GREATER DICKSON GAS AUTHORITY

FINANCIAL STATEMENTS

MARCH 31, 2013 AND 2012

GREATER DICKSON GAS AUTHORITY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Greater Dickson Gas Authority
Dickson, Tennessee

Report on Financial Statements

We have audited the accompanying financial statements of Greater Dickson Gas Authority (the Authority), which comprise the balance sheet as of March 31, 2013, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements (the basic financial statements).

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater Dickson Gas Authority as of March 31, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements as of March 31, 2012 were audited by other auditors, whose report dated on May 31, 2012 expressed an unqualified opinion on those statements.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Authority's basic financial statements. The supplemental information on pages 36 through 43, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information on pages 36 through 43 is fairly stated in all material respects in relation to the basic financial statements as a whole.

The supplemental information shown on pages 44 through 47 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 22, 2013, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

Frazier & Deeter, LLC

July 22, 2013

This section of the Authority's annual financial report presents Management's analysis of the Authority's financial performance during the Fiscal Years that ended on March 31, 2013 and 2012. This information should be read in conjunction with the financial statements which follow this section.

Financial highlights

- The Authority's net position increased in 2013 by $1.3 million or 4.0% and decreased in 2012 by $0.2 million or 0.6%.

- For the year ended March 31, 2013 the Authority's revenues decreased to $21.1 million or 0.5%, while the expenses decreased to $19.8 million or 7.5%. For the year ended March 31, 2012, the Authority's revenues decreased to $21.2 million or 13.8%, while expenses decreased to $21.4 million or 8.9%

- For the year ended March 31, 2013, weather was 0.3% warmer than normal and 21.4% colder than the year ended March 31, 2012, while for the year ended March 31, 2012, the weather was 19.7% warmer than normal and 16.6% warmer than in the year ended March 31, 2011.

Overview of annual financial report

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements. The MD&A represents management's examination and analysis of the Authority's financial condition and performance. The financial statements report information about the Authority using full accrual accounting methods and include a balance sheet; a statement of revenues, expenses, and changes in net position; a statement of cash flows; and notes to the financial statements.

The *balance sheet* presents the financial position of the Authority on a full accrual basis. The balance sheet presents information on all of the Authority's assets, deferred outflows, liabilities and deferred inflows, with the difference reported as net position. Increases and decreases in net position are an indicator of the financial position of the Authority.

The *statement of revenues, expenses, and change in net position* summarizes the business activities over the course of the year. All changes in net position are reported when the underlying event occurs regardless of the timing of the related cash flow.

The *statement of cash flows* presents changes in cash and cash equivalents resulting from operational, financing, and investing activities. This statement presents cash receipts and disbursements without consideration of the recognition of the related event giving rise to the cash flows.

Overview of annual financial report - continued

The *notes to the financial statements* provide required disclosures and other information that is essential to understanding the material provided in the accompanying statements. Information is presented about the Authority's accounting policies, material risks, obligations, contingencies and subsequent events, if any.

Balance Sheet

To begin our analysis, a summary of the Authority's Balance Sheets is presented in Table A-1.

TABLE A-1
Condensed Balance Sheets
(In millions of dollars)

	March 31, 2013	March 31, 2012	Dollar Change	Percent Change	March 31, 2011	Dollar Change	Percent Change
Assets:							
Current and other assets	$ 18.3	$ 15.1	$ 3.2	21.2 %	$ 16.2	$ (1.1)	(6.8)%
Capital assets	33.5	33.7	(0.2)	(0.6)%	33.9	(0.2)	(0.6)%
Total Assets	$ 51.8	$ 48.8	$ 3.0	6.1 %	$ 50.1	$ (1.3)	(2.6)%
Liabilities:							
Long-term liabilities	$ 13.6	$ 12.7	$ 0.9	7.1 %	$ 13.7	$ (1.0)	(7.3)%
Other liabilities	4.2	3.4	0.8	23.5 %	3.5	(0.1)	(2.9)%
Total liabilities	17.8	16.1	1.7	10.6 %	17.2	(1.1)	(6.4)%
Net position:							
Net investment in capital assets	21.4	20.6	0.8	3.9 %	20.9	(0.3)	(1.4)%
Restricted	0.3	0.3	-	- %	0.2	0.1	50.0 %
Unrestricted	12.3	11.8	0.5	4.2 %	11.8	-	- %
Total net position	34.0	32.7	1.3	4.0 %	32.9	(0.2)	(0.6)%
Total Liabilities and Net Position	$ 51.8	$ 48.8	$ 3.0	6.1 %	$ 50.1	$ (1.3)	(2.6)%

Net position - continued

As can be seen from the table above, total assets increased by $3.0 million to $51.8 million in Fiscal 2013 up from $48.8 million in Fiscal 2012. Looking more carefully at the table you can see that the majority of the change in total assets was in current and other assets which increased $3.2 million due primarily to the increase in cash, accounts receivable and unbilled revenue. The Authority's capital assets (net of depreciation) decreased to $33.5 million, down $0.2 million in Fiscal 2013 compared to Fiscal 2012. The Authority does monitor its monthly purchased gas adjustment which recovers its gas cost from year-to-year.

The increase of $0.5 million in unrestricted net position in 2013 from 2012 is the result of income from normal operations. Unrestricted net position (those that can be used to finance day-to-day operations), remained unchanged in 2012 from 2011.

TABLE A-2
Condensed Statements of Revenues, Expenses and Change in Net Position
(In millions of dollars)

	March 31, 2013	March 31, 2012	Dollar Change	Percent Change	March 31, 2011	Dollar Change	Percent Change
Revenues:							
Operating revenues	$ 21.0	$ 21.1	$ (0.1)	(0.5)%	24.5	(3.4)	(13.9)%
Non-operating revenues	0.1	0.1	-	- %	0.1	-	- %
Total revenues	21.1	21.2	(0.1)	(0.5)%	24.6	(3.4)	(13.8)%
Expenses:							
Cost of sales	11.5	13.0	(1.5)	(11.5)%	15.5	(2.5)	(16.1)%
Other operating expenses	6.5	6.5	-	- %	6.2	0.3	4.8 %
Depreciation expense	1.4	1.4	-	0.1 %	1.3	0.1	7.7 %
Non-operating expenses	0.4	0.5	(0.1)	(20.0)%	0.5	-	- %
Total expenses	19.8	21.4	(1.6)	(7.5)%	23.5	(2.1)	(8.9)%
Income before capital contributions	1.3	(0.2)	1.5	(750.0)%	1.1	(1.3)	(118.2)%
Capital contributions	-	-	-	- %	-	-	- %
Change in net position	1.3	(0.2)	1.5	(750.0)%	1.1	(1.3)	(118.2)%
Beginning net position	32.7	32.9	(0.2)	(0.6)%	31.8	1.1	3.5 %
Ending net position	$ 34.0	$ 32.7	$ 1.3	4.0 %	$ 32.9	$ (0.2)	(0.6)%

Net position - continued

While the Balance Sheets show the change in financial position of net position, the Statements of Revenues, Expenses, and Change in Net Position, provides answers as to the nature and source of these changes. As can be seen in Table A-2 above, income before capital contributions of $1.3 million was the source of the increase in net position in Fiscal 2013.

A closer examination of the source of changes in net position reveals that the Authority's total revenues decreased by $0.1 million to $21.1 million in 2013 from $21.2 million in 2012 due to lower gas cost in 2013. The Authority's total expenses decreased by $1.6 million to $19.8 million in 2013 down from $21.4 million in 2012. This decrease in total expenses is the result of the decrease in gas costs. The decrease in total revenues of $3.4 million from 2011 to 2012 is due to decrease in gas costs and warmer weather. The decrease in total expenses of $2.1 million from 2011 to 2012 is the result of the decrease in costs of gas and warmer weather.

Capital assets

TABLE A-3
Capital Assets
(In millions of dollars)

	March 31, 2013	March 31, 2012	Dollar Change	Percent Change	March 31, 2011	Dollar Change	Percent Change
Distribution plant	$ 41.1	$ 40.5	$ 0.6	1.5 %	$ 39.4	$ 1.1	2.8 %
General plant	7.5	7.4	0.1	1.4 %	7.4	-	- %
Propane plant	2.9	3.0	(0.1)	(3.3)%	3.0	-	- %
Construction in progress	0.6	0.2	0.4	200.0 %	0.6	(0.4)	(66.7)%
	52.1	51.1	1.0	2.0 %	50.4	0.7	1.4 %
Less accumulated depreciation	(18.6)	(17.4)	(1.2)	6.9 %	(16.5)	(0.9)	5.5 %
Net capital assets	$ 33.5	$ 33.7	$ (0.2)	(0.6)%	$ 33.9	$ (0.2)	(0.6)%

At the end of fiscal year 2013, the Authority had invested $33.5 million in a broad range of infrastructure including land, mains, services, maintenance and administration facilities, vehicles and equipment, net of accumulated depreciation, as shown in Table A-3. In 2013 net capital assets decreased $0.2 million over 2012. This is primarily due to net additions to plant assets of $1.0 million offset by net additions to accumulated depreciation of $1.2 million.

Long-term liabilities

At March 31, 2013, the Authority had $13.6 million in long-term liabilities, up from $12.7 million in 2012 for an increase of $0.9 million or 7.1%, which is net of the scheduled Series 2010 bond principal payment and a refund due to customers. The Authority issued the Gas System Revenue Refunding and Improvement Bonds, Series 2010 (in fiscal year 2010) in the principal amount of $15,000,000. The purpose of the issuance of the Series 2010 Bonds was to provide funds to: (a) refund all of the Authority's 1998A Bonds, (b) finance the cost of construction of certain extensions and improvements to the Authority's system and (c) pay all cost and expenses of the issuance of the Series 2010 Bonds. The Authority does not anticipate any new issues of debt in fiscal year 2014. In January 2013, the Authority amended the natural gas supply agreement with Tennessee Energy Acquisition Corporation by reducing the required natural gas delivery quantities over the agreement period for an upfront payment of $2,093,935 for the present value of the monthly savings associated with its reduced quantities. The Board approved its intent to refund the upfront payment of $2,093,935 to its customers through the PGA mechanism over the twelve-year period beginning April 1, 2013.

One area that demonstrates the Authority's financial strength and future borrowing capability is seen in its debt coverage ratio, which currently is 2.5 as shown on Table A-4. The Series 2010 Bond Resolution requires the Authority to maintain a debt service coverage ratio of not less than 1.2 to 1. The increase in fiscal year 2013 Debt Coverage Ratio to 2.5 from 1.5 in fiscal year 2012 is primarily due to colder weather in fiscal year 2013 compared to 2012. The decrease in fiscal year 2012 Debt Coverage Ratio to 1.5 from 2.3 in fiscal year 2011 is primarily due to warmer weather in fiscal year 2012 compared to 2011. The Authority's 2010 Bonds have a rating of AAA by Standard and Poor's Ratings Services.

Long-term debt - continued

TABLE A-4
Debt Coverage Ratio
(In millions of dollars)

	Year Ended 2013	Year Ended 2012	Year Ended 2011
Gross revenues:			
Operating revenues	$ 21.0	$ 21.1	$ 24.5
Interest and other income	0.1	0.1	0.1
Total gross revenues	21.1	21.2	24.6
Operating expenses (before depreciation and tax equivalents)	17.3	18.9	21.1
Net revenue available for debt service	$ 3.8	$ 2.3	$ 3.5
Maximum annual debt service	$ 1.5	$ 1.5	$ 1.5
Debt coverage ratio	2.5	1.5	2.3

Contacting the Authority's financial officer

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Greater Dickson Gas Authority's Financial Officer, 605 East Walnut Street, Dickson, Tennessee 37055.

GREATER DICKSON GAS AUTHORITY

Balance Sheets

Assets

	March 31, 2013	March 31, 2012
Current assets:		
Cash	$ 7,724,713	$ 5,037,146
Investments	5,078,902	5,034,469
Accounts receivable, less allowance for doubtful accounts of $125,000 for 2013 and 2012	2,332,673	1,675,190
Other receivable	-	184,538
Unbilled revenues	1,291,748	435,301
Purchased gas adjustments	14,725	571,878
Inventories	1,182,930	1,255,164
Prepaid expenses	74,627	115,945
Total current assets	17,700,318	14,309,631
Restricted cash:		
Debt service fund	366,888	378,363
Construction fund	-	44,914
Total restricted cash	366,888	423,277
Unamortized debt issuance costs	320,713	353,655
Utility plant:		
Utility plant in service	51,497,174	50,917,614
Less accumulated depreciation	(18,626,813)	(17,430,677)
	32,870,361	33,486,937
Construction in progress	590,406	231,465
Net utility plant	33,460,767	33,718,402
Total Assets	$ 51,848,686	$ 48,804,965

See notes to financial statements.

GREATER DICKSON GAS AUTHORITY

Balance Sheets - Continued

Liabilities and Net Position

	March 31, 2013	March 31, 2012
Current liabilities:		
Accounts payable	$ 1,269,059	$ 733,936
Accrued compensated absences	319,881	285,080
Other accrued liabilities	308,745	105,222
Customer deposits	1,182,025	1,097,132
Total current liabilities	3,079,710	2,221,370
Liabilities payable from restricted cash:		
Accrued interest	113,138	120,862
Current maturities of long-term debt	1,035,267	1,052,182
Total liabilities payable from restricted cash	1,148,405	1,173,044
Accrued compensated absences	572,483	541,811
Postemployment benefit liability	133,507	104,203
Natural gas supply discount refundable to customers	1,893,486	-
Long-term debt, less current maturities	11,039,555	12,083,666
Total liabilities	17,867,146	16,124,094
Net position:		
Net investment in capital assets	21,385,341	20,627,353
Restricted for debt service	253,750	257,501
Unrestricted	12,342,449	11,796,017
Total net position	33,981,540	32,680,871
Total Liabilities and Net Position	$ 51,848,686	$ 48,804,965

See notes to financial statements.

GREATER DICKSON GAS AUTHORITY

Statements of Revenues, Expenses, and Change in Net Position

	2013		2012	
	Amount	Percent of Revenues	Amount	Percent of Revenues
Operating revenues:				
Sale of natural gas	$ 18,074,000	86.2 %	$ 18,166,509	86.2 %
Sale of propane	1,715,330	8.2 %	1,789,045	8.5 %
Sale of appliances	754,433	3.6 %	624,613	3.0 %
Uncollectible accounts	1,041	- %	41,887	0.2 %
Other operating revenues	427,961	2.0 %	434,204	2.1 %
Total operating revenues	20,972,765	100.0 %	21,056,258	100.0 %
Operating expenses:				
Cost of sales	11,495,999	54.8 %	12,996,734	61.7 %
Transmission and distribution	2,535,959	12.1 %	2,709,778	12.9 %
Customer accounting and collection	1,019,087	4.9 %	945,639	4.5 %
Sales promotion	92,517	0.4 %	88,273	0.4 %
Administrative and general	2,169,560	10.3 %	2,193,882	10.4 %
Depreciation	1,376,831	6.6 %	1,363,969	6.5 %
Taxes and tax equivalents	641,130	3.1 %	644,785	3.1 %
Total operating expenses	19,331,083	92.2 %	20,943,060	99.5 %
Operating income	1,641,682	7.8 %	113,198	0.5 %
Nonoperating revenues (expenses):				
Interest income	70,499	0.3 %	74,132	0.4 %
Interest expense	(437,833)	-2.1 %	(464,973)	-2.2 %
Total nonoperating revenues (expenses)	(367,334)	-1.8 %	(390,841)	-1.8 %
Income (loss) before contributions	1,274,348	6.0 %	(277,643)	-1.3 %
Capital contributions	26,321	0.1 %	30,977	0.1 %
Change in net position	1,300,669	6.1 %	(246,666)	-1.2 %
Net position, beginning of year	32,680,871		32,927,537	
Net position, end of year	$ 33,981,540		$ 32,680,871	

See notes to financial statements.

GREATER DICKSON GAS AUTHORITY

Statements of Cash Flows

Increase (Decrease) in Cash	*For the Years Ended March 31,* 2013	2012
Cash flows from operating activities:		
Receipts from customers	$ 19,740,295	$ 22,013,066
Payments to suppliers	(10,678,839)	(15,622,412)
Payments to or on the behalf of employees	(3,866,586)	(3,911,884)
Proceed from insurance recoveries	21,845	-
Net cash provided by operating activities	5,216,715	2,478,770
Cash flows from noncapital financing activities:		
Federal emergency management agency grant received (refunded)	(12,029)	65,662
Cash flows from capital and related financing activities:		
Acquisition and construction of utility plant, net	(1,129,282)	(1,277,027)
Payments on long-term debt	(1,030,000)	(995,000)
Interest paid (net of interest capitalized to utility plant)	(476,584)	(500,104)
Proceeds from sale of utility plant	32,444	154,965
Insurance proceeds received for impaired utility plant	11,000	-
Payment of short-term payable for prior year utility plant additions	(115)	(89)
Capital contributions	26,321	30,977
Cost of removal of utility plant	(33,358)	(31,318)
Net cash used by capital and related financing activities	(2,599,574)	(2,617,596)
Cash flows from investing activities:		
Purchase of investments	(44,433)	(4,040,668)
Proceeds from maturities of investments	-	1,006,199
Interest received	70,499	74,132
Net cash provided by (used) investing activities	26,066	(2,960,337)
Net increase (decrease) in cash	2,631,178	(3,033,501)
Cash, beginning of the year	5,460,423	8,493,924
Cash, end of the year	$ 8,091,601	$ 5,460,423
Unrestricted cash	$ 7,724,713	$ 5,037,146
Restricted cash	366,888	423,277
Cash, end of the year	$ 8,091,601	$ 5,460,423

See notes to financial statements.

	For the Years Ended March 31, 2013	For the Years Ended March 31, 2012
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 1,641,682	$ 113,198
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,409,774	1,396,912
Changes in operating assets and liabilities:		
Accounts receivable, net	(460,916)	315,175
Unbilled revenues	(856,447)	545,997
Purchased gas adjustment	557,153	416,222
Inventories	72,234	(202,191)
Prepaid expenses	41,318	(25,573)
Accounts payable	535,238	(237,758)
Accrued compensated absences	65,473	91,374
Other accrued liabilities	203,523	(47,310)
Customer deposits	84,893	95,636
Natural gas supply discount refundable to customers	1,893,486	-
Postemployment benefit liability	29,304	17,088
Total adjustments	3,575,033	2,365,572
Net cash provided by operating activities	$ 5,216,715	$ 2,478,770

Supplemental Disclosure of Noncash Capital and Related Financing Activities:

	2013	2012
Utility plant financed by accounts payable	$ -	$ 115

See notes to financial statements.

Note 1 - Nature of organization:

Greater Dickson Gas Authority (the Authority) was created pursuant to Chapter 215 of the 1988 Private Acts of Tennessee, as amended by: Chapter 148 of the 2002 Private Acts of Tennessee; Chapter 176 of the 1998 Private Acts of Tennessee; and Chapter 50 of the 1989 Private Acts of Tennessee. The Authority is a public corporation and political subdivision of the State of Tennessee. As of July 1, 1989, the City of Dickson and the Sam Houston Utility District transferred all their rights, titles and interest in their natural gas systems to the Authority. The Authority provides natural gas and propane gas services to residents and businesses of Dickson, Houston, Stewart Counties, any county contiguous to these counties not served by any other holder of a franchise as of the effective date of Chapter 50 of the 1989 Private Acts of Tennessee, and any other area within or without the State of Tennessee upon consent of the applicable governing body.

The Authority's operations alone constitute the reporting entity since the Board of Directors (the Board) is not financially accountable for any other entities and the Authority has no relationships with any other entities where the nature and significance of the relationships would require inclusion in the financial statements of the Authority. The Authority receives all of its natural gas supply through Tennessee Gas Pipeline Company (TGP), an interstate pipeline. The Authority purchases substantially all of its natural gas supply from Tennessee Energy Acquisition Corporation (TEAC) under firm gas supply contracts.

The Authority is operated under the control of a five-member Board of Directors, one of which must be the Mayor of the City of Dickson, Tennessee (or his designee) and one of which must be an elected member of the City of Dickson's governing body. Two members of the Board of Directors must be from the original Sam Houston Utility District territory. One member of the Board of Directors will be a person who resides within the region served by the Authority. No other board or commission has jurisdiction over the Authority in the management and control of its operations.

Note 2 - Summary of significant accounting policies:

Basis of presentation, measurement focus, and basis of accounting

The accounts of the Authority are an enterprise fund. 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.

Note 2 - Summary of significant accounting policies - continued:

Basis of presentation, measurement focus, and basis of accounting - continued

In 2013, the Authority adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 63, *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" (Statement No. 63) that established reporting standards for deferred outflows of resources and deferred inflows of resources for all state and local governmental entities. Statement No. 63 amends the net asset reporting requirements in Statement No. 34, *"Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"* by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. Statement No. 63 requires the Authority to classify its net position into three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- Net investment in capital assets - consists 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 - consists of restricted assets, with constraints placed on their use by contractual agreement with other parties, revenue bonds resolutions, or enabling legislation, reduced by liabilities and deferred inflows of resources related to those assets.

- Unrestricted - consists 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.

Statement No. 63 defines deferred outflows of resources as a consumption of net assets by the government that is applicable to a future reporting period, and deferred inflows of resources as an acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources have a positive effect on net position, similar to assets, and deferred inflows of resources have a negative effect on net position, similar to liabilities. At

Note 2 - Summary of significant accounting policies - continued:

Basis of presentation, measurement focus, and basis of accounting - continued

March 31, 2013 and 2012, the Authority did not have deferred outflows of resources or deferred inflows of resources, as defined in the Statement No. 63, reported in the balance sheets.

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 Authority 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.

Regulatory accounting

The Authority follows proprietary fund accounting in accordance with GASB pronouncements. Proprietary fund accounting is used to report business-type activities, as contrasted with tax-supported governmental activities.

The Authority also complies with policies and practices prescribed by the Board and to practices common in the natural gas industry. As the Board has the authority to set rates, the Authority follows the regulatory accounting guidance of GASB Statement No. 62, *"Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements"*, 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

The Authority's cash includes cash on hand and demand deposits (including restricted assets).

Investments

Investments, as presented in the balance sheet, consist of bank certificates of deposit with a maturity in excess of three months from the date of acquisition.

Note 2 - Summary of significant accounting policies - continued:

Receivables

The Authority's receivables consist of billed charges to customers (net of an allowance for doubtful accounts) and unbilled charges. Unbilled revenues represent the estimated receivable amount for services that have not been billed to customers at the balance sheet 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 period).

Purchased gas adjustments

Purchased gas adjustments (PGA) are used in the Authority's rate schedules to pass on to customers increases and decreases in natural gas costs. 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. The Authority received refunds from its gas supplier totaling $385,968 for 2013 and 2012, respectively, which is recorded as a credit to deferred gas cost in an effort to reduce the accumulated gas cost to be recovered from the Authority's customers through the PGA mechanism.

In November 2009, the Federal Energy Regulatory Commission (FERC) approved a proposed settlement between TGP and its customers which includes the Authority. Under the terms of the settlement, the Authority was to receive a refund of $258,284 (including interest of $31,670) from TGP to be paid in quarterly installments beginning in December 2009 and ending April 2012. The Authority elected not to include the refund in the application of the PGA and credited the total refund directly to cost of sales. In 2013, the Authority received the last installment in the amount of $28,797

In December 2011, FERC approved a proposed settlement between TGP and its customers, which includes the Authority. Under the terms of the settlement, the Authority received a refund of $184,538 from TGP during fiscal year 2013. The Authority elected to refund the settlement to its customers through the PGA mechanism.

Inventories

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

Note 2 - Summary of significant accounting policies - continued:

Utility plant and depreciation

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 Authority as a unit of property with an individual cost greater than $500 and an estimated useful life of one year or more. The cost of normal repairs of property, and the replacement and renewal of items considered less than units of property are charged to maintenance expense. Units of depreciable property replaced or retired are credited to the utility plant accounts and charged to accumulated depreciation. Interest is capitalized, net of interest earned on interest-bearing investments acquired with the proceeds of tax-exempt borrowings, in connection with the construction of significant utility plant. The construction period interest is recorded as part of the cost of the asset to which it relates and is amortized over the asset's estimated useful life. During 2013, interest incurred totaled $475,865, of which $7,006 was capitalized as part of the cost of utility plant. During 2012, interest incurred totaled $506,144, of which $13,503 was capitalized as part of the cost of utility plant.

Depreciation of utility plant is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable utility plant assets are as follows:

	Depreciable Life (In Years)
Distribution plant	25 - 50 years
General plant	4 - 31.5 years
Propane plant	10 - 40 years

Debt issuance costs

Debt issuance costs are capitalized and amortized using the straight-line method over the term of the related debt. Amortization totaled $32,943 for 2013 and 2012. Future annual amortization of debt issuance costs totals $32,943 for 2014 through 2022 and $29,602 in 2023.

Bond premium and refunding costs

Bond premiums and refunding costs are deferred and amortized to interest expense using the interest method over the term of the debt. Amortization credited to interest expense totaled $31,026 for 2013 and $27,668 for 2012.

Note 2 - Summary of significant accounting policies - continued:

Revenues and expenses

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of charges to customers for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

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

Income taxes

The Authority is a public corporation and political subdivision of the State of Tennessee created pursuant to Chapter 215 of the 1988 Private Acts of Tennessee, as amended, 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.

Subsequent events

The Authority has evaluated subsequent events through July 22, 2013, which is the date these financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made in the 2012 financial statements to make them comparable to the 2013 financial statement presentation.

Note 3 - Cash deposits and investments:

Under the terms of the bond resolution authorizing the issuance of the Gas System Revenue Refunding and Improvement Bonds, Series 2010, the Authority is authorized to invest idle funds in direct obligations of or obligations guaranteed by the U.S. Government, and bonds, debentures, notes or other evidence of indebtedness issued by the Federal Housing Administration, the Federal Home Loan Mortgage Corporation, the Farm Credit System, the Federal Home Loan Banks, and the Federal National Mortgage Association. The Authority

Note 3 - Cash deposits and investments - continued:

may also invest in certain direct and general obligations of any state within the United States of America and certain bonds and other obligations of any agency, instrumentality or local government unit of any such state. The Authority may also invest in the pooled investment fund established by Title 9, Chapter 4, Part 7 of *Tennessee Code Annotated*.

The Authority is also authorized to invest in certificates of deposit, savings and deposit accounts, or depository receipts of banks, savings and loan associations, and mutual savings banks which are fully insured by the Federal Deposit Insurance Corporation or otherwise collateralized at all times by direct obligations of or obligations guaranteed by the U.S. Government. Finally, the Authority is authorized to invest in commercial paper rated P-1 by Moody's and A-1 or better by S&P and such other investments as may be permitted by other Tennessee law.

The Authority has not adopted a formal policy that restricts the maturities of its investments or restricts credit risk and custodial risk beyond requirements of the bond resolution and state statutes. In addition, the Authority has not adopted a formal policy to limit the amount the Authority may invest in any one issuer.

At March 31, 2013 and 2012, the Authority's investments presented in the balance sheets consist of the following:

	2013	2012
Bank certificates of deposit (over 90-day maturity)	$ 5,078,902	$ 5,034,469

Note 4 - Inventories:

Inventories consist of the following at March 31, 2013 and 2012:

	2013	2012
Materials and supplies	$ 353,507	$ 180,401
Appliances	201,456	199,600
Propane gas	74,004	159,874
Natural gas in storage	553,963	715,289
	$ 1,182,930	$ 1,255,164

Note 5 - Utility plant:

Utility plant at March 31, 2013 and 2012 and changes during 2013 consist of the following:

	Balance March 31, 2012	Additions	Reductions	Balance March 31, 2013
Utility plant not being depreciated:				
Land and improvements	$ 307,327	$ -	$ -	$ 307,327
Construction in progress	231,465	926,937	(567,996)	590,406
	538,792	926,937	(567,996)	897,733
Other utility plant being depreciated:				
Distribution plant	40,203,269	644,347	(15,241)	40,832,375
General plant	7,442,544	108,033	(87,276)	7,463,301
Propane plant	2,964,474	17,961	(88,264)	2,894,171
	50,610,287	770,341	(190,781)	51,189,847
Less accumulated depreciation:				
Distribution plant	(12,211,344)	(872,805)	15,241	(13,068,908)
General plant	(3,159,525)	(329,658)	87,276	(3,401,907)
Propane plant	(2,059,808)	(184,454)	88,264	(2,155,998)
	(17,430,677)	(1,386,917)	190,781	(18,626,813)
Utility plant, net	$ 33,718,402	$ 310,361	$ (567,996)	$ 33,460,767

For the year ended March 31, 2013, increases to accumulated depreciation totaled $1,386,917. This amount includes depreciation expense of $1,376,831 and a decrease of $33,358 for the cost of removal of retired utility plant, and an increase of $43,444 for salvage value of depreciable utility plant.

Note 5 - Utility plant - continued:

Utility plant at March 31, 2012 and 2011 and changes during 2012 consist of the following:

	Balance March 31, 2011	Additions	Reductions	Balance March 30, 2012
Utility plant not being depreciated:				
Land and improvements	$ 307,327	$ -	$ -	$ 307,327
Construction in progress	570,435	557,932	(896,902)	231,465
	877,762	557,932	(896,902)	538,792
Other utility plant being depreciated:				
Distribution plant	39,165,112	1,049,330	(11,173)	40,203,269
General plant	7,385,120	393,624	(336,200)	7,442,544
Propane plant	2,957,229	173,158	(165,913)	2,964,474
	49,507,461	1,616,112	(513,286)	50,610,287
Less accumulated depreciation:				
Distribution plant	(11,369,687)	(852,830)	11,173	(12,211,344)
General plant	(3,143,480)	(352,245)	336,200	(3,159,525)
Propane plant	(1,943,180)	(282,541)	165,913	(2,059,808)
	(16,456,347)	(1,487,616)	513,286	(17,430,677)
Utility plant, net	$ 33,928,876	$ 686,428	$ (896,902)	$ 33,718,402

For the year ended March 31, 2012, increases to accumulated depreciation totaled $1,487,616. This amount includes depreciation expense of $1,363,969, a decrease of $31,318 for the cost of removal of retired utility plant, and an increase of $154,965 for salvage value of depreciable utility plant.

Note 6 - Long-term debt:

Long-term debt at March 31, 2013 and 2012 consists of the following:

	2013	2012
Gas System Revenue Refunding and Improvement Bonds, Series 2010, net of unamortized premium and refunding costs of $109,822 for 2013 and $140,848 for 2012.	$ 12,074,822	$ 13,135,848
Less current maturities, net of current portion of unamortized premium and refunding costs of $20,267 for 2013 and $22,182 for 2012.	(1,035,267)	(1,052,182)
	$ 11,039,555	$ 12,083,666

In February 2010, the Authority issued $15,000,000 in Gas System Revenue Refunding and Improvement Bonds, Series 2010 to refund the $10,485,000 outstanding Series 1998A bonds, to finance construction of extensions and improvements to the natural gas system, and to pay the costs of issuing the bonds. The Series 1998A bonds were called for redemption on February 12, 2010, and were redeemed at a redemption price of 100% of their principal amount plus accrued interest.

As a result of the advanced refunding, the Authority reduced its total debt service requirements by approximately $815,000, which resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately $599,000.

The Series 2010 bonds are issued as fully registered bonds, without coupons, and are payable solely from and secured by a pledge of the net revenues of the gas system of the Authority. The payment of principal and interest on the Series 2010 bonds is guaranteed by an insurance policy issued by Assured Guaranty Corporation. The Series 2010 bonds carry fixed interest rates ranging from 3.0% to 4.0% and mature between January 1, 2011 and January 1, 2023. Interest is payable semi-annually on January 1 and July 1. Series 2010 bonds maturing on January 1, 2021, and thereafter, are subject to redemption prior to maturity at the option of the Authority, on or after January 1, 2020, 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 6 - Long-term debt - continued:

In accordance with the bond resolution authorizing the issuance of the Series 2010 bonds, the Authority is required to maintain a Construction Fund and Debt Service Fund to be kept separate and apart from all other funds of the Authority. Monies in the Construction Fund are to be used solely to pay, or reimburse the Authority, for the cost of certain construction projects as defined in the Series 2010 bond resolution. Monthly cash transfers are to be made to the Debt Service Fund to have sufficient cash to pay the interest due on the next succeeding interest payment date and the principal due on the next succeeding principal payment date. The Construction Fund and the Debt Service Fund are restricted for specific purposes and, therefore, are presented as restricted assets in the balance sheet.

The bond resolution authorizing the issuance of the Series 2010 bonds also provides for a Debt Service Reserve Fund. The Authority is authorized to obtain a financial guaranty insurance policy from an insurer in lieu of funding the Debt Service Reserve Fund requirement, which the Authority has elected to do. Finally, the bond resolution also requires the Authority to establish rates to its customers in order to maintain a debt service coverage ratio of not less than 1.2 to 1.

Principal and interest payments to be made on the long-term debt discussed above at March 31, 2013, for each of the next five years and thereafter are as follows:

Year Ending March 31,	Principal	Interest	Total
2014	$ 1,015,000	$ 452,550	$ 1,467,550
2015	1,050,000	422,100	1,472,100
2016	1,080,000	390,600	1,470,600
2017	1,115,000	352,800	1,467,800
2018	1,160,000	308,200	1,468,200
2019-2023	6,545,000	806,000	7,351,000
	$ 11,965,000	$ 2,732,250	$ 14,697,250

Note 7 - Compensated absences:

Employees of the Authority earn vacation leave, which may either be taken or accumulated until paid upon termination or retirement. Vacation leave may be accumulated up to a maximum of 60 days. Unused sick leave may be accumulated to a maximum of 120 days and is paid upon retirement to employees who meet the Authority's eligibility requirements to retire (age 55 and at least 5 years of full time service). In accordance with generally accepted

Note 7 - Compensated absences - continued:

accounting principles, an accrual for compensated absences is reflected in the accompanying financial statements. Accrued compensated absences also include other payroll related accruals. Accrued compensated absences total $892,364 at March 31, 2013 and $826,891 at March 31, 2012. The portion estimated to be paid within the next twelve months is included in current liabilities.

Note 8 - Changes in long-term liabilities:

Long-term liability activity for the years ended March 31, 2013 and 2012 is as follows:

	Gas System Revenue Bonds	Unamortized Premium and Refunding Costs	Compensated Absences	Refund to Customers	Total Long-Term Liabilities
Balance, March 31, 2011	$ 13,990,000	$ 168,516	$ 735,517	$ -	$ 14,894,033
Additions	-	-	376,456	-	376,456
Reductions	(995,000)	(27,668)	(285,082)	-	(1,307,750)
Balance, March 31, 2012	12,995,000	140,848	826,891	-	13,962,739
Additions	-	-	385,354	2,093,935	2,479,289
Reductions	(1,030,000)	(31,026)	(319,881)	-	(1,380,907)
Balance, March 31, 2013	$ 11,965,000	$ 109,822	$ 892,364	$ 2,093,935	$ 15,061,121
Amounts due within one year at March 31, 2013	$ 1,015,000	$ 20,267	$ 319,881	$ 200,449	$ 1,555,597

Note 9 - Jointly governed organization:

In 1998 the Authority became an associated municipality of TEAC. TEAC is a nonprofit corporation and is deemed a public agency within the meaning of the Tennessee Interlocal Cooperation Act, Title 12, Chapter 9, Tennessee Code Annotated, as amended. TEAC 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. TEAC is governed by an eleven-member board of directors. The General Manager of the Authority serves on the TEAC Board of Directors, and his term expires in 2018.

Note 9 - Jointly governed organization - continued:

The Authority has entered into a natural gas supply acquisition contract and management agreement related to firm transportation, storage and load management with TEAC for a period of thirty-two months, effective for natural gas delivery beginning August 1, 2008. This agreement shall remain in full force and effect for the primary term ending March 31, 2011, and from year to year after that unless either party gives written notice of termination to take effect at the end of the term by no later than one year before the expiration of the term. The Authority is extending the contract on a year to year basis, currently through March 31, 2014. Under the terms of this agreement, TEAC has agreed to provide, and the Authority has agreed to purchase from TEAC, all quantities of gas required by the Authority. The Authority has also entered into a natural gas supply agreement with TEAC to acquire certain quantities of natural gas beginning August 1, 2008 and extending to September 1, 2026. The Authority incurred costs to TEAC for the purchase and management of its natural gas supply of $9,547,941 (net of refunds totaling $385,968) for 2013 and $11,382,146 (net of refunds totaling $385,968) for 2012. Amounts due to TEAC for the purchase of natural gas included in accounts payable is $1,193,323 at March 31, 2013 and $687,646 at March 31, 2012.

In January 2013, the Authority amended the natural gas supply agreement with TEAC by reducing the required natural gas delivery quantities by 8,145,277 dekatherms over the agreement period for an upfront payment of $2,093,935 for the present value of the monthly savings associated with its reduced quantities. In March 2013, the Board approved its intent to refund the upfront payment of $2,093,935 to its customers through the PGA mechanism over the twelve-year period beginning April 1, 2013 with an amount of $200,449 to be refunded to customers during the fiscal year ending March 31, 2014. The remaining balance of $1,893,486 is presented as a long-term liability in the balance sheet.

Note 10 - Retirement plan:

Plan description

Effective October 1, 2009, the Authority began participation in the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). All of the Authority's existing full-time employees were enrolled in the TCRS plan. The Authority does not provide retirement benefits to part-time employees. The Authority assumed the employer and employee's liability for all years of prior service for each participant in the plan and chose to exclude cost-of-living increases to retiree benefits. TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high

Note 10 - Retirement plan - continued:

Plan description - continued

five-year average salary and years of service. Members become eligible to retire at the age of sixty (60) with five years of service or at any age with thirty years of service. A reduced retirement benefit is available to vested members at the age of fifty-five (55). Disability benefits are available to active members with five (5) years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Benefit provisions are established in state statutes found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Authority participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, Tenth Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at http://www.treasury.state.tn.us/tcrs/PS/.

Funding policy

The Authority requires employees to contribute 5.00% of their earnable compensation. The Authority is required to contribute at an actuarially determined rate; the rate for the plan years ending June 30, 2012 and 2011, was 11.57% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Authority is established and may be amended by the TCRS Board of Trustees.

For the plan years ended June 30, 2012 and 2011, the Authority's annual pension cost of $380,339 and $376,200, respectively, was equal to the Authority's required and actual contributions to TCRS. The required contribution for 2012 was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include; (a) rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected 3% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), and (d) projected 3.5% annual increase in the Social Security wage base. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The Authority's unfunded actuarial

Note 10 - Retirement plan - continued:

Funding policy - continued

accrued liability is being amortized as a level-dollar amount on a closed basis. The remaining amortization period at July 1, 2009, was zero years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend information

Plan Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	$ 380,339	100.0%	-
2011	376,200	100.0%	-
2010	2,348,530	100.0%	-

Funded status and funding progress

The schedule of funding progress, presented below, presents multi-year trend information showing whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. Since the Authority's participation in the TCRS plan, effective October 1, 2009, there is only one actuarial valuation performed.

The following is a schedule of funding progress for the Authority:

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2011	$ 4,016,000	$ 7,022,000	$ 3,006,000	57.19%	$ 3,154,000	95.31%

Note 11 - Concentration relating to major customer:

One customer of the Authority accounted for approximately $4,289,000 of natural gas sales revenue for 2013 and $5,270,000 for 2012. The amount due from this customer included in accounts receivable is $344,390 at March 31, 2013 and $322,310 at March 31, 2012. The Authority has obtained a utility payment bond covering amounts due from this customer up to

Note 11 - Concentration relating to major customer - continued:

$1,500,000. The bond may be terminated by the surety at any time by giving thirty days prior written notice to the Authority and no such termination would relieve the surety of the liability of payment to the Authority for services rendered prior to the effective date of such termination.

Note 12 - Risk management:

The Authority 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 Authority obtains commercial insurance to cover general liability claims, errors or omissions liability, auto liability, workers' compensation claims, and property damage. The Authority is covered by the Tennessee Governmental Tort Liability Act (the Act), which generally limits the Authority's liability for death, bodily injury and property damage claims to the amount of the Authority's insurance coverage for such claims since such coverage exceeds the maximum amounts required by the Act. The Authority's workers' compensation coverage is retrospectively rated, whereby premiums are accrued based on the ultimate cost of the experience of the Authority. Claims arising are paid by the insurer. There have been no significant reductions in insurance coverage in 2013 from the coverage in 2012, and settled claims have not exceeded insurance coverage in any of the past three fiscal years.

Effective December 25, 2008, the Authority adopted the Health Reimbursement Arrangement Plan (the Plan), an employer-provided medical reimbursement plan as defined in the Employee Retirement Income Security Act of 1974, as amended. The purpose of the Plan is to reimburse participants up to a certain dollar amount, for their own and their covered dependents' eligible medical expenses. The Authority is the Plan fiduciary, the Plan sponsor and the Plan administrator.

Any eligible employee and their dependents, who are enrolled in the Authority's high deductible health plan, are eligible to participate in the Plan. When the eligible employee becomes a Plan participant, a Health Reimbursement Arrangement (the HRA) account will be established for the participant to keep a record of the amounts available for reimbursement of eligible medical expenses incurred by the participant and qualified dependents during the period of coverage. There are no employee contributions for the benefits under the Plan.

The employer will fund the entire amount of the HRA account. The HRA account will merely be a record-keeping account for the purpose of determining contributions and available reimbursement amounts. Benefits must first be reimbursed from any health insurance plan before any benefits are payable from the Plan. If any balance remains in the participant's HRA account for a period of coverage after all reimbursements have been made for the same period, Note 12 - Risk management - continued:

such balance shall remain the property of the employer. A participant will cease to be a participant as of the earliest of; (a) the date on which the Plan terminates or, (b) the date on which the employee ceases to be an eligible employee. If a participant terminates employment with the Authority, the participant may still participate in the Plan if the participant elects COBRA continuation coverage. Any eligible medical expenses incurred prior to the participant termination date are reimbursable, up to the participant maximum HRA amount.

The maximum annual benefit allowed for employee-only coverage is $5,950 eligible medical care expenses applicable to the calendar year deductible amount, and for employees with qualified dependents coverage is $11,900 eligible medical care expenses applicable to the calendar year deductible amount. The employee is responsible for the first $1,550 annual eligible medical care expense per covered family member (maximum of two), and the HRA account will reimburse the next $5,950 of eligible deductible amounts per covered family member (maximum of two).

Changes in the Authority's claims liability amount related to the HRA plan for the last three fiscal years are as follows:

Year Ended March 31,	Liability Beginning of Year	Incurred Claims	Claims Payments	Liability End of Year
2013	$ 30,000	$ 254,362	$ 254,362	$ 30,000
2012	30,000	156,711	156,711	30,000
2011	80,000	105,840	155,840	30,000

Note 13 - Postemployment benefits other than pensions:

Plan description

The Authority administers a single-employer defined benefit postemployment medical plan (the Plan). The plan provides postemployment medical coverage (health and dental insurance premiums and reimbursements under the HRA plan described in the Note 12) to all employees, employed by the Authority as of August 4, 2011, who retire with at least 10 years (15 years of service for employees hired after August 4, 2011) of full time service and are not less than age 62 or greater than age 65. The plan also provides for medical reimbursements under the HRA plan to the qualifying dependent until retiree attains 65 years of age. The retiree will have to pay all of qualifying dependent medical premiums until the dependent attains 65 years of age. The number of participants at April 1, 2012 totals 58 active employees and one retiree meeting the eligibility requirements.

Note 13 - Postemployment benefits other than pensions - continued:

Funding policy

The Authority currently will pay for postemployment medical benefits on a pay-as-you-go basis. During 2013 and 2012, the Authority paid $16,300 and $8,700 for postemployment medical benefits.

Annual OPEB cost and net OPEB obligation

The Authority's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The Authority has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employees in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over the average remaining working lives of the employees.

The following table shows the components of the Authority's annual OPEB cost, the amount contributed to the plan, and changes in the Authority's net OPEB obligation for 2013 and 2012:

	2013	2012
Annual required contribution (ARC)	$ 50,145	$ 29,741
Interest on net OPEB obligation	3,647	3,049
Adjustments to annual required contribution	(8,188)	(7,002)
Annual OPEB cost	45,604	25,788
Contributions made	(16,300)	(8,700)
Increase in net OPEB obligation	29,304	17,088
Net OPEB obligation, beginning of the year	104,203	87,115
Net OPEB obligation, end of the year	$ 133,507	$ 104,203

Note 13 - Postemployment benefits other than pensions - continued:

Annual OPEB cost and net OPEB obligation - continued

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013, 2012 and 2011 is as follows:

Year Ended March 31,	Annual OPEB Cost (APC)	Actual Employer Contribution	Percent of APC Contributed	Net Ending OPEB Obligation
2013	$ 45,604	$ 16,300	36 %	$ 133,507
2012	$ 25,778	$ 8,700	34 %	$ 104,203
2011	$ 24,995	$ -	- %	$ 87,115

Funded status and funding progress

As of April 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $401,110, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $2,997,376 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 13.4%.

The projection of future benefits payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and as new estimates are made about the future. The schedule of funding progress, presented below, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

Note 13 - Postemployment benefits other than pensions - continued:

Methods and assumptions - continued

OPEB liabilities were computed using a simplified version of the entry age actuarial cost method. Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 64. Non-group-specific age-based turnover data from GASB Statement No. 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid. The expected rate of increase in healthcare costs was based on projections of the Office of the Actuary at the Centers for Medicare and Medicaid Services. A rate of 6.7% initially, reduced to an ultimate rate of 5.6% after two years, was used. The health care costs at April 1, 2012 were used as the basis for calculation of the present value of total benefits to be paid. Based on the historical and expected returns of the Authority's investments, a discount rate of 3.5% was used. The expected long-term payroll growth rate was assumed to be 3.5%.

The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll on an open basis over the average remaining life expectancy of all participants or thirty years, whichever is shorter. The remaining amortization period at April 1, 2012, is 17.14 years.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
April 1, 2012	$ -	$ 401,110	$ 401,110	- %	$ 2,997,376	13.4 %
April 1, 2011	-	234,673	234,673	- %	2,873,603	8.2 %
April 1, 2010	-	215,085	215,085	- %	2,816,507	7.6 %

Note 14 - Operating leases:

The Authority leases construction and office equipment under operating leases expiring from June 2014 through November 2015. Rent expense in connection with these leases amounted to $34,182 in 2013 and $128,708 in 2012.

Note 14 - Operating leases - continued:

Minimum future rental payments under the non-cancelable operating leases as of March 31, 2013 are as follows:

Year ending March 31,	
2014	$ 34,182
2015	12,420
2016	3,444
	$ 50,046

Note 15 - Commitments:

The Authority enters into forward contracts to purchase natural gas and propane at specified times in the future at fixed prices. Obligations to purchase the commodities are not recognized in the Authority's financial statements until the commodities are delivered. The Authority enters into these contracts to help plan its natural gas and propane costs for the year and to protect itself against an increase in the market price of the commodities. It is possible that the market price before or at the specified time to purchase these commodities may be lower than the price at which the Authority is committed to buy. The Authority may also be exposed to the failure of the counterparties to fulfill the contracts. In any event, all costs incurred by the Authority in procuring natural gas are included in the Authority's purchased gas adjustment mechanism in its rate schedules for its natural gas customers.

The Authority is obligated under pipeline contracts for transportation and storage through October 2014. These transportation and storage contracts automatically extend for successive five-year terms unless the Authority provides written notice of cancellation at least one year in advance of the contract expiration dates.

Following is a schedule of firm commitments under these contracts at March 31, 2013:

Year Ending March 31,	Transportation	Storage	Total
2014	$ 1,811,769	$ 208,665	$ 2,020,434
2015	1,056,865	121,721	1,178,586
	$ 2,868,634	$ 330,386	$ 3,199,020

SUPPLEMENTAL INFORMATION

GREATER DICKSON GAS AUTHORITY

Schedule of Expenditures of Federal Awards and State Financial Assistance

For the Year Ended March 31, 2013

Grantor	CFDA No.	Pass Through Entity	State Contract No.	Federal/State	Beginning Balance	Cash Receipts	Expenditures	Ending Balance
U.S. Department of Homeland Security:								
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Tennessee Emergency Management Agency	34101-0000005967	Federal	$ (12,029)	$ -	$ 12,029	$ -
				Total Federal Awards	$ (12,029)	$ -	$ 12,029	$ -

Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of the Greater Dickson Gas Authority under programs of the federal and state governments for the year ended March 31, 2013. The schedule is presented using the full accrual basis of accounting.

See independent auditors' report on supplemental information.

GREATER DICKSON GAS AUTHORITY

Schedule of Long-Term Debt Principal and Interest Requirements

Year Ended March 31, 2013

Year Ending March 31,	Principal Requirement	Interest Requirement	Total Requirement
2014	$ 1,015,000	$ 452,550	$ 1,467,550
2015	1,050,000	422,100	1,472,100
2016	1,080,000	390,600	1,470,600
2017	1,115,000	352,800	1,467,800
2018	1,160,000	308,200	1,468,200
2019	1,210,000	261,800	1,471,800
2020	1,255,000	213,400	1,468,400
2021	1,305,000	163,200	1,468,200
2022	1,360,000	111,000	1,471,000
2023	1,415,000	56,600	1,471,600
	$ 11,965,000	$ 2,732,250	$ 14,697,250

See independent auditors' report.

GREATER DICKSON GAS AUTHORITY

Combining Statement of Operating Income by Segment - March 31, 2013

	Natural Gas	Propane	Appliances	Total
Operating Revenues:				
Sale of gas				
Residential	$ 7,925,058	$ 1,572,204	$ -	$ 9,497,262
Commercial sales	3,161,846	65,112	-	3,226,958
Small commercial and industrial - firm	1,140,025	78,014	-	1,218,039
Large commercial and industrial - interruptible	5,847,071	-	-	5,847,071
Sale of appliances				
Natural gas	-	-	661,706	661,706
Propane	-	-	92,727	92,727
Other operating revenue	313,133	114,828	-	427,961
Uncollectible accounts	5,200	(4,159)	-	1,041
Total operating revenues	18,392,333	1,825,999	754,433	20,972,765
Operating Expenses:				
Cost of sales				
Gas	10,266,421	815,662	-	11,082,083
Appliances - natural gas	-	-	379,437	379,437
Appliances - propane	-	-	34,479	34,479
Transmission and distribution	1,913,053	390,332	232,574	2,535,959
Customer accounting and collection	950,427	68,660	-	1,019,087
Sales promotion	89,218	3,299	-	92,517
Administration and general	1,895,310	179,946	94,304	2,169,560
Depreciation	1,209,236	167,595	-	1,376,831
Taxes and tax equivalents	641,130	-	-	641,130
Total operating expenses	16,964,795	1,625,494	740,794	19,331,083
Operating Income	$ 1,427,538	$ 200,505	$ 13,639	$ 1,641,682

See independent auditors' report.

GREATER DICKSON GAS AUTHORITY

Combining Statement of Operating Income (Loss) by Segment - March 31, 2012

	Natural Gas	Propane	Appliances	Total
Operating Revenues:				
Sale of gas				
Residential	$ 6,553,610	$ 1,699,094	$ -	$ 8,252,704
Commercial sales	3,211,916	55,053	-	3,266,969
Small commercial and industrial - firm	1,290,859	34,898	-	1,325,757
Large commercial and industrial - interruptible	7,110,124	-	-	7,110,124
Sale of appliances				
Natural gas	-	-	533,362	533,362
Propane	-	-	91,251	91,251
Other operating revenue	313,077	121,127	-	434,204
Uncollectible accounts	46,974	(5,087)	-	41,887
Total operating revenues	18,526,560	1,905,085	624,613	21,056,258
Operating Expenses:				
Cost of sales				
Gas	11,468,489	1,164,567	-	12,633,056
Appliances - natural gas	-	-	331,201	331,201
Appliances - propane	-	-	32,477	32,477
Transmission and distribution	1,898,753	575,220	235,805	2,709,778
Customer accounting and collection	885,291	60,348	-	945,639
Sales promotion	83,227	5,046	-	88,273
Administration and general	2,050,062	45,860	97,960	2,193,882
Depreciation	1,196,689	167,280	-	1,363,969
Taxes and tax equivalents	644,785	-	-	644,785
Total operating expenses	18,227,296	2,018,321	697,443	20,943,060
Operating Income (Loss)	$ 299,264	$ (113,236)	$ (72,830)	$ 113,198

See independent auditors' report.

GREATER DICKSON GAS AUTHORITY

Schedules of Other Operating Revenues

	2013			
	Natural Gas	Propane	Appliances	Total
Transportation of gas for others	$ 117,566	$ -	$ -	$ 117,566
Forfeited discounts	133,642	-	-	133,642
Miscellaneous service revenues	55,623	-	-	55,623
Other gas revenues	6,302	-	-	6,302
Tank rental	-	107,868	-	107,868
Penalties	-	6,960	-	6,960
Total other operating revenues	$ 313,133	$ 114,828	$ -	$ 427,961

	2012			
	Natural Gas	Propane	Appliances	Total
Transportation of gas for others	$ 93,275	$ -	$ -	$ 93,275
Forfeited discounts	155,027	-	-	155,027
Miscellaneous service revenues	57,837	-	-	57,837
Other gas revenues	6,938	-	-	6,938
Tank rental	-	113,028	-	113,028
Penalties	-	8,099	-	8,099
Total other operating revenues	$ 313,077	$ 121,127	$ -	$ 434,204

See independent auditors' report.

GREATER DICKSON GAS AUTHORITY

Schedules of Transmission and Distribution Expenses

	2013			
	Natural Gas	Propane	Appliances	Total
Supervision and engineering	$ 352,627	$ -	$ -	$ 352,627
Operation of mains	447,532	-	-	447,532
Operation of meters and regulators	105,597	-	-	105,597
Services on customers' premises	699,703	42,376	-	742,079
Operation of propane cylinders	-	8,752	-	8,752
Installation of appliances	-	-	232,574	232,574
Tools and equipment	-	16	-	16
Maintenance of mains	191,925	-	-	191,925
Maintenance of services	74,422	54,011	-	128,433
Maintenance of meters and regulators	23,040	109	-	23,149
Maintenance of tools and equipment	16,227	-	-	16,227
Delivery of propane	-	278,192	-	278,192
Maintenance of bulk tanks	-	530	-	530
Rentals	1,980	6,346	-	8,326
Total transmission and distribution expenses	$ 1,913,053	$ 390,332	$ 232,574	$ 2,535,959

	2012			
	Natural Gas	Propane	Appliances	Total
Supervision and engineering	$ 337,266	$ 131,838	$ -	$ 469,104
Operation of mains	402,359	-	-	402,359
Operation of meters and regulators	99,241	-	-	99,241
Services on customers' premises	674,248	46,093	-	720,341
Operation of propane cylinders	-	32,466	-	32,466
Installation of appliances	-	-	235,805	235,805
Tools and equipment	-	345	-	345
Maintenance of mains	285,858	-	-	285,858
Maintenance of services	57,843	33,851	-	91,694
Maintenance of meters and regulators	15,605	-	-	15,605
Maintenance of tools and equipment	25,465	11,232	-	36,697
Delivery of propane	-	301,800	-	301,800
Maintenance of bulk tanks	-	10,549	-	10,549
Rentals	868	7,046	-	7,914
Total transmission and distribution expenses	$ 1,898,753	$ 575,220	$ 235,805	$ 2,709,778

See independent auditors' report.

GREATER DICKSON GAS AUTHORITY

Schedules of Customer Accounting and Collection Expenses

	2013			
	Natural Gas	Propane	Appliances	Total
Meter reading and accounting	$ 221,280	$ 1,712	$ -	$ 222,992
Customer billing and accounting	729,147	66,948	-	796,095
Total customer accounting and collection expenses	$ 950,427	$ 68,660	$ -	$ 1,019,087

	2012			
	Natural Gas	Propane	Appliances	Total
Meter reading and accounting	$ 234,811	$ 3,155	$ -	$ 237,966
Customer billing and accounting	650,480	57,193	-	707,673
Total customer accounting and collection expenses	$ 885,291	$ 60,348	$ -	$ 945,639

See independent auditors' report.

GREATER DICKSON GAS AUTHORITY

Schedule of Administrative and General Expenses

	2013			
	Natural Gas	Propane	Appliances	Total
Salaries, wages and benefits	$ 1,045,843	$ 145,988	$ 94,304	$ 1,286,135
Office supplies	24,242	-	-	24,242
Outside services	165,574	2,013	-	167,587
Insurance	240,873	23,206	-	264,079
Amortization of bond issuance costs	32,943	-	-	32,943
Maintenance of general property	84,338	-	-	84,338
Operation of building	89,859	-	-	89,859
OPEB and other employee benefits	121,040	-	-	121,040
Stores expense	21,942	-	-	21,942
Miscellaneous general expense	68,656	7,489	-	76,145
Educational training	-	1,250	-	1,250
Total administrative and general expenses	$ 1,895,310	$ 179,946	$ 94,304	$ 2,169,560

	2012			
	Natural Gas	Propane	Appliances	Total
Salaries, wages and benefits	$ 967,812	$ 8,798	$ 97,960	$ 1,074,570
Office supplies	22,310	-	-	22,310
Outside services	214,221	1,836	-	216,057
Insurance	297,018	26,828	-	323,846
Amortization of bond issuance costs	32,943	-	-	32,943
Maintenance of general property	122,162	40	-	122,202
Operation of building	99,940	-	-	99,940
OPEB and other employee benefits	128,139	-	-	128,139
Stores expense	99,176	-	-	99,176
Miscellaneous general expense	66,341	7,759	-	74,100
Educational training	-	599	-	599
Total administrative and general expenses	$ 2,050,062	$ 45,860	$ 97,960	$ 2,193,882

See independent auditors' report.

GREATER DICKSON GAS AUTHORITY

Schedule of Insurance (Unaudited)

March 31, 2013

Policy type		Policy Coverage	Expiration
Directors', Officers' and Employment practices liability	$	1,000,000	7/13/15
Commercial umbrella liability		5,000,000	7/13/13
Commercial automobile		1,000,000	7/13/13
Workers compensation			7/13/13
Bodily injury by accident, each accident		1,000,000	
Bodily injury by disease, per employee and policy limit		1,000,000	
Commercial property			7/13/14
Building property and business personal property		8,839,871	
Income coverage		250,000	
Law or ordinance		50,000	
Earthquake coverage		5,000,000	
Flood		1,000,000	
Commercial Inland Marine			7/13/14
Contractor's equipment (leased)		1,534,276	
Accounts receivable		100,000	
Valuable papers		100,000	
Commercial general liability			7/13/13
General aggregate limit		10,000,000	
General / products completed aggregate limit		2,000,000	
Medical payments, any one person		10,000	
Damage to rented premises		1,000,000	
Each occurrence		1,000,000	
Personal and advertising injury limit		1,000,000	
General aggregate limit, per project, per location		2,000,000	
Commercial crime			7/13/14
Forgery and alteration, disappearance and destruction		100,000	
Employee dishonesty		250,000	
Notary errors and omissions		10,000	10/22/13
Business credit insurance policy		450,000	12/31/13

See independent auditors' report.

GREATER DICKSON GAS AUTHORITY

Schedules of Natural Gas Rates and Number of Customers (Unaudited)

March 31, 2013

Class 22 and 35 residential and small commercial:			
Customer charge	$	6.00	
Cost per therm	$	0.5600	per therm
Class 23 and 36 residential and small commercial - Cheatham Co.:			
Customer charge	$	6.00	
Cost per therm	$	0.5950	per therm
Class 50, 52, 60, 70, and 75 large commercial and industrial:			
Customer charge	$	200.00	
Demand charge (none for class 75)	$	0.3980	per therm
Firm gas (class 50 and 52)	$	0.1430	per therm plus gas cost
Transport gas (class 70 and 75 per therm), firm gas (class 60) and interruptible gas (class 50 and 52):			
0 to 15,000 therms transported	$	0.1430	per therm plus gas cost
15,001 to 40,000 therms transported	$	0.1092	per therm plus gas cost
40,001 to 90,000 therms transported	$	0.0822	per therm plus gas cost
90,001 to 195,000 therms transported	$	0.0558	per therm plus gas cost
195,001 to 350,000 therms transported	$	0.0362	per therm plus gas cost
350,001 to 750,000 therms transported	$	0.0230	per therm plus gas cost
Over 750,000 therms transported	$	0.0165	per therm plus gas cost
Unauthorized overrun charge (class 50 and 52)	$	1.71	per therm plus gas cost
Class 51, 53, and 61 large commercial and industrial - Cheatham Co.:			
Customer charge	$	200.00	
Demand charge	$	0.4330	per therm
Firm gas (class 51 and 53)	$	0.1780	per therm plus gas cost
Interruptible gas (class 51 and 53) and firm gas (class 61):			
0 to 15,000 therms transported	$	0.1780	per therm plus gas cost
15,001 to 40,000 therms transported	$	0.1442	per therm plus gas cost
40,001 to 90,000 therms transported	$	0.1172	per therm plus gas cost
90,001 to 195,000 therms transported	$	0.0908	per therm plus gas cost
195,001 to 350,000 therms transported	$	0.0712	per therm plus gas cost
350,001 to 750,000 therms transported	$	0.0580	per therm plus gas cost
Over 750,000 therms transported	$	0.0515	per therm plus gas cost
Unauthorized overrun charge (class 51 and 53)	$	1.745	per therm plus gas cost
Class 30 industrial transportation			Available on request

See independent auditors' report.

Class 55, 57, 65, 71, and 76 large commercial and industrial:			
Customer charge	$	200.00	
Demand charge (none for class 76)	$	0.2162	per therm
Transport gas (class 71 and 76 per therm)			
Interruptible gas (class 55 and 57) and Firm gas (class 65):			
0 to 15,000 therms transported	$	0.1404	per therm plus gas cost
15,001 to 40,000 therms transported	$	0.1011	per therm plus gas cost
40,001 to 90,000 therms transported	$	0.0682	per therm plus gas cost
90,001 to 195,000 therms transported	$	0.0418	per therm plus gas cost
195,001 to 350,000 therms transported	$	0.0223	per therm plus gas cost
350,001 to 750,000 therms transported	$	0.0090	per therm plus gas cost
Over 750,000 therms transported	$	0.0223	per therm plus gas cost
Unauthorized overrun charge (class 55 and 57)	$	1.71	per therm plus gas cost
Class 56, 58, and 66 large commercial and industrial - Cheatham Co.:			
Customer charge	$	200.00	
Demand charge	$	0.2512	per therm
Firm gas (class 56 and 58)	$	0.1754	per therm plus gas cost
Interruptible gas (class 56 and 58) and firm gas (class 66):			
0 to 15,000 therms transported	$	0.1754	per therm plus gas cost
15,001 to 40,000 therms transported	$	0.1361	per therm plus gas cost
40,001 to 90,000 therms transported	$	0.1032	per therm plus gas cost
90,001 to 195,000 therms transported	$	0.0768	per therm plus gas cost
195,001 to 350,000 therms transported	$	0.0573	per therm plus gas cost
350,001 to 750,000 therms transported	$	0.0440	per therm plus gas cost
Over 750,000 therms transported	$	0.0375	per therm plus gas cost
Unauthorized overrun charge (class 56 and 58 only)	$	1.745	per therm plus gas cost

Rate classes 22, 23, 35, 36, 50, 51, 55, 56, 60, 61, 65, and 66 contain a purchased gas adjustment provision which adjusts the gas rates of the Authority on a monthly basis to reflect variations in the Authority's cost of purchased gas. Rates under rate classes 52, 53, 57, and 58 are adjusted each month to a first of the month index plus transportation and fuel retainage. Rates under rate class 70, 71, 75, and 76 do not participate in the PGA mechanism.

The number of natural gas customers at March 31, 2013 and 2012 is as follows:

	2013	2012
Number of customers:		
Residential	12,354	12,296
Commercial	1,692	1,680
Industrial and interruptible	16	16
Transportation only	1	1
	14,063	13,993

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Greater Dickson Gas Authority
Dickson, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard,* issued by the Comptroller General of the United States, the financial statements of Greater Dickson Gas Authority (the Authority) as of and for the year ended March 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated July 22, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 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 limitation, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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 determination of financial statement amounts. 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.

Frazier & Deeter, LLC

July 22, 2013