed by the District's Board of Commissioners. Unrestricted net position increased by $2.9 million and comprised the remaining $22 million for the ongoing operations of the District.

For the fiscal year ended March 31, 2023, the District's total assets and deferred outflows of resources of $262.6 million exceeded total liabilities and deferred inflows of resources by $211.4 million, an increase of $8.8 million in net position from fiscal year 2022. Current and other assets decreased by approximately $6.3 million due primarily to the decreases in cash and accounts receivable. The decrease in cash was primarily due to investments in plant assets. The $1.7 million decrease in current liabilities was primarily due to a decrease in accounts payable and over-recovered gas cost.

Financial Analysis

The following table summarizes the variances in the Condensed Statements of Revenues, Expenses, and Changes in Net Position for the years ended March 31, 2024, 2023, and 2022:

Condensed Statements of Revenues, Expenses, and Changes in Net Position
(In Thousands of Dollars)

	March 31, 2024	March 31, 2023	Dollar Change	Percent Change	March 31, 2022	Dollar Change	Percent Change
Revenues							
Operating revenues	$ 62,931	$ 87,587	$ (24,656)	(28.2)%	$ 81,799	$ 5,788	7.1%
Nonoperating revenues	971	362	609	168.2%	433	(71)	(16.4)%
Total revenues	63,902	87,949	$ (24,047)	(27.3)%	82,232	5,717	7.0%
Expenses							
Cost of sales	35,239	62,117	(26,878)	(43.3)%	56,197	5,920	10.5%
Other operating expenses	17,533	16,736	797	4.8%	14,378	2,358	16.4%
Depreciation expenses	5,418	5,139	279	5.4%	4,774	365	7.6%
Nonoperating expenses	447	542	(95)	(17.5)%	377	165	43.8%
Total expenses	58,637	84,534	(25,897)	(30.6)%	75,726	8,808	11.6%
Total revenues in excess of total expenses	5,265	3,415	1,850	54.2%	6,506	(3,091)	(47.5)%
Capital contributions	1,823	3,407	(1,584)	(46.5)%	139	3,268	2351.1%
Change in net position	7,088	6,822	266	3.9%	6,645	177	2.7%
Beginning net position	211,426	202,611	8,815	4.4%	195,966	6,645	3.4%
Restatement for the effect of the Clay Gas System Merger	-	1,993	(1,993)		-	1,993	
Ending net position	$ 218,514	$ 211,426	$ 7,088	3.4%	$ 202,611	$ 8,815	4.4%

Operating revenue is largely determined by the volume of natural gas sales and the District's resale rates in effect during the fiscal year. Resale rates are primarily a function of the commodity price of natural gas purchased throughout the fiscal year. The Condensed Statement of Revenues, Expenses, and Change in Net Position reflects that for the fiscal year ended March 31, 2024, the District's operating revenues decreased $24.7 million, 28.2% from fiscal year 2023. The District adjusts sales rates monthly, either up or down, to reflect variations in the cost of purchased gas pursuant to a Purchased Gas Adjustment (PGA) provision. The District's PGA mechanism was modified, effective December 1, 2004, to add an "Annual Cost Adjustment" (ACA) factor, which minimizes the District's short-term over-collection or under-collection of gas costs balances.

Financial Analysis

Other operating expenses, including depreciation, increased by $1.1 million or 4.9% from fiscal year 2023. The cost of natural gas sold decreased $26.9 million, 44.7% from fiscal year 2023. The decrease in operating revenues was the result of decreased resale rates due to decreased commodity cost of natural gas, reflected in the District's PGA. The volume of gas sold decreased due to warmer weather. The decrease in the cost of gas sold corresponds with the price of natural gas purchased for resale by the District. Nonoperating revenue increased by $609 thousand. Nonoperating expenses decreased by $95 thousand. Capital Contributions decreased by $1.6 million.

For the fiscal year ended March 31, 2023, the District's operating revenues increased $5.8 million, 7.1% from fiscal year 2022. Other operating expenses, including depreciation, increased by $2.7 million or 14.2% from fiscal year 2022. The cost of natural gas sold increased $6.3 million, 11.7% from fiscal year 2022. The increase in operating revenues was the result of increased resale rates due to increased commodity cost of natural gas, reflected in the District's PGA. The volume of gas sold increased due to firm customer growth and strong industrial usage. The increase in the cost of gas sold corresponds with the increase in volumes and price of natural gas purchased for resale by the District. Nonoperating revenue decreased by $71 thousand. Nonoperating expenses increased by $165 thousand. Capital Contributions decreased by $3.3 million.

Utility Plant and Debt Administration

For the fiscal year ended March 31, 2024, the District's general and utility plant additions were $8.6 million, increasing total capital assets from $319.9 million at the end of fiscal year 2023 to $328.5 million at the end of fiscal year 2024. Construction in progress was zero at the end of fiscal year 2024 compared to $39 thousand at the end of fiscal year 2023. This investment in capital assets includes land and easements, natural gas distribution infrastructure, structures and improvements, vehicles and equipment, general office furniture and fixtures, and work in process. The reserve for depreciation changed from $106 million to $111 million, which reflects a net increase of $5.1 million.

For the fiscal year ended March 31, 2023, the District's general and utility plant additions were $17.5 million, increasing total capital assets from $302.3 million at the end of fiscal year 2022 to $319.9 million at the end of fiscal year 2023. Construction in progress was $39 thousand at the end of fiscal year 2023 compared to $21.6 million at the end of fiscal year 2022. This investment in capital assets includes land and easements, natural gas distribution infrastructure, structures and improvements, vehicles and equipment, general office furniture and fixtures, and work in process. The reserve for depreciation changed from $101.7 million to $106 million, which reflects a net increase of $4.3 million.

Utility Plant and Debt Administration

Major capital expenditures and piping projects during the fiscal year ended March 31, 2024 included the following:

- Extension of 2" and 4" polyethylene main lines to serve new areas and customers.
- Installation of polyethylene service lines to new and conversion customers.
- Replacements and upgrades to the District's vehicle fleet.

On March 31, 2024, the District had long-term debt, including current maturities, outstanding of $21.9 million compared to $23.2 million at the end of Fiscal year 2023, and $23.7 million at the end of Fiscal year 2022.

Currently Known Facts, Decisions, or Conditions

There were 2,791 Heating Degree Days (HDD's) in Fiscal Year 2024, compared to 2,813 in Fiscal Year 2023, and 3,365 in a normal year (Nashville Weather Station). Fiscal Year 2024 was 17% warmer than normal and 1% warmer than the prior fiscal year. For Fiscal Year 2023, there were 2,813 Heating Degree Days compared to 3,024 in 2022. The 2023 fiscal year was 16% warmer than normal and 7% warmer than the prior fiscal year.

Contacting the District's Financial Officer

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Middle Tennessee Natural Gas Utility District's Chief Financial Officer, P.O. Box 670, Smithville, Tennessee 37166.

Middle Tennessee Natural Gas Utility District
Proprietary Fund Statements of Net Position (in thousands)
March 31, 2024 and 2023

Assets and Deferred Outflows of Resources	2024	2023
Assets		
Current assets		
Cash and cash equivalents	$ 19,232	$ 12,316
Certificates of deposit	2,000	2,002
Accounts receivable, net of allowance for doubtful accounts of $172 for 2024 and $125 for 2023	5,484	5,347
Unbilled revenues	5,803	7,623
Inventories	8,634	10,459
Other current assets	323	725
Total current assets	41,476	38,472
Restricted assets		
Cash, reserve funds	1,192	1,730
Cash, customer deposits	575	609
Cash, community contributions from customers	75	73
Total restricted assets	1,842	2,412
Noncurrent assets		
Long-term receivables	32	34
Utility plant		
Utility plant in service	328,546	319,840
Less: accumulated depreciation	(111,094)	(106,025)
	217,452	213,815
Construction in progress	-	39
Net utility plant	217,452	213,854
Total assets	260,802	254,772
Deferred Outflows of Resources		
Deferred outflows, pensions	5,547	4,515
Deferred outflows, OPEB	2,224	3,286
Total deferred outflows of resources	7,771	7,801
Total assets and deferred outflows of resources	**$ 268,573**	**$ 262,573**

Middle Tennessee Natural Gas Utility District
Proprietary Fund Statements of Net Position (in thousands)
March 31, 2024 and 2023

Liabilities, Deferred Inflows of Resources, and Net Position

	2024	2023
Liabilities		
Current liabilities		
Accounts payable	$ 4,639	$ 4,377
Sales tax payable	123	128
Other current liabilities	658	371
Over-recovered gas cost	1,871	3,570
Total current liabilities	7,291	8,446
Current liabilities payable from restricted cash		
Current maturities of long-term debt	1,275	1,283
Customer deposits	575	609
Total current liabilities payable from restricted cash	1,850	1,892
Long-term liabilities		
Net OPEB liability	12,830	12,841
Long-term debt, less current maturities	20,627	21,899
Net pension liability	7,239	5,560
Total long-term liabilities	40,696	40,300
Total liabilities	49,837	50,638
Deferred Inflows of Resources		
Deferred inflows, pensions	48	69
Deferred inflows, OPEB	174	440
Total deferred inflows of resources	222	509
Net Position		
Net investment in utility plant	195,297	190,535
Restricted for debt service	1,192	1,730
Unrestricted	22,025	19,161
Total net position	218,514	211,426
Total liabilities, deferred inflows of resources, and net position	**$ 268,573**	**$ 262,573**

Middle Tennessee Natural Gas Utility District

Proprietary Fund Statements of Revenues, Expenses, and Changes in Net Position (in thousands)

For the Years Ended March 31, 2024 and 2023

	2024		2023	
	Amount	Percent of Revenues	Amount	Percent of Revenues
Operating Revenues				
Sale of natural gas				
Residential	$ 29,502	46.9%	$ 36,112	41.1%
Commercial	13,753	21.9%	16,784	19.2%
Industrial and transportation	17,050	27.1%	31,823	36.3%
Sale of merchandise and jobbing	2,060	3.3%	2,237	2.6%
Other operating revenues	566	0.9%	631	0.7%
Total operating revenues	62,931	100.0%	87,587	100.0%
Operating Expenses				
Cost of gas	33,295	52.9%	60,175	68.8%
Cost of merchandise and jobbing	1,944	3.1%	1,942	2.2%
Operations and maintenance	8,998	14.3%	8,527	9.7%
Customer accounting and collection	4,091	6.5%	3,787	4.3%
Communication and promotion	279	0.4%	240	0.3%
Administrative and general	4,165	6.6%	4,182	4.8%
Depreciation and amortization	5,418	8.6%	5,139	5.9%
Total operating expenses	58,190	92.5%	83,992	96.0%
Operating income	4,741	7.5%	3,595	4.1%
Nonoperating Revenues (Expenses)				
Interest income	944	1.5%	313	0.4%
Interest expense	(447)	(0.7)%	(542)	(0.6)%
Other, net	27	0.0%	49	0.1%
Total nonoperating revenues (expenses)	524	0.8%	(180)	(0.2)%
Income before contributions	5,265	8.4%	3,415	3.9%
Capital contributions	1,823	2.9%	3,407	3.9%
Change in net position	**$ 7,088**	11.3%	**$ 6,822**	7.8%
Net position, beginning of year	211,426		204,604	
Net position, end of year	**$ 218,514**		**$ 211,426**	

Middle Tennessee Natural Gas Utility District

Proprietary Fund Statements of Cash Flows (in thousands)

For the Years Ended March 31, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Receipts from customers	$ 62,883	$ 89,605
Payments to suppliers for goods and services	(37,535)	(72,177)
Payments to or on behalf of employees for services	(11,443)	(11,197)
Net cash provided (used) by operating activities	13,905	6,231
Cash flows from noncapital financing activities		
Interest paid	-	(80)
Cash flows from capital and related financing activities		
Acquisitions and construction of utility plant, net	(7,042)	(12,953)
Payments on long-term debt	(1,191)	(594)
Interest paid	(536)	(553)
Payments of short-term payables for prior year plant additions	(138)	(967)
Capital contributions	480	140
Cost of removal of utility plant	(105)	(99)
Net cash provided (used) by capital and related financing activities	(8,532)	(15,026)
Cash flows from investing activities		
Interest received	946	306
Other receipts	27	49
Net cash provided (used) by investing activities	973	355
Net change in cash and cash equivalents	6,346	(8,520)
Cash and cash equivalents, beginning of year	14,728	23,248
Cash and cash equivalents, end of year	**$ 21,074**	**$ 14,728**
Reconciliation of cash and cash equivalents and restricted cash		
Unrestricted cash and cash equivalents	$ 19,232	$ 12,316
Restricted cash	1,842	2,412
Cash and cash equivalents, end of year	**$ 21,074**	**$ 14,728**

Middle Tennessee Natural Gas Utility District

Proprietary Fund Statements of Cash Flows (in thousands)
For the Years Ended March 31, 2024 and 2023

	2024	2023
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income	$ 4,741	$ 3,595
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation and amortization	5,418	5,139
Change in:		
Accounts receivable, net	(137)	1,851
Under-recovered/over-recovered gas costs	(1,699)	(21)
Unbilled revenues	1,820	188
Inventories	1,825	(3,557)
Other current assets	402	(322)
Long-term receivables	2	1
Deferred outflows, pensions	(1,032)	(208)
Deferred outflows, OPEB	1,062	(670)
Accounts payable	(126)	(1,696)
Sales tax payable	(5)	(37)
Other current liabilities	287	(34)
Customer deposits	(34)	(1)
Net OPEB liability	(11)	1,569
Net pension liability	1,679	4,804
Deferred inflows, pensions	(21)	(4,361)
Deferred inflows, OPEB	(266)	(9)
Net cash provided (used) by operating activities	**$ 13,905**	**$ 6,231**
Supplemental disclosure of noncash capital and related financing activities		
Purchase of utility plant financed by accounts payable	$ 254	$ 138
Contributions of utility plant	$ 1,343	$ 3,267

Middle Tennessee Natural Gas Utility District

Statements of Fiduciary Net Position

Postemployment Benefit Plan Trust Fund (in thousands)

March 31, 2024 and 2023

	2024	2023
Assets		
Cash equivalents	$ 285	$ 152
Investments	3,684	3,296
Total assets	**$ 3,969**	**$ 3,448**
Net Position		
Restricted for postemployment benefits other than pensions	**$ 3,969**	**$ 3,448**

Middle Tennessee Natural Gas Utility District
Statements of Changes in Fiduciary Net Position
Postemployment Benefit Plan Trust Fund (in thousands)
For the Years Ended March 31, 2024 and 2023

	2024	2023
Additions		
Employer contributions	$ 984	$ 837
Investment income (loss)	527	(264)
Total additions	1,511	573
Deductions		
Benefit payments	984	837
Administrative expenses	6	6
Total deductions	990	843
Change in net position	**$ 521**	**$ (270)**
Net position, restricted for postemployment benefits other than pensions, beginning of year	3,448	3,718
Net position, restricted for postemployment benefits other than pensions, end of year	**$ 3,969**	**$ 3,448**

Note 1. **Nature of Organization**

Middle Tennessee Natural Gas Utility District (the District) was incorporated in July 1955 as a municipal corporation pursuant to the Utility District Act of 1937 for the purpose of providing natural gas services to residents and businesses within the boundaries of the District.

All corporate powers of the District are vested in and exercised by an eight-member Board of Commissioners (the Board). The District is operated under the control of the Board, with each member serving for a four-year term. Upon expiration of their respective terms, or their deaths or resignations, successors are appointed by the county mayor from a list of nominees selected by the commissioners. No other board or commission has jurisdiction over the District in the management and control of its operations. The District's operations alone constitute the reporting entity since the Board is not financially accountable for any other entities and the District has no relationships with any other entities where the nature and significance of the relationships would require inclusion in the financial statements of the District.

The District receives all of its natural gas supply through East Tennessee Natural Gas and Texas Eastern Transmission Corporation, both divisions of Enbridge Incorporated, and Tennessee Gas Pipeline, a division of Kinder Morgan Energy Partners. The District has firm and interruptible transportation contracts with these three pipelines. The District purchases natural gas under firm supply contracts with the Public Energy Authority of Kentucky, Range Resources – Appalachia, LLC, Anadarko Energy Services, and other various gas marketing firms as well as on the spot market. The District also has contract rights at five natural gas storage facilities.

Note 2. **Summary of Significant Accounting Policies, Proprietary Fund**

Basis of Presentation, Measurement Focus, and Basis of Accounting

The operating activities of the District are an enterprise fund business-type activity. An enterprise fund is a proprietary type fund used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement focus is a term used to describe which transactions are recorded in the financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. The accompanying financial statements of the District 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 related cash flows, except for the cost of purchased natural gas which is deferred until it is recovered from customers through an approved purchased gas adjustment clause included in the District's rate schedule (see purchased gas adjustments below).

Note 2. **Summary of Significant Accounting Policies, Proprietary Fund**

Regulatory Accounting

The District follows proprietary fund accounting in accordance with Government Accounting Standards Board (GASB) pronouncements. Proprietary fund accounting is used to report business-type activities, as contrasted with tax-supported governmental activities.

The District also complies with policies and practices prescribed by the Board and with practices common in the natural gas industry. As the Board has the authority to set rates, the District follows the regulatory accounting guidance of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, Financial Accounting Standards Board and American Institute of Certified Public Accountants Pronouncements (Statement No. 62)*, which provides for the reporting of assets and liabilities consistent with the economic effect of the rate structure. Regulatory assets are recorded to reflect probable future revenues associated with certain costs that are expected to be recovered from customers through the rate-making process. Regulatory liabilities are recorded to reflect probable future reduction in revenues associated with amounts that are expected to be credited to customers in the rate-making process.

Cash and Cash Equivalents

The District defines its cash and cash equivalents to include only cash on hand, demand deposits, and all highly liquid investments with original maturities of three months or less from the date of acquisition. Certain cash may be reported as restricted because it is maintained in separate bank accounts and its use is either limited by applicable bond covenants or is restricted for use by outside parties or bond issues.

Accounts Receivable and Unbilled Revenues

The District's accounts receivable consist of billed charges to customers (net of an allowance for doubtful accounts). Unbilled revenues represent the estimated receivable amount for services that have not been billed to customers at the statement of net position date. The amounts are a result of a timing difference between the end of the financial statement cycle (month-end) and the billing cycle (various dates within the month for each billing cycle).

Under-recovered/Over-recovered Gas Costs

Purchased gas adjustments (PGA) are used in the District's rate schedules to pass increases and decreases in natural gas costs on to customers. The difference between actual costs incurred for natural gas and costs recovered through the application of the PGA is reflected as a net deferred charge or credit.

Inventories

Inventories, which include materials and supplies, appliances and merchandise, and natural gas in storage, are valued at average inventory cost.

Note 2. **Summary of Significant Accounting Policies, Proprietary Fund**

Utility Plant

Utility plant constructed or acquired is stated at historical cost. Any utility plant contributed is stated at estimated fair market value on the date received. Utility plant assets are defined by the District as a unit of property with an individual cost greater than $5,000 and an estimated useful life greater than one year. The cost of normal repairs of property, and the replacement and renewal of items considered to be less than units of property are charged to operations and maintenance expense. Units of property retired are credited to the utility plant accounts and charged to accumulated depreciation.

Depreciation of distribution plant is computed using straight-line composite rates and depreciation of general plant is computed using the straight-line method identified by individual plant assets. Estimated useful lives of the various classes of depreciable utility plant assets are as follows:

Distribution plant	10 – 75 years
General plant	4 – 40 years

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 District's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the District'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.

Other Postemployment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's participation in the District's OPEB Plan, and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District's OPEB Plan. The District has established an employer benefit trust, which is used to report the accumulation and use of resources to pay future health insurance benefits for eligible retirees, as well as related liabilities for anticipated future benefits. Investments are reported at fair value.

Note 2. **Summary of Significant Accounting Policies, Proprietary Fund**

Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position is divided into three components:

Net investment in capital assets – consist of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

Restricted – consist of restricted assets with constraints placed on their use by contractual agreement with other parties, revenue bonds and loan resolutions, or enabling legislation, reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – consist of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges to customers for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing activities and result from nonexchange transactions or ancillary activities.

User charges related to natural gas sales are adjusted monthly to recover the purchased gas cost through the PGA mechanism.

When an expense incurred has both restricted and unrestricted purposes, it is the District's policy to apply those expenses to restricted net position to the extent they are available and then to unrestricted net position.

Capital Contributions

Capital contributions primarily represent contributions of utility plant infrastructure constructed by external parties, and transferred to the District upon completion of construction and the initiation of utility service. The contributions are recognized as revenues and utility plant in service upon receipt.

Income Taxes

The District is a municipal corporation pursuant to the State of Tennessee Utility District Act of 1937 and is, therefore, not a tax-paying entity for United States of America federal or state income tax purposes. No events or transactions have occurred that would impact the tax-exempt status of the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 3. **Summary of Significant Accounting Policies, Fiduciary Fund**

Basis of Presentation

The fiduciary fund type fund is used to account for resources held in trust for the benefit of participants in the District's other postemployment benefit retirement plan. The fiduciary funds are excluded from the District's proprietary fund financial statements as they are kept in a legally separate trust from the District's operating activities. The Board of Commissioners provides the fiduciary responsibility for the administration and investing activities of the other postemployment benefit retirement plan.

Basis of Accounting

The financial statements of the postemployment benefit plan (the OPEB Plan) trust fund are prepared on the accrual basis of accounting. Under the accrual basis of accounting, contributions are recognized when due and a formal commitment has been made and expenses are recorded as incurred. Benefit payments to participants are recorded when paid.

Investment Valuation

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at a measurement date. Purchases and sales of investments are recorded on a trade-date basis. Interest income is accrued when earned.

Administrative Expenses

Trustee fees are paid directly from the trust by the OPEB Plan to Commercial Bank & Trust (the Trustee). Other administrative expenses are paid by the Plan to the extent not paid by the District.

Contributions Receivable

At March 31, 2024, the Plan had no receivable for employer contributions to the OPEB Plan as all contributions were received prior to year-end.

Risks and Uncertainties

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these estimates and assumptions in the near term could be material to the financial statements.

Rate of Return

For the years ended March 31, 2024 and 2023, the actual money-weighted rate of return on OPEB Plan investments, net of investment expense, was 15.11% and (7.27%), respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 4. **Cash Deposits and 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 the Federal Deposit Insurance Corporation. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee’s collateral pool.

The District is authorized by state law to invest idle funds in obligations of the US government and nonconvertible debt securities of the Federal Home Loan Bank, Federal National Mortgage Association, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and other obligations guaranteed by the US Government or any of its agencies. The District is also authorized to invest in secured certificates of deposit and other evidences of deposit at state and federal chartered banks and savings and loan associations. The District also may invest in obligations of the US Government or its agencies under a repurchase agreement, if the Comptroller of the Treasury or the Comptroller's designee approves repurchase agreements as an authorized investment. Finally, the District may invest in the local government investment pool created by Title 9, Chapter 4, Part 7 of the *Tennessee Code Annotated*. State statutes require the District's investments to have a maturity of not greater than 48 months from the date of the investment unless the investment is approved by the Comptroller of the Treasury or the Comptroller's designee. The District has not adopted a formal policy that restricts the maturities of its investments or restricts credit risk and custodial risk beyond requirements of state statutes. In addition, the District has not adopted a formal policy to limit the amount the District may invest in any one issuer.

The District's investments presented on the statement of net position at March 31, 2024 and 2023 consist solely of secured bank certificates of deposit with maturities over 90 days with a balance of $2,000,000 and $2,002,000, respectively.

Note 5. **Inventories**

Inventories consist of the following at March 31 (in thousands):

	2024	**2023**
Natural gas in storage	$ 5,951	$ 7,599
Materials and supplies	1,700	1,741
Appliances	983	1,119
	$ 8,634	**$ 10,459**

Note 6. **Utility Plant**

Utility plant at March 31, 2024 and 2023, and changes during 2024, consist of the following (in thousands):

	Beginning balance	Increases	Retirements/ transfers	Ending balance
Utility plant not being depreciated				
Land and improvements	$ 1,671	$ -	$ -	$ 1,671
Construction in progress	39	73	(112)	-
	1,710	73	(112)	1,671
Utility plant being depreciated				
Distribution plant	300,865	8,388	(133)	309,120
General plant	17,304	451	-	17,755
	318,169	8,839	(133)	326,875
Less: accumulated depreciation				
Distribution plant	(91,361)	(4,344)	245	(95,460)
General plant	(14,664)	(970)	-	(15,634)
Total accumulated depreciation	(106,025)	(5,314)	245	(111,094)
Net utility plant	**$ 213,854**	**$ 3,598**	**$ -**	**$ 217,452**

For the year ended March 31, 2024, increases to accumulated depreciation totaled $5,314,000. This amount includes depreciation and amortization of $5,418,000 and a decrease of $104,000 for the cost of removal of retired utility plant.

Note 6. **Utility Plant**

Utility plant at March 31, 2023 and 2022, and changes during 2023, consist of the following (in thousands):

	Beginning balance	Increases	Retirements/ transfers	Ending balance
Utility plant not being depreciated				
Land and improvements	$ 1,658	$ 13	$ -	$ 1,671
Construction in progress	21,637	5,539	(27,137)	39
	23,295	5,552	(27,137)	1,710
Utility plant being depreciated				
Distribution plant	261,835	12,633	26,397	300,865
General plant	17,182	122	-	17,304
	279,017	12,755	26,397	318,169
Less: accumulated depreciation				
Distribution plant	(88,075)	(4,026)	740	(91,361)
General plant	(13,651)	(1,013)	-	(14,664)
Total accumulated depreciation	(101,726)	(5,039)	740	(106,025)
Net utility plant	**$ 200,586**	**$ 13,268**	**$ -**	**$ 213,854**

For the year ended March 31, 2023, increases to accumulated depreciation totaled $5,039,000. This amount includes depreciation and amortization of $5,139,000 and a decrease of $100,000 for the cost of removal of retired utility plant.

Note 7. **Long-term Debt**

Long-term debt at March 31, 2024 and 2023 consists of the following (in thousands):

	2024	2023
Gas System Revenue Bond, Series 2020	$ 2,822	$ 2,868
Gas System Revenue Refunding Bond, Series 2021A, including unamortized premium of $136 for 2024 and $159 for 2023	3,706	3,999
Gas System Revenue Refunding Bond, Series 2021B, including unamortized premium of $499 for 2024 and $565 for 2023	15,374	16,315
	21,902	23,182
Less current maturities, including current portion of unamortized bond premium of $90 for 2024 and $92 for 2023	(1,275)	(1,283)
Long-term debt, less current maturities	**$ 20,627**	**$ 21,899**

In February 2020, the District issued $3,000,000 in Gas System Revenue Bonds, Series 2020 (Series 2020 Bonds), to finance the extension and improvement of its natural gas distribution and storage system. The Series 2020 Bonds are payable in 480 consecutive monthly installments of principal and interest totaling $10,320, beginning in March 2020 and expiring in February 2060. The annual interest rate on the Series 2020 Bonds is fixed at 2.750% per annum. The Series 2020 Bonds are issued as fully-registered bonds and are payable solely from and secured by a pledge of the net revenues of the gas system of the District, and are further secured by a statutory mortgage lien upon the gas system of the District.

In June 2021, the District issued $4,540,000 in Gas System Revenue Refunding Bonds, Series 2021A (Series 2021A Bonds) to refinance its outstanding Gas System Revenue Bonds, Series 2003, dated May 20, 2005, and its Gas System Revenue Bonds, Series 2006, dated June 29, 2007 (collectively, the Outstanding Bonds). The Outstanding Bonds were called for redemption in June 2021, and were redeemed at a redemption price of par plus accrued interest. The estimated economic gain from the refunding was approximately $1.2 million.

The Series 2021A Bonds are issued as fully registered bonds, in denominations of $5,000, and are payable solely from and secured by a pledge of the net revenues on parity with the pledge thereof in favor of the Series 2020 Bonds. The Series 2021A Bonds carry fixed interest rates ranging from 2.0% to 3.0% and mature between March 1, 2022 and March 1, 2037. Interest is payable semi-annually on March 1 and September 1. Series 2021A Bonds maturing on March 1, 2030, and thereafter, are subject to redemption prior to maturity at the option of the District, on or after March 1, 2029, as a whole or in part, at a redemption price equal to 100% of the principal amount plus accrued interest to the redemption date.

Note 7. **Long-term Debt**

In August 2021, the District issued $15,750,000 in Gas System Revenue Bonds, Series 2021B (Series 2021B Bonds) for the purpose of providing funds for (i) construction, renovation, expansion, and improvements to the System; and (ii) finance the costs of issuing the bonds. The Series 2021B Bonds are issued as fully registered bonds, in denominations of $5,000, and are payable solely from and secured by a pledge of the net revenues, on parity with the pledge thereof in favor of the Series 2020 Bonds and Series 2021A Bonds. The Series 2021B Bonds carry fixed interest rates ranging from 2.0% to 3.0% and mature between March 1, 2024 and March 1, 2036. Interest is payable semi-annually on March 1 and September 1. Series 2021B bonds maturing on March 1, 2030, and thereafter, are subject to redemption prior to maturity at the option of the District, on or after March 1, 2029, as a whole or in part, at a redemption price equal to 100% of the principal amount plus accrued interest to the redemption date.

The bond resolutions also require the District to establish rates to its customers in order to maintain a debt service coverage ratio of not less than 1.25 to 1.00. Additionally, the bonds payable contain provisions that state, in the event of default, the lenders can exercise one or more of the following options: 1) make the outstanding bonds payable with accrued interest due and payable; 2) use remedies allowed by state or federal law.

Redemptions scheduled to be made on the Series 2020, Series 2021A, and Series 2021B Bonds at March 31, 2024 for each of the next 5 years and thereafter are as follows (in thousands):

Years ending March 31,	**Principal**	**Interest**	**Total**
2025	$ 1,192	$ 503	$ 1,695
2026	1,198	468	1,666
2027	1,199	432	1,631
2028	1,201	397	1,598
2029	1,202	360	1,562
2030 – 2034	6,034	1,373	7,407
2035 – 2039	5,526	765	6,291
2040 – 2044	2,125	297	2,422
2045 – 2049	429	190	619
2050 – 2054	492	128	620
2055 – 2060	669	56	725
Totals	**$ 21,267**	**$ 4,969**	**$ 26,236**

Note 7. **Long-term Debt**

In September 2022, the District issued a $20,000,000 Taxable Gas System Revenue Anticipation Note, Series 2022 (Series 2022 Note) for the purpose of financing the cost of the purchase of natural gas for redistribution to the customers of the natural gas distribution system, to purchase storage and pipeline capacity in connection therewith, and to pay legal, fiscal, and administrative costs incident thereto and incident to the issuance of the note. The note bears interest, computed on the basis of a 360-day year and based upon the actual number of days elapsed on said principal amount, at a rate of interest equal to SOFR plus 50 basis points per annum from the date such amount(s) are advanced. The note was due on September 30, 2023, and was paid solely from and was secured by a pledge of the revenues of the gas system of the District. At March 31, 2024, there were no outstanding borrowings on the Series 2022 Note.

The note and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on interest on the Note during the period the note is held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the note in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

Note 8. **Changes in Long-term Liabilities**

Long-term liability activity for the year ended March 31, 2024 is as follows (in thousands):

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Gas system revenue bonds	$ 22,458	$ -	$ (1,191)	$ 21,267	$ 1,192
Bond premiums	724	-	(89)	635	83
Other post-employment benefits	12,841	1,226	(1,237)	12,830	-
Net pension liability	5,560	5,389	(3,710)	7,239	-
Total long-term liabilities	**$ 41,583**	**$ 6,615**	**$ (6,227)**	**$ 41,971**	**$ 1,275**

Note 8. **Changes in Long-term Liabilities**

Long-term liability activity for the year ended March 31, 2023 is as follows (in thousands):

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Gas system revenue bonds	$ 22,852	$ 150	$ (544)	$ 22,458	$ 1,191
Bond premiums	815	-	(91)	724	92
Tax anticipation note	-	5,200	(5,200)	-	-
Other post-employment benefits	11,272	2,658	(1,089)	12,841	-
Net pension liability	756	5,843	(1,039)	5,560	-
Total long-term liabilities	**$ 35,695**	**$ 13,851**	**$ (7,963)**	**$ 41,583**	**$ 1,283**

Note 9. **Related Party**

The District is an associated municipality of Municipal Energy Acquisition Corporation (MEAC). MEAC is a not-for-profit public corporation and is deemed a public agency within the meaning of the Tennessee Inter-local Cooperation Act, Title 12, Chapter 9, *Tennessee Code Annotated*, as amended. MEAC was created for the primary purpose of acquiring natural gas and natural gas substitutes for the benefit of publicly owned gas distribution systems and their consumers within the state of Tennessee. All sales of natural gas acquired by MEAC are to be made to its associated municipalities; however, at the discretion of MEAC, sales of natural gas may also be made to other purchasers within or outside the state of Tennessee if such sales are deemed to be in the interest of MEAC. MEAC is governed by a seven-member board of directors. The Executive Vice President and Chief Executive Officer of the District presently serves as the President of MEAC.

The District has a gas supply agreement with MEAC. The District is committed to purchasing 500 MMBtu per day during the months of November-March and 50MMBtu per day April-October. The discount to the District off the index price of gas is $.29 MMbtu for the initial discount period which covers a period from November 1, 2021 to October 31, 2031 (inclusive of a $.01 annual refund). After the initial discount period, the minimum discount must be at least $.20 MMbtu or the District can opt not to participate in the deal during any 5 year reset period. The supply agreement began on November 1, 2021, and terminates in 2051. The District's purchases through this agreement totaled approximately $200,000 and $318,000 for the years ended March 31, 2024 and 2023, respectively.

Note 10. **Defined Benefit Pension Plan**

General Information about the Pension Plan

Plan Description

Employees of the District 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 Treasury Department of the State of Tennessee, 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-Governance/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 3.00%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than 0.50%. A 1.00% COLA is granted if the CPI change is between 0.50% and 1.00%. 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, 2023, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	99
Inactive employees entitled to but not yet receiving benefits	49
Active employees	120
	268

Note 10. **Defined Benefit Pension Plan**

General Information about the Pension Plan

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees are noncontributory. The District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended March 31, 2024, employer contributions for the District were $1,356,636 based on a rate of 18.65% from April 1, 2023 through June 30, 2023 and a rate of 19.28% from July 1, 2023 through March 31, 2024 of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the District's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined 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

Pension Liabilities

The District's net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2023, actuarial valuation were 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.

Note 10. **Defined Benefit Pension Plan**

Net Pension Liability

Actuarial Assumptions

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%. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class is summarized in the following table:

Asset class	Long-term expected real rate of return	Target allocation
US 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%
US 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%, based on a blending of the factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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 District 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 10. **Defined Benefit Pension Plan**

Changes in Net Pension Liability

in thousands	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a)-(b)
Balance, June 30, 2021	$ 39,958	$ 39,202	$ 756
Service cost	584	-	584
Interest	2,669	-	2,669
Experience losses (gains)	1,097	-	1,097
Changes in assumptions	-	-	-
Contributions, employer	-	1,039	(1,039)
Contributions, employee	-	-	-
Net investment income	-	(1,481)	1,481
Benefit payments/refunds	(1,999)	(1,999)	-
Administrative expenses	-	(12)	12
Net change	2,351	(2,453)	4,804
Balance, June 30, 2022	42,309	36,749	5,560
Service cost	585	-	585
Interest	2,819	-	2,819
Experience losses (gains)	1,971	-	1,971
Changes in assumptions	-	-	-
Contributions, employer	-	1,274	(1,274)
Contributions, employee	-	-	-
Net investment income	-	2,436	(2,436)
Benefit payments/refunds	(2,277)	(2,277)	-
Administrative expenses	-	(14)	14
Net change	3,098	1,419	1,679
Balance, June 30, 2023	**$ 45,407**	**$ 38,168**	**$ 7,239**

Note 10. **Defined Benefit Pension Plan**

Changes in Net Pension Liability

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (5.75%)	Current rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	$ 13,177	$ 7,239	$ 2,315

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended March 31, 2024, the District recognized pension expense of $1,982,620.

At March 31, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ 2,989	$ 48
Net difference between projected and actual earnings on pension plan investments	264	-
Changes in assumptions	1,244	-
Contributions subsequent to the measurement date of June 30, 2023	1,050	-
	$ 5,547	**$ 48**

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2023" 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, the net effects of which will be recognized in pension expense, are as follows (in thousands):

Years ending March 31,	
2025	$ 1,004
2026	869
2027	1,734
2028	513
2029	329
Total	**$ 4,449**

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

Note 11. **Defined Contribution Pension Plan**

On March 1, 1993, the District established the *Section 457 Supplemental Retirement Deferred Compensation Plan*, created in accordance with Internal Revenue Code Section (IRC) 457(b) which is available to all District employees. The plan is a defined contribution plan that provides for discretionary contributions and deferral contributions under Section 457(b) of the IRC. Employees may contribute up to the lesser of the statutory contribution limit or the employee's eligible compensation. The Board of Commissioners of the District may elect by resolution to terminate the plan, its contribution elections, and/or benefit terms. The plan is administered by the District. The most recent plan amendment was effective January 1, 2002.

Beginning March 1, 1993, the District began making matching contributions up to 3% of employees' compensation. Participants are immediately vested in both employee and employer contributions. The deferred compensation is not available to employees until termination, retirement, death, unforeseeable emergency, or the participant attains the age of 70½.

The plan assets of the District are all held in annuity contracts, which are treated as trusts for the exclusive benefit of participating employees. The District has determined its defined contribution pension plan is not a fiduciary component unit or a fiduciary activity of the District. Also, the District has limited administrative involvement and does not perform the investing function for the plan. As a result, the assets and liabilities associated with the plan are excluded from the District's statement of net position. The District's matching contributions to the plan amounted to $163,000 and $153,000 for the years ended March 31, 2024 and 2023, respectively. There were no plan forfeitures for the years ended March 31, 2024 and 2023 and there are no contributions payable to the plan at March 31, 2024 and 2023.

Note 12. **Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District obtains commercial insurance to cover general liability claims, errors or omissions liability, auto liability, workers' compensation claims, and property damage. The District is covered by the Tennessee Governmental Tort Liability Act (the Act), which generally limits the District's liability for death, bodily injury, and property damage claims to the amount of the District's insurance coverage for such claims since such coverage exceeds the minimum amounts required by the Act. The District's workers' compensation coverage is retrospectively rated, whereby premiums are accrued based on the ultimate cost of the experience of the District. Claims arising are paid by the insurer. Settled claims have not exceeded insurance coverage in any of the past three fiscal years and there have been no reductions in insurance coverage from the prior year.

The District has established a self-funded insurance plan for District employees and their covered dependents, to minimize the total cost of medical, dental, and prescription drug insurance to the District. This program is for the benefit of all District employees and their covered dependents. Employees contribute to the plan to cover a portion of the estimated cost of dependent medical, dental, and prescription drug coverage. Generally, claims exceeding $85,000 per individual per coverage period (September 1 to August 31) are reinsured through a private insurance carrier. The District also has acquired $1,000,000 in aggregate stop-loss coverage from the reinsurer to cover medical and prescription drug losses during the coverage period that exceed $2,746,271 in total. Incurred claims liability includes an amount for claims, net of reinsurance recoveries, that have been incurred but not reported.

Note 12. **Risk Management**

Changes in the District's claims liability amount for the last three fiscal years are as follows (in thousands):

Years ending March 31,	Liability, beginning of year	Incurred claims	Claims payments	Liability, end of year
2024	$ 82	$ 2,298	$ 2,245	$ 135
2023	$ 48	$ 2,120	$ 2,086	$ 82
2022	$ 61	$ 2,113	$ 2,126	$ 48

The liability at the end of the year is included on the District's statement of net position within other current liabilities.

Note 13. **Postemployment Benefits Other than Pensions (OPEB)**

General Information about the OPEB Plan

Plan Description

The Middle Tennessee Natural Gas Utility District Post-Employment Benefit Plan (the OPEB Plan) is a single-employer defined benefit OPEB plan established to provide postemployment healthcare, dental, vision, and prescription drug coverage and term life insurance to all employees of the District who retire with at least 15 years of full-time service and are at least age 55. Employees hired after July 1, 2017 become eligible to receive postemployment benefits upon reaching age 65 with at least 20 years of full-time service. The District has the right at any time to modify or amend the Plan.

The District established another postemployment benefits trust fund (the OPEB Trust Fund) with an initial contribution of $2.2 million in November 2015. Assets of the plan that are held in the OPEB Trust Fund are invested to provide a return sufficient to meet the current and future OPEB benefit cash flow demands of the benefit plan while conforming to all state statutes governing the investment of such OPEB dedicated trust funds. The Board of Commissioners has the fiduciary responsibility for the administration and investing activities of the OPEB Plan.

Financial statements and required schedules of the plan are not publicly available in a stand-alone financial report; therefore, the District includes the financial statements of the plan and all required disclosures and schedules in this report.

Note 13. **Postemployment Benefits Other than Pensions (OPEB)**

General Information about the OPEB Plan

Employees Covered by Benefit Terms

At April 1, 2022, the most recent actuarial valuation date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	61
Active employees	120
	181

Benefits Provided

The Plan provides medical, dental, vision, and prescription drug coverage and term life insurance for retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of retiree benefits is covered by the plan, with cost-shared benefits available for dependents.

Contributions

The contribution requirements of and benefits available to plan members are established by the District and may be amended as deemed necessary. At present, the District will contribute amounts necessary to pay postemployment benefits. For the year ended March 31, 2024, the District paid $984,000 in postemployment benefits (including administrative expenses) for 62 retirees and/or dependents. The District's expense is reduced by reimbursements from retirees or their survivors for dependent coverage, stop-loss reinsurance recoveries, and Medicare's Retiree Drug Subsidy reimbursement.

Total OPEB Liability

The District's total OPEB liability was measured as of April 1, 2022 by an actuarial valuation. The valuation is a biennial valuation that provides financial information for the fiscal years ended March 31, 2023 and 2024. Differences from the projected amounts in the valuation have been recorded in the financial statements of the District and the OPEB Trust Fund.

Actuarial Assumptions

The total OPEB liability in the April 1, 2022 actuarial valuation (updated as of March 31, 2024) was determined using the following actuarial assumptions:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Remaining amortization period	25 years
Inflation rate	2.50%
Discount rate	6.50% in fiscal year 2024
Healthcare cost trend rates	Initial rate of 7.0% in fiscal year 2023, decreasing 0.50% per annum to an ultimate rate of 4.50% in fiscal year 2027
Salary increases	3.00% per annum
Payroll growth rate	2.50% annually
Mortality	RP-2014 (2/3 Blue Collar, 1/3 White Collar) Fully Generational Mortality Table with projection scale MP-2021

Note 13. **Postemployment Benefits Other than Pensions (OPEB)**

Total OPEB Liability

Rates of Return

The annual money-weighted rates of return on the Plan’s investments, net of investment expenses, for the years ended March 31, 2024 and 2023 were 15.11% and (7.27%), respectively.

Discount Rate

The discount rate remained at 6.50% as of March 31, 2024 and 2023. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in Assumptions

The healthcare cost trend rate was updated to 7.00% in fiscal year 2022, grading down 0.5% per annum and the dental cost trend rate was updated to 4.50% per annum. The mortality rates were updated to use RP-2014 with scale MP-2021.

No formal experience study has been prepared due to insufficient credible data. Adjustments will be made as more credible experience is accumulated.

Note 13. **Postemployment Benefits Other than Pensions (OPEB)**

Changes in the Total OPEB Liability

in thousands	Total OPEB liability (a)	Plan fiduciary net position (b)	Nontrust contributions (c)	Net OPEB liability (a)-(b)-(c)
Balance, March 31, 2022	$ 14,990	$ 3,718	$ -	$ 11,272
Service cost	167	-	-	167
Interest	1,013	-	-	1,013
Experience losses (gains)	(172)	(522)	-	350
Changes in assumptions	1,128	-	-	1,128
Contributions, employer	-	-	837	(837)
Net investment income	-	252	-	(252)
Benefit payments/refunds	(837)	-	(837)	-
Administrative expenses	-	-	-	-
Net change	1,299	(270)	-	1,569
Balance, March 31, 2023	16,289	3,448	-	12,841
Service cost	186	-	-	186
Interest	1,040	-	-	1,040
Experience losses (gains)	268	297	-	(29)
Changes in assumptions	-	-	-	-
Contributions, employer	-	-	984	(984)
Net investment income	-	224	-	(224)
Benefit payments/refunds	(984)	-	(984)	-
Administrative expenses	-	-	-	-
Net change	510	521	-	(11)
Balance, March 31, 2024	**$ 16,799**	**$ 3,969**	**$ -**	**$ 12,830**

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1% lower (5.50%) or 1% higher (7.50%) than the current rate (in thousands):

	1% Decrease (5.50%)	Current rate (6.50%)	1% Increase (7.50%)
Net OPEB liability (in thousands)	$ 14,872	$ 12,830	$ 11,178

Note 13. **Postemployment Benefits Other than Pensions (OPEB)**

Changes in the Total OPEB Liability

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability calculated using the stated healthcare cost trend rate of 6.50% decreasing to 4.50%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate (in thousands):

	1% Decrease (5.5% down to 3.5%)	Current trend rate (6.5% down to 4.5%)	1% Decrease (7.5% down to 5.5%)
Total OPEB liability (in thousands)	$ 10,033	$ 12,830	$ 16,342

Investment Policy

The District's policy with regard to the allocation of invested assets is established and may be amended by the Board. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the adopted asset allocation policy as of March 31, 2024:

Asset class	Long-term expected real rate of return	Target allocation
Domestic large stocks	5.32%	26%
Domestic small/mid stocks	12.96%	23%
Domestic corporate bonds – core	6.38%	34%
International developed markets equity	6.17%	5%
US treasuries	0.00%	5%
Real estate	4.82%	7%
		100%

The long-term expected rate of return on postemployment benefit plan investments of 6.50% is based on the above real rates of return, the asset allocation percentages, and a 2.50% inflation rate.

Trend Information

The schedule of changes in the District's net OPEB liability and related ratios, schedule of the District's OPEB contributions and related ratios, and schedule of investment returns as presented in the required supplemental information following the notes to the financial statements, will present multi-year trend information for future years as to whether the Plan's fiduciary net position is increasing or decreasing over time relative to the total OPEB liability and net OPEB liability, and whether the District's contributions and investment returns are in accordance with the actuarially determined amounts.

Note 13. **Postemployment Benefits Other than Pensions (OPEB)**

OPEB Expense and Deferred Outflows/Inflows of Resources

For the years ended March 31, 2024 and 2023, the District recognized OPEB expense of $1,769,000 and $1,726,000, respectively. At March 31, 2024, the District reported deferred inflows of resources related to the OPEB plan from the following sources (in thousands):

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ 1,039	$ 121
Changes in assumptions	1,185	-
Net difference between projected and actual earnings on OPEB plan investments	-	53
	$ 2,224	**$ 174**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in OPEB expense as follows (in thousands):

Years ending March 31,	
2024	$ 675
2025	651
2026	432
2027	127
2028	140
Thereafter	25
	$ 2,050

Note 14. **Fair Value Measurements**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy as described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the OPEB Trust Fund has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or are corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value 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 need to maximize the use of observable inputs and minimize the use of unobservable inputs.

As of March 31, 2024 and 2023, the fair value of the OPEB Trust Fund’s mutual funds is measured based on quoted market prices, a Level 1 measurement.

The methodology 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 District believes its valuation methodology utilized by the OPEB Trust Fund is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 14. **Fair Value Measurements**

The following tables set forth, by level within the fair value hierarchy. The OPEB Trust Fund's mutual funds at fair value as of March 31, 2024 was as follows (in thousands):

	Level 1	Level 2	Level 3	Total
Domestic equity mutual funds	$ 2,065	$ -	$ -	$ 2,065
International equity mutual funds	196	-	-	196
Real estate mutual funds	318	-	-	318
Bond mutual funds	1,105	-	-	1,105
	$ 3,684	**$ -**	**$ -**	**$ 3,684**

The OPEB Trust Fund's mutual funds at fair value (in thousands) as of March 31, 2023 was as follows:

	Level 1	Level 2	Level 3	Total
Domestic equity mutual funds	$ 1,701	$ -	$ -	$ 1,701
International equity mutual funds	174	-	-	174
Real estate mutual funds	250	-	-	250
Bond mutual funds	1,171	-	-	1,171
	$ 3,296	**$ -**	**$ -**	**$ 3,296**

There were no significant transfers between Level 1 and Level 2 investments or into or out of Level 3 investments during the years ended March 31, 2024 and 2023.

Note 15. **Commitments and Contingencies**

The District enters into forward contracts to purchase natural gas at specified times in the future at fixed prices. Obligations to purchase the natural gas are not recognized in the District's financial statements until the gas is delivered. The District enters into these contracts on behalf of certain customers (pool customers), to help establish its natural gas costs for the year and to protect itself against an increase in the market price of natural gas. The market price before or at the specified time to purchase the natural gas may be lower than the price at which the District is committed to buy. The District may also be exposed to the failure of the counterparties to fulfill the contracts. In any event, all costs incurred by the District in procuring natural gas for its customers, other than pool customers, are included in the District's PGA mechanism in its rate schedules for its other natural gas customers.

At March 31, 2024, the District is obligated under the terms of gas supply contracts to purchase natural gas of approximately $2,356,000 to be delivered during fiscal year 2025.

In March 2020, the District entered into a 30-year natural gas supply contract with a supplier which began in November 2020. Under the contract, the District will purchase daily contract quantities of 2,608 MMBtus per day during the winter months (November through March) and 1,571 MMBtus per day during the summer months (April through October) through October 2050 at discounted market index prices. The initial reset period in the contract is through April 2026 after which the District may under certain conditions with the supplier elect to remarket its daily contract quantities of natural gas.

Note 15. **Commitments and Contingencies**

In order to provide service to their customers, the District is obligated under various transportation and storage capacity contracts and gas supply contracts. The pipeline and storage capacity contracts have contract periods that expire from June 2025 through October 2029. The gas supply contracts generally have less than one-year terms. Amounts incurred under these obligations are recorded as deferred gas cost, and are recovered from customers through the PGA mechanism discussed in note 2. The following is a schedule of firm commitments under transportation and storage capacity contracts at (in thousands):

Years ending March 31,	Transportation	Storage	Total
2025	$ 8,554	$ 4,382	$ 12,936
2026	7,895	3,847	11,742
2027	6,852	3,312	10,164
2028	3,333	391	3,724
2029	553	-	553
2030	170	-	170
	$ 27,357	**$ 11,932**	**$ 39,289**

Required Supplementary Information

Middle Tennessee Natural Gas Utility District
Schedules of Changes in Net Pension Liability (in thousands) and Related Ratios
Based on Participation in the Public Employee Pension Plan of the TCRS
For the Years Ended June 30,

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service cost	$ 585	$ 584	$ 454	$ 441	$ 391	$ 398	$ 394	$ 402	$ 380	$ 378
Interest	2,819	2,669	2,604	2,392	2,308	2,209	2,110	2,010	1,877	1,790
Differences between expected and actual experience	1,971	1,097	(81)	1,843	(44)	117	291	37	463	(77)
Changes in assumptions	-	-	2,488	-	-	-	778	-	-	-
Benefit payments/refunds	(2,277)	(1,999)	(1,910)	(1,671)	(1,388)	(1,314)	(1,181)	(1,023)	(942)	(893)
Net change in total pension liability	3,098	2,351	3,555	3,005	1,267	1,410	2,392	1,426	1,778	1,198
Total pension liability, beginning	42,309	39,958	36,403	33,398	32,131	30,721	28,329	26,903	25,125	23,927
Total pension liability, ending (a)	45,407	42,309	39,958	36,403	33,398	32,131	30,721	28,329	26,903	25,125
Plan Fiduciary Net Position										
Contributions, employer	1,274	1,039	890	862	877	846	819	819	769	744
Net investment income	2,436	(1,481)	8,145	1,536	2,192	2,295	2,857	658	747	3,482
Benefit payments, including refunds of employee contributions	(2,277)	(1,999)	(1,910)	(1,671)	(1,388)	(1,314)	(1,181)	(1,023)	(942)	(893)
Administrative expenses	(14)	(12)	(10)	(12)	(10)	(12)	(10)	(9)	(6)	(5)
Net change in plan fiduciary net position	1,419	(2,453)	7,115	715	1,671	1,815	2,485	445	568	3,328
Plan fiduciary net position, beginning	36,749	39,202	32,087	31,372	29,701	27,886	25,401	24,956	24,388	21,060
Plan fiduciary net position, ending (b)	38,168	36,749	39,202	32,087	31,372	29,701	27,886	25,401	24,956	24,388
Net pension liability, ending (a)-(b)	**$ 7,239**	**$ 5,560**	**$ 756**	**$ 4,316**	**$ 2,026**	**$ 2,430**	**$ 2,835**	**$ 2,928**	**$ 1,947**	**$ 737**
Plan fiduciary net position as a percentage of total pension liability	84.06%	86.86%	98.11%	88.14%	93.93%	92.44%	90.77%	89.66%	92.76%	97.07%
Covered-employee payroll	$ 6,830	$ 6,763	$ 6,657	$ 6,447	$ 6,501	$ 6,269	$ 6,073	$ 6,068	$ 5,698	$ 5,460
Net pension liability as a percentage of covered-employee payroll	106.00%	82.22%	11.36%	66.94%	31.17%	38.76%	46.68%	48.25%	34.17%	13.50%

Notes to Schedules

GASB 68 requires a 10-year schedule for this data to be presented. The information in this schedule is not required to be presented retroactively prior to the implementation date of GASB 68. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

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.

Middle Tennessee Natural Gas Utility District

Schedules of Contributions (in thousands)
Based on Participation in the Public Employee Pension Plan of the TCRS
For the Years Ended March 31,

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially-determined contribution	$ 1,357	$ 1,274	$ 1,039	$ 890	$ 862	$ 877	$ 846	$ 819	$ 819	$ 769
Contributions in relation to the actuarially-determined contribution	1,357	1,274	1,039	890	862	877	846	819	819	769
Contribution deficiency (excess)	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Covered-employee payroll	$ 7,038	$ 6,830	$ 6,763	$ 6,657	$ 6,447	$ 6,501	$ 6,269	$ 6,073	$ 6,068	$ 5,698
Contributions as a percentage of covered-employee payroll	19.28%	18.65%	15.36%	13.37%	13.37%	13.49%	13.49%	13.49%	13.49%	13.49%

Notes to Schedules

GASB 68 requires a 10-year schedule for this data to be presented. The information in this schedule is not required to be presented retroactively prior to the implementation date of GASB 68. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

Actuarially determined contribution rates for fiscal year 2024 were calculated based on the results of the June 30, 2022 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)
Amortization period	Varies by year
Asset valuation	Ten-year smoothed, within a 20.0% corridor to market value
Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44%, based on age, including inflation, averaging 4.00%
Investment rate of return	6.75%, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience, including adjustment for some anticipated improvement
Cost-of-living adjustment	2.125%

Changes of Assumptions

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

Middle Tennessee Natural Gas Utility District

Schedules of Changes in the Net OPEB Liability (in thousands) and Related Ratios
for the Postemployment Benefit Plan Trust Fund
For the Years Ended March 31,

	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability							
Service cost	$ 186	$ 167	$ 168	$ 140	$ 140	$ 127	$ 118
Interest	1,040	1,013	972	941	811	734	654
Experience losses (gains)	268	(172)	45	1,761	15	661	166
Changes in assumptions	-	1,128	-	705	77	661	-
Benefit payments/refunds	(984)	(837)	(722)	(704)	(474)	(357)	(498)
Net change in total OPEB liability	510	1,299	463	2,843	569	1,826	440
Total OPEB liability, beginning	16,289	14,990	14,527	11,684	11,115	9,289	8,849
Total OPEB liability, ending (a)	16,799	16,289	14,990	14,527	11,684	11,115	9,289
Plan Fiduciary Net Position							
Contributions, employer	984	837	722	704	474	359	558
Net investment income	521	(270)	195	923	(251)	149	178
Benefit payments/refunds	(984)	(837)	(722)	(704)	(475)	(357)	(498)
Administrative expenses	-	-	-	-	-	(2)	(10)
Net change in plan fiduciary net position	521	(270)	195	923	(252)	149	228
Plan fiduciary net position, beginning	3,448	3,718	3,523	2,600	2,852	2,703	2,475
Plan fiduciary net position, ending (b)	3,969	3,448	3,718	3,523	2,600	2,852	2,703
Net OPEB liability, ending (a)-(b)	**$ 12,830**	**$ 12,841**	**$ 11,272**	**$ 11,004**	**$ 9,084**	**$ 8,263**	**$ 6,586**
Plan fiduciary net position as a percentage of total OPEB liability	23.63%	21.17%	24.80%	24.25%	22.25%	25.66%	29.10%
Covered-employee payroll	$ 6,903	$ 6,699	$ 6,488	$ 6,298	$ 6,100	$ 5,922	$ 5,750
Net OPEB liability as a percentage of covered-employee payroll	185.85%	191.69%	173.73%	174.72%	148.92%	139.53%	114.54%

Notes to Schedule

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

Changes in Assumptions

In 2023, amounts reported as changes in assumptions resulted from a change in the discount rate from 6.77% to 6.50%. The healthcare cost trend rate was also updated from 7.00%, decreasing 0.50% per annum to 4.5% in years 2027 and later.

Benefit Changes

During the year ended March 31, 2018, eligibility requirements were modified. Employees hired after July 1, 2017 become eligible to receive postemployment benefits upon reaching age 65 with at least 20 years of full-time service.

Middle Tennessee Natural Gas Utility District
Schedules of OPEB Contributions (in thousands) and Related Ratios
for the Postemployment Benefit Plan Trust Fund
For the Years Ended March 31,

	2024	2023	2022	2021	2020	2019	2018
Actuarially-determined contribution	$ 1,039	$ 952	$ 883	$ 848	$ 671	$ 665	$ 578
Contributions in relation to the actuarially-determined contribution	984	837	722	704	474	359	558
Contribution deficiency (excess)	**$ 55**	**$ 115**	**$ 161**	**$ 144**	**$ 197**	**$ 306**	**$ 20**
Covered-employee payroll	$ 6,903	$ 6,699	$ 6,488	$ 6,298	$ 6,100	$ 5,922	$ 5,750
Contributions as a percentage of covered-employee payroll	14.25%	12.49%	11.13%	11.18%	7.77%	6.06%	9.70%

Notes to Schedules

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

Actuarially-determined contribution rates for fiscal year 2024 were calculated based on the results of the April 1, 2022 actuarial valuation.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Remaining amortization period	25 years
Asset valuation	Market value
Inflation rate	2.50%
Discount rate	6.50%
Medical trend rate	7.00% initially, grading down to 4.50% in 2027
Salary increases	3.00%
Payroll growth	2.50%
Average retirement age	59
Mortality	RP-2014 (2/3 blue collar, 1/3 white collar) fully generational with projection scale MP-2021

Middle Tennessee Natural Gas Utility District
Schedules of Investment Returns - Postemployment Benefit Plan Trust Fund
For the Years Ended March 31,

	2024	2023	2022	2021	2020	2019	2018
Annual money-weighted rate of return	15.11%	-7.27%	5.54%	35.48%	-8.83%	5.51%	7.10%

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

Supplementary Information

Middle Tennessee Natural Gas Utility District
Schedule of Expenditures of Federal Awards
For the Year Ended March 31, 2024

Federal grantor / Pass-through grantor / Program title	Assistance listing	Contract number	Expenditures
Federal Awards			
Department of Transportation			
Pass-through programs			
Pipeline and Hazardous Materials Safety Administration			
Natural Gas Distribution Infrastructure Safety and Modernization grant	20.708	693JK32340002NGDI	$ 311,845
Total US Department of Transportation			311,845
Total federal awards			**$ 311,845**

Note 1. **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards summarizes the expenditures of the District under programs of the federal government for the year ended March 31, 2024. The information in this schedule is presented in accordance with the requirements of Title 2, US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District. Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 2. **Indirect Cost Rate**

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Middle Tennessee Natural Gas Utility District
Schedule of Changes in Long-term Debt by Individual Issue (in thousands)
For the Year Ended March 31, 2024

Description of indebtedness	Original amount of issue	Interest rate	Date of issue	Final maturity date	Outstanding April 1, 2023	Issued during period	Paid and/or matured during period	Refunded during period	Outstanding March 31, 2024
Bonds Payable									
Gas system revenue refunding and improvement									
Bonds, Series 2020	$ 3,000	2.75%	2/26/20	2/26/60	$ 2,868	$ -	$ 46	$ -	$ 2,822
Bonds, Series 2021A	$ 4,540	2.00-3.00%	6/25/21	3/1/37	3,840	-	270	-	3,570
Bonds, Series 2021B	$ 15,750	2.00-3.00%	8/13/21	3/1/41	15,750	-	875	-	14,875
Total bonds payable					**$ 22,458**	**$ -**	**$ 1,191**	**$ -**	**$ 21,267**

Middle Tennessee Natural Gas Utility District
Schedule of Long-term Debt, Principal, and Interest Requirements (in thousands)
By Fiscal Year

Year Ending March 31,	Gas System Revenue Bond, Series 2020		Gas System Revenue Bond, Series 2021A		Gas System Revenue Bond, Series 2021B		Total Requirement		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2025	$ 47	$ 77	$ 270	$ 85	$ 875	$ 341	$ 1,192	$ 503	$ 1,695
2026	48	76	275	77	875	315	1,198	468	1,666
2027	49	74	275	69	875	289	1,199	432	1,631
2028	51	73	275	61	875	263	1,201	397	1,598
2029	52	72	275	52	875	236	1,202	360	1,562
2030	54	70	275	44	875	210	1,204	324	1,528
2031	55	69	275	38	875	192	1,205	299	1,504
2032	57	67	275	33	875	175	1,207	275	1,482
2033	58	65	275	27	875	157	1,208	249	1,457
2034	60	64	275	22	875	140	1,210	226	1,436
2035	62	62	275	17	875	122	1,212	201	1,413
2036	63	60	275	11	875	105	1,213	176	1,389
2037	65	59	275	6	875	88	1,215	153	1,368
2038	67	57	-	-	875	70	942	127	1,069
2039	69	55	-	-	875	53	944	108	1,052
2040	71	53	-	-	875	35	946	88	1,034
2041	73	51	-	-	875	17	948	68	1,016
2042	75	49	-	-	-	-	75	49	124
2043	77	47	-	-	-	-	77	47	124
2044	79	45	-	-	-	-	79	45	124
2045	81	43	-	-	-	-	81	43	124
2046	83	40	-	-	-	-	83	40	123
2047	86	38	-	-	-	-	86	38	124
2048	88	36	-	-	-	-	88	36	124
2049	91	33	-	-	-	-	91	33	124
2050	93	31	-	-	-	-	93	31	124
2051	96	28	-	-	-	-	96	28	124
2052	98	26	-	-	-	-	98	26	124
2053	101	23	-	-	-	-	101	23	124
2054	104	20	-	-	-	-	104	20	124
2055	107	17	-	-	-	-	107	17	124
2056	110	14	-	-	-	-	110	14	124
2057	113	11	-	-	-	-	113	11	124
2058	116	8	-	-	-	-	116	8	124
2059	119	5	-	-	-	-	119	5	124
2060	104	1	-	-	-	-	104	1	105
Total	**$ 2,822**	**$ 1,619**	**$ 3,570**	**$ 542**	**$ 14,875**	**$ 2,808**	**$ 21,267**	**$ 4,969**	**$ 26,236**

Middle Tennessee Natural Gas Utility District

Schedules of Natural Gas Rates and Number of Customers
March 31, 2024

Class 22 and 62 Residential			
Customer charge	$	8.00	Per month
All therms	$	0.745	Per therm
Class 34 Public Housing Authority			
Customer charge	$	68.00	Per month
First 40,000 therms	$	0.725	Per therm
Over 40,000 therms	$	0.580	Per therm
Class 35 Small Commercial			
Customer charge	$	18.00	Per month
All therms	$	0.755	Per therm
Class 36 Small Industrial			
Customer charge	$	18.00	Per month
All therms	$	0.755	Per therm
Class 40 Industrial			
Customer charge	$	68.00	Per month
First 40,000 therms	$	0.725	Per therm
Over 40,000 therms	$	0.580	Per therm
Class 41 Large Commercial and Industrial			
Customer charge	$	68.00	Per month
First 40,000 therms	$	0.725	Per therm
Over 40,000 therms	$	0.580	Per therm
Class 42 Compressed or Liquefied Gas Used as a Vehicle Fuel			
Customer charge	$	68.00	Per month
All therms	$	0.550	Per therm
Class 50 Interruptible Service			
Customer charge	$	135.00	Per month
First 30,000 therms	$	0.535	Per therm
Over 30,000 therms	$	0.415	Per therm

Middle Tennessee Natural Gas Utility District

Schedules of Natural Gas Rates and Number of Customers

March 31, 2024

Class 60 Open Flame Memorial Service

All therms	$	16.00	Per month

Class 80 Interruptible Pool Program Sales

System commodity weighted average cost of gas plus			
Customer Charge	$	150.00	Per month
First 60,000 therms	$	0.095	Per therm
Next 100,000 therms	$	0.060	Per therm
Over 160,000 therms	$	0.020	Per therm

Class 81 Transportation Service

Customer Charge	$	425.00	Per month
First 60,000 therms	$	0.095	Per therm
Next 100,000 therms	$	0.060	Per therm
Over 160,000 therms	$	0.020	Per therm

Class 82 LDC/Municipal Pool/Transportation Service

System commodity weighted average cost of gas plus			
Customer Charge	$	150.00	Per month
First 60,000 therms	$	0.105	Per therm
Next 100,000 therms	$	0.065	Per therm
Over 160,000 therms	$	0.025	Per therm

Rate classes 22, 34, 35, 36, 40, 41, 42, 50, and 62 are subject to a PGA provision, which adjusts the gas rates of the District on a monthly basis to reflect variations in the District's cost of purchased gas. The rates shown above do not include the PGA that will be effective in future billings.

Number of Customers

The number of natural gas customers at March 31 is as follows:

	2024	**2023**
Residential	62,803	61,665
Commercial	7,625	7,560
Industrial	305	308
Transportation and Municipal	4	4
Other Local Distributions (70)	1	1
	70,738	**69,538**

Middle Tennessee Natural Gas Utility District

Schedules of Debt Service Coverage (in thousands) and Operating Statistics (Unaudited)

For the Years Ended March 31, 2024 and 2023

	2024	2023
Debt Service Coverage		
Operating revenues	$ 62,931	$ 87,587
Operating expenses, excluding depreciation and amortization	(52,772)	(78,853)
Operating income before depreciation and amortization	10,159	8,734
Other income (expense) before interest expense	944	313
Income available for debt service	**$ 11,103**	**$ 9,047**
Maximum annual debt service requirement	$ 1,695	$ 1,730
Debt service coverage	6.55	5.23
Operating Statistics		
Gas usage in Dekatherm (Dth) (Dth equals 1,000,000 BTU)		
Residential	3,121,487	2,939,420
Commercial	1,617,147	1,445,322
Industrial, Transport, Municipal	4,563,013	4,436,275
Other Local Distributions	34,340	25,866
	9,335,987	**8,846,883**
Heating degree days	2,791	2,813
Number of employees	135	140

Middle Tennessee Natural Gas Utility District
Schedule of Insurance (Unaudited)
March 31, 2024

Insurance Company	Coverage	Coverage Amount	Expiration
Liberty Mutual Fire Insurance Co.	General liability aggregate limit	$ 5,000,000	4/1/2024
	Products - completed operations aggregate limit	$ 2,000,000	
	Personal and advertising injury limit	$ 1,000,000	
	Fire Damage to rented premise	$ 100,000	
	Medical expense limit	$ 5,000	
	Employee benefits liability	$ 1,000,000	
Liberty Mutual Fire Insurance Co.	Workers' compensation - Bodily injury by accident, each accident	$ 1,000,000	4/1/2024
	Workers' compensation - Bodily injury by disease, per employee, and policy limit	$ 1,000,000	
The Cincinnati Insurance Company	Commercial Property -		4/1/2024
	Property	$ 19,048,020	
	Accounts receivable	$ 100,000	
	Valuable papers and records	$ 100,000	
	Employee theft	$ 500,000	
	Debris removal/Refill fire protection	$ 50,000	
	Duplicate records/Off premise/Pollutant removal/ Third party host/Denial of serice/ Malicious code/ Unauthorized use	$ 10,000	
	Loss of establishment expense	$ 5,000	
	Electronic data processing	$ 545,000	
	Inside premise robbery	$ 5,000	
	Outside premise robbery	$ 5,000	
	Computer fraud	$ 500,000	
	Funds transfer fraud	$ 500,000	
The Cincinnati Insurance Company	Business auto/Automobile liability	$ 1,000,000	4/1/2024
	Uninsured motorists	$ 1,000,000	
	Auto Medical Payments	$ 10,000	
	Hired or borrowed auto coverage	Actual cash value, cost of repairs, or $50,000	
The Cincinnati Insurance Company	Directors, Officers, Trustees and Organization Liability Employment Practices and Benefit Administration Liability Post Employment Benefit and Trust Trustee and Fiduciary Liability and Internet Security Coverage	$5,000,000 aggregate	4/1/2024
Beazley Group	Cyber Policy Aggregate Limit of Liability	$ 3,000,000 Aggregate	4/1/2024
	Breach Response	$ 2,500,000	
	First Party Loss/Liability	$1,000,000 - $3,000,000	
	eCrime	$ 250,000	
	Criminal Reward	$ 50,000	

Internal Control and Compliance Section

BLANKENSHIP

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 Commissioners
Middle Tennessee Natural Gas Utility District

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 (*Government Auditing Standards*), the financial statements of the business-type activities and fiduciary activities of Middle Tennessee Natural Gas Utility District (the District) as of and for the year ended March 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated August 28, 2024.

Report on Internal Control Over Financial Reporting

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

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Mt. Juliet, Tennessee
August 28, 2024

Middle Tennessee Natural Gas Utility District
Summary Schedule of Prior Year Findings
For the Year Ended March 31, 2024

Financial Statement Findings

Finding Number	Finding Title	Status
N/A	There were no prior findings reported.	N/A

Federal Award Findings and Questioned Costs

Finding Number	Finding Title	Status
N/A	There were no prior findings reported.	N/A