



The Southeast Alabama Gas District

FINANCIAL STATEMENTS

September 30, 2024 and 2023



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INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of The Southeast Alabama Gas District ("Southeast Gas") as of and for the years ended September 30, 2024 and 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southeast Gas, as of September 30, 2024 and 2023, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Southeast Gas, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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; 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 Southeast Gas's ability to continue as a going concern for twelve months after the date that the financial statements are available to be issued, 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 error or fraud, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 the purpose of expressing an opinion on the effectiveness of Southeast Gas'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 Southeast Gas'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 on pages 4 – 8 and the schedules of changes in net pension liability and related ratios and contributions for the Southeast Alabama Gas District Retirement Income Plan and the schedule of changes in net OPEB liability and related ratios for the Southeast Alabama Gas District Premium Supplement Plan on pages 42 – 44 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board,

who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

January 28, 2025

Management's Discussion and Analysis

Corporate Structure — The Southeast Alabama Gas District (“Southeast Gas”) is a public corporation created on January 29, 1952, under Act No. 762 (the “Act”), General Laws of Alabama by 14 towns in southeast Alabama. It was established to provide natural gas service to domestic, commercial, and industrial customers located in 36 communities in the southeast portion of the state. Southeast Gas owns and operates 576 miles of transmission lines as well as 1,893 miles of distribution lines. Attached to those lines are approximately 33,000 customers located in 19 counties in southeast Alabama.

Member and Franchise Towns — The 14 towns that formed Southeast Gas are known as member towns and are entitled to all distributable income that is earned by Southeast Gas. Any portion that is earned but not distributed is carried forward to future years for distribution at the discretion of the Board of Directors. The other 22 towns are franchise towns and are only entitled to a fee of 1½% to 3% of the gross sales of gas in those towns.

Authority — The Act provides that Southeast Gas will establish rates and charges to produce revenues sufficient to cover its costs, including debt service. Since the Board of Directors is composed of elected and appointed representatives from each member town, it serves as the rate making regulatory body, which oversees Southeast Gas. The Act exempts Southeast Gas from all taxes and allows the issuance of tax-exempt bonds and other obligations to finance the activities of Southeast Gas.

Proprietary Funds — Southeast Gas operates only one type of proprietary fund, the enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities.

Gas Supplies — Southeast Gas receives gas from external supply agreements. Southeast Gas has entered into several long-term supply arrangements from which Southeast Gas is expected to receive a firm supply of discounted gas during their 30 year terms. Under these pay-as-you-go arrangements, Southeast Gas has committed to buy specified volumes of gas at prevailing market prices less a discount when, and if, gas is delivered. Southeast Gas also has contracts in place to purchase gas from local natural gas producers residing in Southeast Gas’s service territory. This gas amounts to approximately 2,300 MMBtu per day with an expected well life of five to seven years.

Notes to the Financial Statements — The notes provide additional information that is essential to understanding the data provided in the financial statements.

Overview of the Financial Statements — This discussion and analysis is intended to serve as an introduction to Southeast Gas’s basic financial statements. These financial statements are designed to provide readers with an overview of Southeast Gas’s finances, in a manner similar to private sector businesses.

The statements of net position present information on all of Southeast Gas’s assets, liabilities and deferred inflows and outflows of resources with the difference between the two reported as net position. Current assets include significant cash reserves that are required by Southeast Gas’s Certificate of Incorporation and various bond indentures with current liabilities consisting primarily of gas purchases and distributions payable to members.

Management's Discussion and Analysis

The statements of revenues, expenses, and changes in net position present information showing how Southeast Gas's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., customer receivables and accrued retirement benefits).

Condensed Financial Statements

The following table reflects the condensed statements of net position and is compared to the previous two years.

<i>September 30,</i>	2024	<i>Change</i>	2023	<i>Change</i>	2022
Assets					
Current and other assets	\$ 43,608,213	\$ (4,624,553)	\$ 48,232,766	\$ (2,066,505)	\$ 50,299,271
Capital assets, net	106,437,862	10,096,377	96,341,485	9,978,197	86,363,288
Total assets	150,046,075	5,471,824	144,574,251	7,911,692	136,662,559
Deferred outflows of resources	3,945,774	(2,835,978)	6,781,752	(7,205,690)	13,987,442
Liabilities					
Current liabilities	23,496,122	(2,781,441)	26,277,563	(9,808,155)	36,085,718
Other liabilities	38,477,240	(1,764,725)	40,241,965	6,835,039	33,406,926
Total liabilities	61,973,362	(4,546,166)	66,519,528	(2,973,116)	69,492,644
Deferred inflows of resources	7,916,309	3,619,133	4,297,176	971,400	3,325,776
Net Position					
Net investment in capital assets	71,266,876	3,977,334	67,289,542	2,747,681	64,541,861
Restricted for debt service	335,070	1,795	333,275	16,710	316,565
Unrestricted	12,500,232	(416,250)	12,916,482	(56,673)	12,973,155
Total net position	\$ 84,102,178	\$ 3,562,879	\$ 80,539,299	\$ 2,707,718	\$ 77,831,581

For more detailed information, see the accompanying statements of net position.

Management's Discussion and Analysis

The following table compares the revenues, expenses and changes in net position for the current and two previous fiscal years.

<i>September 30,</i>	2024		<i>Change</i>		2023		<i>Change</i>		2022	
Operating revenues	\$	83,216,056	\$	<i>(6,287,654)</i>	\$	89,503,710	\$	<i>(26,133,625)</i>	\$	115,637,335
Operating expenses		74,291,822		<i>(7,565,386)</i>		81,857,208		<i>(25,407,876)</i>		107,265,084
Operating income (loss)		8,924,234		<i>1,277,732</i>		7,646,502		<i>(725,749)</i>		8,372,251
Non-operating revenues (expenses)		(3,051,123)		<i>(241,353)</i>		(2,809,770)		<i>(41,982)</i>		(2,767,788)
Increase (decrease) in net position										
before distributions		5,873,111		<i>1,036,379</i>		4,836,732		<i>(767,731)</i>		5,604,463
Distributions		(2,310,232)		<i>(181,218)</i>		(2,129,014)		<i>119,062</i>		(2,248,076)
Change in net position		3,562,879		<i>855,161</i>		2,707,718		<i>(648,669)</i>		3,356,387
Net position - beginning		80,539,299		<i>2,707,718</i>		77,831,581		<i>3,356,387</i>		74,475,194
Net position - ending	\$	84,102,178	\$	<i>3,562,879</i>	\$	80,539,299	\$	<i>2,707,718</i>	\$	77,831,581

For more detailed information, see the accompanying statements of revenues, expenses and changes in net position.

Financial Analysis — 2024 Compared to 2023 and 2022

Operating Revenues – Distribution Revenue — Operating revenues are composed of revenues from distribution. In 2024, distribution revenues decreased \$6,300,000 due to decreased gas prices. For 2023, distribution revenues decreased \$26,100,000 due to decreased gas prices.

Distribution revenue is derived from the sales to tariff customers, industrial customers, and gas sold for resale. Mcf sold for distribution revenue customers and the changes for each year are shown below.

Mcf sold	2024		<i>change</i>		2023		<i>change</i>		2022	
Tariff	2,003,771	<i>97,260</i>	1,906,511	<i>(88,680)</i>	1,995,191					
Industrial	8,558,845	<i>346,102</i>	8,212,743	<i>27,049</i>	8,185,694					
Resale	5,957,431	<i>2,945,870</i>	3,011,561	<i>991,597</i>	2,019,964					
Total	16,520,047	<i>3,389,232</i>	13,130,815	<i>929,966</i>	12,200,849					

The increase in resale mcf sold for 2024 and 2023 is due to contracts with additional resale customers. The increase in industrial units sold is due to additional industrial customers.

Operating Expenses — The decrease in 2024 operating expenses from 2023 was due primarily to a decrease in gas costs due to decreased gas prices. The average per unit cost of gas decreased from \$6.62 in 2022 to \$4.10 in 2023 and decreased again to \$2.72 for 2024. Distribution expenses increased \$1,500,000 in 2024 compared to 2023 and increased \$1,200,000 in 2023 compared to 2022. Depreciation expense decreased \$48,000 in 2024 compared to 2023 and increased \$200,000 in 2023 compared to 2022.

Management's Discussion and Analysis

Nonoperating Income and Expense — Interest expense increased \$700,000 in 2024 compared to 2023 and \$343,000 compared to 2022 as a result of draws on existing loans.

Distributions to Member Municipalities — Southeast Gas's Board chose to distribute \$2,300,000 to member municipalities for 2024. Distributions for 2023 were \$2,100,000 and \$2,200,000 for 2022.

Total Assets and Total Liabilities — Southeast Gas had total assets at September 30, 2024 of \$150,000,000 of which \$37,000,000 was current assets, \$106,400,000 capital assets, and \$6,600,000 other noncurrent assets. At September 30, 2024, Southeast Gas had construction work in progress of \$16,900,000 which consisted of approximately \$16,000,000 for distribution, transmission, service line installations and intake stations, and \$900,000 for meters, stations and line replacements, cathodic protection equipment, vehicles, computers and software. Southeast Gas had total liabilities of \$62,000,000 at September 30, 2024, of which \$23,500,000 was current liabilities and the remaining \$38,500,000 was noncurrent liabilities.

Deferred Inflows and Outflows of Resources — Southeast Gas reported deferred outflows of resources which included the fair value of derivatives as well as changes in assumptions, differences in actual and expected results and losses on investments related to the defined benefit pension plan. These amounts were \$3,900,000 at September 30, 2024 and \$6,800,000 at September 30, 2023. In addition, Southeast Gas also had deferred inflows of resources related to the pension and OPEB plans and fair value of derivatives. These amounts were \$7,900,000 at September 30, 2024 and \$4,300,000 at September 30, 2023.

Liquidity and Capital Resources — Southeast Gas had \$11,400,000 in unrestricted cash and investments at September 30, 2024. In addition, there were restricted cash of \$335,000 invested in bond debt service funds. Accounts receivable from customers totaled \$5,100,000, compared to accounts payable of \$3,500,000 and a distribution payable to member towns of \$2,300,000. Gas in storage at September 30, 2024, had a balance of \$2,700,000 with an average cost of \$3.252 per Mcf.

In April 2013, Southeast Gas entered into a three-year line of credit agreement for a maximum amount of \$10,000,000. This agreement was renewed June 2024 and expires August 2027. This line is used to fund general corporate needs such as gas storage purchases for inventory and monthly. The balance due on this line of credit at September 30, 2024 and 2023 was \$8,000,000 and \$10,000,000 respectively.

Net Position — Southeast Gas had total net position at September 30, 2024, of \$84,100,000, an increase of \$3,600,000 from September 30, 2023. Net position invested in capital assets totaled \$71,300,000 at September 30, 2024. Total restricted net position was \$300,000 composed of bond debt service funds and project funds. The remaining unrestricted net position was \$12,500,000 at September 30, 2024.

Management's Discussion and Analysis

Economic Outlook — Southeast Gas has a well-diversified gas supply and hedging program to temper the effect of gas price volatility and actively pursues long-term gas supply at discount prices. Southeast Gas continues to pursue economic development opportunities to grow and expand its customer base. In addition, Southeast Gas's rate structure offers a sound cost recovery framework. As such, there are no known conditions or decisions that will have a significant impact on Southeast Gas's financial position in the near future.

The Southeast Alabama Gas District Statements of Net Position

<i>September 30,</i>	2024	2023
Assets and Deferred Outflows of Resources		
Current assets		
Cash and cash equivalents	\$ 11,383,479	\$ 11,508,850
Bond debt service funds-restricted	335,070	333,275
Capital project funds-restricted	-	1,512,922
Investments	6,086,871	5,745,151
Receivable due from broker	2,029,270	2,633,393
Customer accounts receivable — net of allowance for uncollectible accounts of \$225,644 and \$183,171 in 2024 and 2023, respectively	5,112,172	5,970,721
Other accounts receivable	2,652,624	1,841,377
Materials and supplies	4,978,672	4,848,751
Gas in storage	2,730,433	5,102,045
Regulatory assets — current	987,285	1,245,185
Prepayments and other	703,540	597,394
Total current assets	36,999,416	41,339,064
Noncurrent assets		
Capital assets		
Gas utility plant in service — at original cost	178,507,987	174,872,433
Construction work in progress	16,890,047	9,602,398
Lease right-of-use asset	233,508	233,508
Less accumulated depreciation	(89,015,769)	(88,233,421)
Less accumulated amortization — lease right-of-use asset	(177,911)	(133,433)
Total capital assets	106,437,862	96,341,485
Regulatory assets — noncurrent	6,158,797	6,443,702
Other assets	450,000	450,000
Total noncurrent assets	113,046,659	103,235,187
Total assets	150,046,075	144,574,251
Deferred outflows of resources		
Pension plan	3,935,257	6,776,622
OPEB plan	10,517	5,130
Total deferred outflows of resources	3,945,774	6,781,752
Total assets and deferred outflows of resources	\$ 153,991,849	\$ 151,356,003

(Continued)

The accompanying notes are an integral part of these financial statements.

The Southeast Alabama Gas District Statements of Net Position (Continued)

<i>September 30,</i>	2024	2023
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities		
Current maturities of long-term debt	\$ 2,963,669	\$ 3,258,750
Accounts payable (including amounts for gas purchases of \$2,037,722 and \$2,845,128 in 2024 and 2023, respectively)	3,518,603	4,640,468
Distributions payable to member municipalities	2,310,232	2,129,014
Line of credit	8,000,000	10,000,000
Customer deposits	3,308,784	3,202,568
Lease liability — current	49,847	46,871
Regulatory liabilities — current	281,131	242,139
Accrued expenses	3,063,856	2,757,753
Total current liabilities	23,496,122	26,277,563
Noncurrent liabilities		
Series 2015A Bonds	371,250	1,451,250
Series 2015B Bonds	3,375,000	3,671,250
Series 2017 Bonds	517,500	1,998,750
Series 2022A Bonds	7,406,426	7,470,241
Series 2022B Bonds	5,547,405	5,589,759
Series 2023 Bonds	14,934,139	7,024,790
Lease liability	12,651	62,497
Net other postretirement benefit liability	524,637	482,953
Regulatory liabilities — noncurrent	5,788,232	12,490,475
Total noncurrent liabilities	38,477,240	40,241,965
Total liabilities	61,973,362	66,519,528
Deferred inflows of resources		
Fair value of derivatives	1,245,125	1,589,033
Pension Plan	6,546,537	2,562,282
OPEB Plan	124,647	145,861
Total deferred inflows of resources	7,916,309	4,297,176
Net position		
Net investment in capital assets	71,266,876	67,289,542
Restricted	335,070	333,275
Unrestricted	12,500,232	12,916,482
Total net position	84,102,178	80,539,299
Total liabilities, deferred inflows of resources and net position	\$ 153,991,849	\$ 151,356,003

(Concluded)

The accompanying notes are an integral part of these financial statements.

The Southeast Alabama Gas District
Statements of Revenues, Expenses and Changes in Net Position

<i>Years ended September 30,</i>	2024	2023
Operating Revenues	\$ 83,216,056	\$ 89,503,710
Operating Expenses		
Natural gas purchases	44,902,160	53,871,200
Distribution expenses	24,604,326	23,151,954
Depreciation and amortization	4,785,336	4,834,054
Total operating expenses	74,291,822	81,857,208
Operating income	8,924,234	7,646,502
Nonoperating income (expense)		
Investment gain	465,853	162,117
Interest expense	(1,831,161)	(1,109,435)
Other — net	(1,685,815)	(1,862,452)
Net nonoperating expense	(3,051,123)	(2,809,770)
Change in net position prior to distribution	5,873,111	4,836,732
Distributions to member municipalities	(2,310,232)	(2,129,014)
Change in net position	3,562,879	2,707,718
Net position - beginning of year	80,539,299	77,831,581
Net position - end of year	\$ 84,102,178	\$ 80,539,299

The accompanying notes are an integral part of these financial statements.

The Southeast Alabama Gas District Statements of Cash Flows

<i>Years ended September 30,</i>	2024	2023
Operating Activities		
Receipts from customers	\$ 83,263,358	\$ 95,988,518
Payments to suppliers	(55,120,515)	(74,494,463)
Receipts from (payments on) hedging activities — net	1,064,207	(1,941,892)
Payments to employees	(15,125,231)	(15,460,878)
Other receipts	106,216	37,496
Net cash provided by operating activities	14,188,035	4,128,781
Investing Activities		
Net (purchases) redemption of investments	(341,720)	(198,550)
Interest receipts/investment changes	465,853	162,117
Other	(1,237,232)	(1,342,095)
Net cash provided (used) by investing activities	(1,113,099)	(1,378,528)
Capital and Related Financing Activities		
Proceeds from issuance of short-term notes payable	8,000,000	10,000,000
Payments on short-term notes payable	(10,000,000)	(7,523,776)
Proceeds from issuance of long-term debt	7,909,349	11,024,790
Principal payments on long-term debt	(3,258,750)	(3,180,000)
Capital expenditures	(13,644,481)	(13,470,155)
Bond issuance costs	-	(50,000)
Interest payments	(1,588,538)	(871,812)
Distributions paid to member municipalities	(2,129,014)	(2,248,076)
Capital project funds	1,512,922	(714,349)
Bond debt service funds	(1,795)	(16,710)
Net cash used in capital and related financing activities	(13,200,307)	(7,050,088)
Net increase (decrease) in cash and cash equivalents	(125,371)	(4,299,835)
Cash and cash equivalents at beginning of year	11,508,850	15,808,685
Cash and cash equivalents at end of year	\$ 11,383,479	\$ 11,508,850

(Continued)

The accompanying notes are an integral part of these financial statements.

**The Southeast Alabama Gas District
Statements of Cash Flows (Continued)**

<i>Years ended September 30,</i>	2024	2023
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating income	\$ 8,924,234	\$ 7,646,502
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	4,785,336	4,834,054
Changes in certain assets and liabilities:		
Customer accounts receivable	858,549	6,122,439
Other accounts receivable	(811,247)	362,369
Materials and supplies	(129,921)	(253,140)
Gas in storage	2,371,612	(379,270)
Prepayments and other	(106,146)	(103,604)
Other deferred charges	142,463	22,417
Accounts payable	(1,121,865)	(8,356,420)
Customer deposits	106,216	37,496
Accrued expenses	306,103	(73,931)
Regulatory liabilities — pension	(4,220,736)	(4,084,732)
Hedging activities — net	2,691,031	(1,253,679)
Deferred outflows — pension	2,835,978	2,147,790
Other — net	(2,443,572)	(2,539,510)
Total adjustments	5,263,801	(3,517,721)
Net cash provided by operating activities	\$ 14,188,035	\$ 4,128,781

(Concluded)

The accompanying notes are an integral part of these financial statements.

The Southeast Alabama Gas District Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business — The Southeast Alabama Gas District (“Southeast Gas”) is an Alabama-based, municipally owned corporation whose primary line of business is natural gas distribution (“Distribution”). The Southeast Gas provides natural gas service to residential, commercial, and industrial customers located in 36 communities in the southeast portion of Alabama. Southeast Gas also offers natural gas operated merchandise for sale to the public and provides gas transportation services to qualified industrial customers.

Regulatory Accounting — The accounting records of Southeast Gas are maintained on the accrual basis in accordance with accounting principles generally accepted in the United States of America (“GAAP”) issued by the Governmental Accounting Standards Board (“GASB”) applicable to governmental entities that use proprietary fund accounting. The accounts are maintained substantially in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (“FERC”). Items such as merchandise and installation revenue, cost of merchandise and installation, and certain distributions are classified as nonoperating income or expense in the statements of revenue, expenses, and changes in net position consistent with the FERC Uniform System of Accounts as these items do not impact the ratemaking process, but for cash flow purposes, these items are considered operating activities. Southeast Gas also complies with policies and practices prescribed by its Board of Directors and with practices common in the natural gas distribution and production industries. As the Board of Directors sets rates on a cost of service basis, Southeast Gas follows the guidance contained in GASB Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements”, paragraphs 476 – 500, for regulated operations, which provides for the reporting of assets and liabilities consistent with the economic effect of the rate structure. Under GASB 62, regulatory assets are recorded to reflect probable future revenues associated with certain costs that are expected to be recovered from customers through the ratemaking process, and regulatory liabilities are recorded to reflect probable future reductions in revenues associated with amounts that are expected to be credited to customers through the ratemaking process.

Southeast Gas’s regulatory assets and liabilities as of September 30, 2024 and 2023 consisted of the following:

<i>September 30,</i>	2024		2023	
	Current	Noncurrent	Current	Noncurrent
Regulatory Assets:				
Fair value of derivatives	\$ 987,285	\$ 349,100	\$ 1,245,185	\$ 428,100
Unamortized loss on reacquired debt	-	230,569	-	455,598
Unamortized debt expense	-	163,815	-	181,409
PGP assessment	-	3,718,011	-	2,918,570
Pension	-	1,697,302	-	2,460,025
Total regulatory assets	\$ 987,285	\$ 6,158,797	\$ 1,245,185	\$ 6,443,702

The Southeast Alabama Gas District Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

<i>September 30,</i>	2024		2023	
	Current	Noncurrent	Current	Noncurrent
Regulatory Liabilities:				
Annuity payable	\$ -	\$ 450,000	\$ -	\$ 450,000
Unearned gas supply project rebates	-	485,981	-	343,518
Net pension liability	-	4,852,251	-	11,696,957
Other retirement liability	281,131	-	242,139	-
Total regulatory liabilities	\$ 281,131	\$ 5,788,232	\$ 242,139	\$ 12,490,475

Related Entities — The Southeast Alabama Gas Supply District (“SGS”) is a gas district and a public corporation incorporated and organized pursuant to the Act by the member municipalities of Southeast Gas. Southeast Gas manages the day to day operations and accounting of SGS. Southeast Gas also purchases gas at a discount from SGS. Gas purchases at September 30, 2024 and 2023, consisted of the following:

<i>September 30,</i>	2024			2023		
	MMBtu	\$ Gas	Admin Fee	MMBtu	\$ Gas	Admin Fee
SGS Projects:						
Project 1	1,738,200	\$ 3,882,994	\$ 52,146	1,731,850	\$ 6,620,835	\$ 51,956
Project 2	1,279,766	2,698,869	38,393	1,277,500	4,226,950	38,325
Total	3,017,966	\$ 6,581,863	\$ 90,539	3,009,350	\$ 10,847,785	\$ 90,281

Southeast Gas receives \$0.01 per MMBtu from SGS for management fees. SGS paid \$236,376 and \$234,222 to Southeast Gas for management fees in 2024 and 2023, respectively.

Southeast Energy Authority (“SEA”) is a cooperative district and a public corporation incorporated and organized pursuant to the Act by the member municipalities of SGS and The City of Troy, Alabama. Southeast Gas manages the day to day operations and accounting of SEA. Southeast Gas purchases gas at a discount from SEA. Gas purchases at September 30, 2024 and 2023, consisted of the following:

<i>September 30,</i>	2024			2023		
	MMBtu	\$ Gas	Admin Fee	MMBtu	\$ Gas	Admin Fee
SEA Projects:						
Project 2	4,026,000	\$ 9,024,940	\$ 120,780	4,014,000	\$ 14,620,590	\$ 120,420
Project 4	2,470,500	5,316,665	74,115	2,198,500	7,329,230	65,955
Project 5	442,000	971,215	13,260	92,000	211,650	2,760
Total	6,938,500	\$ 15,312,820	\$ 208,155	6,304,500	\$ 22,161,470	\$ 189,135

Southeast Gas receives \$0.01 per MMBtu from SEA for management fees. SEA paid \$372,600 and \$262,368 to Southeast Gas for management fees in 2024 and 2023, respectively.

Southeast Gas provides short-term operating capital to SEA to cover the initial start-up costs of uncompleted projects. As of September 30, 2024 and 2023, SEA owed Southeast Gas \$748,152 and \$443,994 for start-up costs and management fees.

The Southeast Alabama Gas District Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect (1) the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and (2) the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Funding Requirements — The Articles of Incorporation of Southeast Gas (the “Articles”) require, before distributions can be made to member municipalities, Southeast Gas to maintain (1) a capital reserve equal to a minimum of 1.25 times the average of the prior five-years’ capital expenditures of Distribution (\$4,954,758 as of September 30, 2024) and (2) an operating reserve equal to a minimum of 50% of the estimated expenses of Distribution for the next 12-month period, excluding purchased gas cost (\$12,488,606 as of September 30, 2024). The Articles provide for the distribution to member municipalities of an amount not exceeding annual net distributable income, defined as the excess of net assets plus depreciation and amortization over (i) all required principal and interest payments on outstanding bonds and required payments into special funds under any mortgage; (ii) all sums expended during the year for capital additions and improvements or for retirement of debt not previously funded and paid from internally generated funds; (iii) the required operating reserve; and (iv) the required capital reserve.

Any of the amounts discussed in (ii) above can be excluded from the computation of annual net distributable income by resolution of Southeast Gas’s Board of Directors to the extent Southeast Gas has current assets sufficient to enable Southeast Gas to exclude such amounts from the computation. During the years ended September 30, 2024 and 2023, the Board of Directors did not exclude any amounts from the computation. If the distribution is less than the annual net distributable income, as defined, the remainder is carried forward to future years to be distributed to member municipalities at the discretion of the Board of Directors. For the years ended September 30, 2024 and 2023, the Board of Directors approved a distribution of \$2,310,232 and \$2,129,014, respectively.

Restricted Assets — It is the policy of Southeast Gas to use restricted assets before unrestricted assets when both are available to fund specific expenditures.

Gas Utility Plant — Gas utility plant is stated at original cost. Such costs include direct labor and materials, applicable general and administrative costs, and payroll-related costs such as taxes, pension, and other fringe benefits. Interest cost associated with projects under construction is expensed as incurred.

Depreciation and Amortization — Depreciation is provided based on a straight-line composite rate, which approximated 2.70% and 2.81% of the cost of the depreciable gas utility plant in service for the years ended September 30, 2024 and 2023, respectively. When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its original cost, together with its cost of removal, less salvage, is charged to accumulated depreciation. Intangible right-of-use lease assets are amortized based on the straight-line method over the shorter of the lease term or the useful life of the underlying right-of-use asset.

Maintenance — Southeast Gas charges maintenance and repairs to maintenance expense accounts or applicable overhead accounts for allocation to expense accounts. Replacements of property are charged to the gas utility plant accounts.

Construction Work in Progress — Construction work in progress represents costs related to various projects in process. This amount primarily relates to station and line replacements, distribution and service line installations, and purchases of heavy equipment, vehicles, computers and software as well as the enhancement of buildings and furnishings.

The Southeast Alabama Gas District Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents — Cash and cash equivalents include cash on hand and in banks, short-term investments with original maturities of three months or less and various money market mutual funds. Cash deposits are held by financial institutions in the State of Alabama's Security for Alabama Funds Enhancement (SAFE) Program whenever possible. The SAFE Program was established by the Alabama State Legislature and is governed by the provisions contained in the *Code of Alabama 1975, Sections 41-14A-1 through 41-14A-14*. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by the financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged failed to produce adequate funds, everyone participating in the pool would share the liability for the remaining balance. In certain instances, local cash deposit requirements necessitate the use of financial institutions which do not participate in the SAFE Program. Southeast Gas requires these non-participating financial institutions to pledge collateral to secure funds on deposit which are in excess of FDIC limits.

Investments — Investments consist primarily of certificates of deposit. The investments are carried at amortized cost, which approximates market value at September 30, 2024 and 2023.

Customer Accounts Receivable — Southeast Gas extends credit to residential, commercial and industrial customers located primarily in southeast Alabama. An allowance for doubtful accounts is maintained at a level consistent with management's analysis of past due accounts on a monthly basis. Current earnings are charged (credited) with an increase (decrease) in the allowance account.

Other Accounts Receivable — Southeast Gas classifies certain amounts that do not represent customer receivables as other accounts receivable in the accompanying statements of net position. This amount includes receivables for gas sales to other municipalities for resale, transportation receivables, and interest receivable.

Materials and Supplies and Gas in Storage — Materials and supplies include merchandise and appliances and are valued at average cost. Gas in storage includes gas stored underground by Southeast Gas and is valued on a weighted-average cost basis.

Deferred Outflows/Inflows of Resources — In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred outflows and inflows as reported in the statements of net position consist of the fair value of derivative positions, changes in assumptions and differences in actual and expected experience related to the pension and OPEB plans, and the net difference between projected and actual earnings on pension plan investments.

The Southeast Alabama Gas District Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Environmental Costs — Southeast Gas records liabilities when environmental assessments indicate that remediation efforts are probable and the costs can be reasonably estimated. A current-period expense is recognized for the liability when the cleanup efforts do not benefit future periods, unless it results in the creation of a new asset. Estimates of liabilities are based on currently available facts, existing technology, and presently enacted laws and regulations taking into consideration the likely effects of inflation and other societal and economic factors and include estimates of associated legal costs. These amounts also consider industry norms in remediating contaminated sites, other companies' cleanup experience, and data released by the Environmental Protection Agency or other organizations. These estimates are subject to revision in future periods based on actual costs or new circumstances and are included in the statements of net position in current and noncurrent liabilities at their discounted amounts. Recoveries from insurance coverage or government-sponsored programs are evaluated separately from the liability and, when recovery is assured, are recorded and reported as an asset separately from the associated liability in the financial statements. No environmental liabilities have been recorded as of September 30, 2024 and 2023.

Revenue Recognition — Distribution revenues are derived primarily from the sale and transportation of natural gas. Southeast Gas records these revenues when the gas is delivered to and received by the customer. Revenues from nonutility services, including gas storage, are recognized upon delivery of the service to customers.

Classification of Revenues — Operating revenues consist of distribution revenues. Nonoperating revenues include the sale and installation of those derived from capital and related financing, noncapital financing and investing activities such as investment earnings.

Purchased Gas — Southeast Gas purchases gas under natural gas prepayment projects from The Black Belt Energy Gas District, The Tennessee Energy Acquisition Corporation and the Public Energy Authority of Kentucky, as well as from its affiliates, SGS and SEA. Collectively, the prepaid projects provide approximately 92% of Southeast Gas's system supply. Southeast Gas also purchases natural gas from local production within its service area. Southeast Gas maintains gas storage capacity from Southern Natural Gas Company, L.L.C. Southeast Gas has entered into three firm transportation contracts with Southern Natural Gas Company, L.L.C. and one firm transportation contract with Florida Gas Transmission Company, LLC.

Income Taxes — Southeast Gas is a municipally owned corporation and, therefore, is exempt from federal and state income taxes. Accordingly, no provision for such taxes is made in the accompanying financial statements.

Accounting for the Impairment of Long-Lived Assets — Southeast Gas continually evaluates whether events and circumstances have occurred that indicate the remaining balance of its long-lived assets may be impaired and not be recoverable. In performing this evaluation, Southeast Gas uses an estimate of the related cash flows expected to result from the use of asset groups and their eventual disposition. When this evaluation indicates the asset has been impaired, Southeast Gas will measure such impairment based on the asset's fair value.

The Southeast Alabama Gas District Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statements of Cash Flows — For purposes of the statements of cash flows, Southeast Gas considers cash on hand and in banks and short-term investments that have an original maturity of three months or less to be cash and cash equivalents.

Supplemental disclosure of cash flows information for the years ended September 30, 2024 and 2023 is as follows:

<i>September 30,</i>	2024	2023
Noncash transactions — declaration of distributions to member municipalities	\$ 2,310,232	\$ 2,129,014

Accounting for Derivative Investments and Hedging Activities — Southeast Gas follows GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement requires all derivatives to be recognized on the statements of net position and measured at fair value.

Derivative commodity contracts are used to convert certain long-term gas purchase/sales contracts from floating prices to fixed prices. The prices embedded in these commodity hedge contracts are incorporated in Southeast Gas’s rate changes, thereby limiting customers’ exposure to market volatility. The estimated fair value gains and losses from commodity hedge contracts are recorded as a deferred outflow or inflow with a corresponding amount recorded as a regulatory asset or regulatory liability. The actual gains and losses realized at settlement of the hedge contract are used to offset the actual purchase cost from Southeast Gas’s physical supply contracts.

If a derivative instrument is terminated early because it is probable that a transaction or forecasted transaction will not occur, any gain or loss as of such date is immediately recognized in earnings. If such derivative is terminated early for other economic reasons, any gain or loss as of the termination date is deferred and recorded when the associated or forecasted transaction affects earnings.

Net realized losses for hedging transactions for the years ended September 30, 2024 and 2023 were \$2,673,130 and \$1,121,855, respectively. These gains or losses are reflected as a decrease or an increase in natural gas purchases in the accompanying statements of revenues, expenses, and changes in net position. Southeast Gas expects to recognize \$986,285 of net losses into earnings in the next 12-month period.

All hedge transactions are subject to Southeast Gas’s risk management policy, approved by the Board of Directors, which does not permit speculative positions. The maximum term over which Southeast Gas is hedging exposures to the variability of cash flows on gas purchased for normal distribution sales is through September 2025.

Fair Value Measurements — Southeast Gas’s financial instruments consist of cash and cash equivalents, restricted cash, certificates of deposit, natural gas hedging contracts, and debt. Carrying amounts of cash and cash equivalents, restricted cash, receivables, accounts payable and accrued liabilities approximate fair value due to their short-term maturities. Natural gas hedging derivative instruments are recorded at estimated fair value.

Fair value is deemed to be the price that would be received for an asset or the amount paid to transfer a liability in an arm’s length transaction between willing market participants. Fair value measurements are classified into three categories based on market data (observable inputs) and underlying assumptions (unobservable inputs). These categories are as follows:

The Southeast Alabama Gas District Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Level 1 – Quoted market prices (unadjusted) for identical assets or liabilities in active markets;

Level 2 – Inputs other than quoted market prices that are observable for an asset or liability, either directly or indirectly;

Level 3 – Unobservable inputs.

The fair values of the natural gas hedging derivatives are based on the present value of each contract's future cash flows based on the contractual fixed price and market-based, forward price curves for the underlying delivery points, as of the reporting date, and discounted using the SOFR yield curve. Due to the long tenor of the contracts, considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that Southeast Gas could realize upon liquidation. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value. Fair values presented herein have not been comprehensively revalued since September 30, 2024. Accordingly, current estimates of fair value may differ significantly from those presented in these financial statements.

Asset Retirement Obligations (ARO) — In November 2016, the GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*, which became effective for Southeast Gas beginning October 1, 2018. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. Southeast Gas's gas distribution system operates under various property easement agreements primarily related to public rights-of-way. In some instances, the entity granting the easement retains the option to require certain actions in the event Southeast Gas abandons the asset. Since Southeast Gas expects its gas distribution assets will be operated in perpetuity and historical abandonment costs resulting from such easement agreements have been de minimis, no ARO has been recorded for gas distribution assets.

Impact of Recently Issued and Implemented Accounting Pronouncements –The GASB has issued statements that became effective in the current year. These statements are as follows:

GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI).

The Southeast Alabama Gas District Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The requirements of GASB 100 are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Southeast Gas evaluated this statement and determined that it has no material effect on the financial statements.

The GASB has issued statements that will become effective in future years. These statements are as follows:

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

Southeast Gas is evaluating the requirements of the above statements and the impact on reporting.

Subsequent Events — Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 28, 2025, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**The Southeast Alabama Gas District
Notes to Financial Statements**

Note 2: GAS UTILITY PLANT IN SERVICE AND LEASE ASSETS

Southeast Gas's gas utility plant in service at September 30, 2024 and 2023 consisted of the following:

	October 1, 2023	Additions	Reductions	September 30, 2024
Construction in progress	\$ 9,602,398	\$ 13,644,481	\$ 6,356,832	\$ 16,890,047
Gas utility plant in service:				
Land	1,186,981	174,991	-	1,361,972
Transmission plant	46,807,727	592,774	58,793	47,341,708
Distribution plant	99,304,136	2,976,826	1,154,402	101,126,560
Production plant	12,529	-	-	12,529
Buildings	10,608,850	373,368	5,224	10,976,994
Equipment and other	16,952,210	2,238,872	1,502,858	17,688,224
	174,872,433	6,356,831	2,721,277	178,507,987
Accumulated depreciation	(88,233,421)	(4,983,581)	(4,201,233)	(89,015,769)
Gas utility plant in service - net	\$ 96,241,410	\$ 15,017,731	\$ 4,876,876	\$ 106,382,265

The Southeast Alabama Gas District Notes to Financial Statements

Note 2: GAS UTILITY PLANT IN SERVICE AND LEASE ASSETS (Continued)

	October 1, 2022	Additions	Reductions	September 30, 2023
Construction in progress	\$ 4,256,679	\$ 13,470,155	\$ 8,124,436	\$ 9,602,398
Gas utility plant in service:				
Land	1,187,934	-	953	1,186,981
Transmission plant	46,300,741	705,304	198,318	46,807,727
Distribution plant	94,208,638	6,159,047	1,063,549	99,304,136
Production plant	12,529	-	-	12,529
Buildings	10,479,274	129,576	-	10,608,850
Equipment and other	16,498,243	1,130,509	676,542	16,952,210
	168,687,359	8,124,436	1,939,362	174,872,433
Accumulated depreciation	(86,725,302)	(4,792,323)	(3,284,204)	(88,233,421)
Gas utility plant in service - net	\$ 86,218,736	\$ 16,802,268	\$ 6,779,594	\$ 96,241,410

Southeast Gas's intangible right-of-use lease assets at September 30, 2024 and 2023 consisted of the following:

<i>September 30,</i>	2024	2023
Lease Assets		
Office Space - Montgomery, AL	\$ 233,508	\$ 233,508
Accumulated amortization	(177,911)	(133,433)
Lease asset, net	\$ 55,597	\$ 100,075

Note 3: FINANCING ARRANGEMENTS

Series 2015A Bonds — In July 2015, Southeast Gas issued \$10,205,000 of Series 2015A General System Revenue Bonds ("Series 2015A Bonds"), the purpose of which was to reacquire and defease \$9,620,000 of the Series 2006A Bonds and to finance the costs of acquiring, constructing, and installing capital improvements to the system. These bonds have a long-term balance of \$371,250 at September 30, 2024. The 2015A Bonds bear interest at a rate of 2.38% and mature at various dates ranging from 2024 through 2026.

Series 2015B Bonds — In July 2015, Southeast Gas issued \$6,030,000 of Series 2015B General System Revenue Bonds ("Series 2015B Bonds"), to finance the costs of acquiring, constructing, and installing capital improvements to the system. These bonds have a long-term balance of \$3,375,000 at September 30, 2024. The 2015B Bonds bear interest at a rate of 2.96% and mature at various dates ranging from 2024 through 2035.

Series 2017 Bonds — In January 2017, Southeast Gas issued \$14,565,000 of Series 2017 General System Refunding and Improvement Revenue Bonds ("Series 2017 Bonds"), to refund the Series 2006A Bonds. These bonds have a long-term balance of \$517,500 at September 30, 2024. The 2017 Bonds bear interest at a rate of 2.3% and mature at various dates ranging from 2024 through 2026.

The Southeast Alabama Gas District Notes to Financial Statements

Note 3: FINANCING ARRANGEMENTS (Continued)

Series 2022A Bonds — In June 2022, Southeast Gas issued \$7,470,241 of Series 2022A General System Refunding Revenue Bonds (“Series 2022A Bonds”), to supplement the costs of acquiring, constructing, and installing capital improvements to the system. These bonds have a long-term balance of \$7,406,426 at September 30, 2024. The 2022A Bonds bear interest at a rate of 3.33% and mature at various dates ranging from 2025 through 2045.

Series 2022B Bonds — In June 2022, Southeast Gas issued \$5,589,759 of Series 2022B General System Refunding Revenue Bonds (“Series 2022B Bonds”), to supplement the costs of acquiring, constructing, and installing capital improvements to the system. These bonds have a long-term balance of \$5,547,405 at September 30, 2024. The 2022B Bonds bear interest at a rate of 4.38% and mature at various dates ranging from 2025 through 2045.

Series 2023 Bonds — In August 2023, Southeast Gas issued up to \$25,000,000 of Series 2023 Subordinated Gas Revenue Bonds (“Series 2023 Bonds”), to supplement the costs of acquiring, constructing, and installing capital improvements to the system. Southeast Gas shall have a draw period on the bonds for ten years in which interest shall accrue in respect to the outstanding bond principal balance at a per annum rate equal to the Term SOFR rate plus 1.65%. On the conversion of the loan an amortization schedule for principal payments will be supplied. These bonds have a long-term balance of \$14,934,139 at September 30, 2024.

Line of Credit — Southeast Gas has an unsecured line of credit agreement for an amount up to \$10,000,000. This agreement was renewed June 2024 and expires August 2027. Interest payments are due monthly based on the outstanding principal amount at a variable rate based upon the 30-day SOFR subject to a floor of 2.00%. The rate in effect at September 30, 2024 was 2.00%. There was \$8,000,000 and \$10,000,000 outstanding at September 30, 2024 and 2023, respectively. The purpose of the line of credit is to provide funds for general corporate purposes.

Lease Liability — In 2019, Southeast Gas entered into a 60 month lease for office space with Southeast Gas having the option to renew the lease for two additional years by providing written notice of intent to renew at least 60 days prior to expiration of the initial lease term. An initial lease liability was recorded in the amount of \$233,508. The value of the lease liability was \$62,498 and \$109,368 as of September 30, 2024 and 2023, respectively.

The Southeast Alabama Gas District
Notes to Financial Statements

Note 3: FINANCING ARRANGEMENTS (Continued)

Southeast Gas's bonds payable, line of credit, lease liability and the related changes in those obligations were as follows as of and for the years ended September 30, 2024 and 2023:

	Beginning Balance	Borrowings	Payments	Ending Balance	Due Within One Year
September 30, 2024					
Series 2015A Bonds	\$ 2,703,750	\$ -	\$ 1,252,500	\$ 1,451,250	\$ 1,080,000
Series 2015B Bonds	3,958,750	-	287,500	3,671,250	296,250
Series 2017 Bonds	3,717,500	-	1,718,750	1,998,750	1,481,250
Series 2022A Bonds	7,470,241	-	-	7,470,241	63,815
Series 2022B Bonds	5,589,759	-	-	5,589,759	42,354
Series 2023 Bonds	7,024,790	7,909,349	-	14,934,139	-
	\$ 30,464,790	\$ 7,909,349	\$ 3,258,750	\$ 35,115,389	\$ 2,963,669

Line of credit (expires August 2027)	\$ 10,000,000	\$ 8,000,000	\$ 10,000,000	\$ 8,000,000	\$ -
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Lease liability	\$ 109,368	\$ -	\$ 46,870	\$ 62,498	\$ 49,847
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	Beginning Balance	Borrowings	Payments	Ending Balance	Due Within One Year
September 30, 2023					
Series 2015A Bonds	\$ 3,926,250	\$ -	\$ 1,222,500	\$ 2,703,750	\$ 1,252,500
Series 2015B Bonds	4,236,250	-	277,500	3,958,750	287,500
Series 2017 Bonds	5,397,500	-	1,680,000	3,717,500	1,718,750
Series 2022A Bonds	3,470,241	4,000,000	-	7,470,241	-
Series 2022B Bonds	5,589,759	-	-	5,589,759	-
Series 2023 Bonds	-	7,024,790	-	7,024,790	-
	\$ 22,620,000	\$ 11,024,790	\$ 3,180,000	\$ 30,464,790	\$ 3,258,750

Line of credit (expires August 2024)	\$ 7,523,776	\$ 10,000,000	\$ 7,523,776	\$ 10,000,000	\$ -
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Lease liability	\$ 153,405	\$ -	\$ 44,037	\$ 109,368	\$ 46,871
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The Southeast Alabama Gas District Notes to Financial Statements

Note 3: FINANCING ARRANGEMENTS (Continued)

Debt Service — The debt service requirements for bonds payable and lease obligations outstanding at September 30, 2024 are as follows:

Fiscal Year Ending September 30,	Series 2015 A and B Bonds		Series 2017 Bonds	
	Principal	Interest	Principal	Interest
2025	\$ 1,376,250	\$ 127,385	\$ 1,481,250	\$ 28,430
2026	673,750	100,866	517,500	5,014
2027	312,500	87,927	-	-
2028	322,500	78,627	-	-
2029	332,500	68,594	-	-
2030–2034	1,812,500	185,323	-	-
2035–2039	292,500	3,647	-	-
Totals	\$ 5,122,500	\$ 652,369	\$ 1,998,750	\$ 33,444

Fiscal Year Ending September 30,	Series 2022A Bonds		Series 2022B Bonds	
	Principal	Interest	Principal	Interest
2025	\$ 63,815	\$ 248,582	\$ 42,352	\$ 244,677
2026	260,630	242,680	174,122	239,508
2027	269,443	233,867	181,903	231,727
2028	278,554	224,757	190,032	223,598
2029	287,972	215,338	198,525	215,105
2030–2034	1,592,674	923,878	1,133,907	934,243
2035–2039	1,880,775	635,777	1,410,961	657,190
2040–2044	2,220,990	295,561	1,755,708	312,443
2045–2049	615,388	13,750	502,249	14,790
Totals	\$ 7,470,241	\$ 3,034,190	\$ 5,589,759	\$ 3,073,281

Fiscal Year Ending September 30,	Lease Obligations	
	Principal	Interest
2025	\$ 49,847	\$ 3,125
2026	12,651	633
Totals	\$ 62,498	\$ 3,758

The Southeast Alabama Gas District Notes to Financial Statements

Note 3: FINANCING ARRANGEMENTS (Continued)

As provided for by the master trust indenture and subsequent supplemental indentures, Southeast Gas has established the following funds:

	Series 2022 Bonds	Series 2017 Bonds	Series 2015 Bonds
<i>As of September 30, 2024</i>			
Bond sinking funds	\$ -	\$ 146,249	\$ 131,580
Debt service interest fund	41,371	3,860	12,010
	\$ 41,371	\$ 150,109	\$ 143,590

	Series 2022 Bonds	Series 2017 Bonds	Series 2015 Bonds
<i>As of September 30, 2023</i>			
Bond sinking funds	\$ -	\$ 142,772	\$ 127,744
Debt service interest fund	40,461	7,140	15,158
	\$ 40,461	\$ 149,912	\$ 142,902

Bond Reacquisitions and Refunding — In January 2007, Southeast Gas issued \$43,255,000 of Series 2006A General System Revenue Bonds (“Series 2006A Bonds”), the purpose of which was to reacquire and defease the \$26,690,000 of Series 2000A General System Revenue Bonds (“Series 2000A Bonds”) outstanding and to refinance the costs of acquiring, constructing, and installing capital improvements to the system. The reacquisition of the Series 2000A Bonds resulted in a loss of \$2,665,187, which is being amortized to interest expense over the original life of the Series 2000A Bond issuance. As of September 30, 2024, the unamortized loss on reacquired debt totaled \$96,916.

In July 2015, \$9,620,000 of the Series 2006A bonds was refunded by the Series 2015A General System Revenue Bonds leaving the Series 2006A Bonds with a long-term balance of \$13,515,000 at September 30, 2016. In January 2017, the remaining 2006A bonds were refunded by the issuance of the 2017 Series Bonds. The initial reacquisition of a portion of the Series 2006A Bonds resulted in a loss of \$752,388, which is being amortized to interest expense over the original life of the Series 2006A Bond issuance. As of September 30, 2024, the unamortized loss on reacquired debt totaled \$114,868.

The refunding of the remaining Series 2006A Bonds resulted in a loss of \$101,973, which is being amortized to interest expense over the original life of the Series 2006A Bond issuance. As of September 30, 2024, the unamortized loss on refunded debt totaled \$18,785.

Note 4: FACILITIES AGREEMENT FOR GANTT PIPELINE

In 2000, Southeast Gas and PowerSouth entered into a facilities agreement relating to the Gantt Pipeline. The terms of the facilities agreement include sharing the total costs of construction, the total available capacity (approximately 254,000 MMBtu per day), and the total costs of operation by allocating 83% of such costs to PowerSouth and 17% of such costs to Southeast Gas, subject to certain adjustments contained in the facilities agreement. A portion of the capacity (83%) will be provided

The Southeast Alabama Gas District Notes to Financial Statements

Note 4: FACILITIES AGREEMENT FOR GANTT PIPELINE (Continued)

by Southeast Gas to PowerSouth in order to provide transportation of gas supplies to PowerSouth for electric generation at PowerSouth's combined cycle facility located in Gantt, Alabama. The remainder of such capacity (17%) will be retained by Southeast Gas to service its general system transportation needs.

Based upon the terms of the facilities agreement, Southeast Gas is essentially serving as a flow-through entity for PowerSouth's portion (83%) of the Gantt Pipeline. Southeast Gas operates the Gantt Pipeline. Upon completion of the Gantt Pipeline, Southeast Gas accounted for the facilities agreement as a direct financing lease and transferred plant in service costs to a lease receivable due from PowerSouth for its 83% portion of the Gantt Pipeline. Construction of the Gantt Pipeline was completed in 2001, and the total cost was transferred to receivables associated with Lateral Project Bonds in the accompanying statements of net position; the lease receivable was paid in full in April 2010.

Note 5: DEFINED BENEFIT PENSION PLAN

Defined Benefit Pension Plan — In 2014, Southeast Gas implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Southeast Gas's statements of net position are presented in accordance with that standard. At September 30, 2024 and 2023, Southeast Gas had recorded a net pension liability of \$4,852,251 and \$11,696,957, respectively. These amounts are included in the non-current portion of the regulatory liability reported in the statement of net position. Pension expense amounted to approximately \$1.7 million in 2024 and \$3.5 million in 2023.

Defined Benefit Plan Description — Southeast Gas sponsors a single-employer defined benefit pension plan (the "Southeast Alabama Gas District Pension Plan" or the "Plan"). The Plan is governed by Southeast Gas, which may amend Plan provisions and which is responsible for the management of Plan assets. Southeast Gas retained a third-party administrator to administer the Plan assets.

Benefits Provided — The Plan provides retirement and death benefits covering substantially all common law employees hired prior to January 1, 2011 who are age 21 or older and have completed one year of service. Retirement benefits under the Plan are based on the average of the participant's highest five consecutive years of compensation out of the last 10 years of employment. Covered employees may retire at age 63 with full benefits. Early retirement is available at age 55 with reduced benefits. A death benefit equal to 50% of the participant's vested accrued benefit determined under the 50% joint and survivor option is payable to a surviving spouse. Employees who complete five years of vesting service and terminate employment before becoming eligible for retirement benefits are eligible for a termination benefit equal to his accrued benefit as of the date of termination. This termination benefit is payable beginning on the participant's normal retirement date.

Employees Covered by Benefit Terms — At October 1, 2023, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	149
Inactive employees entitled to but not yet receiving benefits	52
Active employees	78

The Southeast Alabama Gas District Notes to Financial Statements

Note 5: DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy — Southeast Gas’s funding policy is consistent with the requirements of the Employee Retirement Income Security Act of 1974, and Southeast Gas provides all contributions to the Plan based on an actuarially determined rate recommended by an independent actuary. Required and actual contribution information was as follows:

<i>Years ended September 30,</i>	2024	2023
Actuarially determined required contribution	\$ 1,566,293	\$ 1,581,721
Actual contributions paid to the Plan	1,701,012	1,701,012

Net Pension Liability — The Plan’s net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by updating to the measurement date amounts determined from an actuarial valuation as of October 1, 2023. The update was made using generally accepted actuarial principles and practices. No significant changes in the plan or those covered by the plan occurred between the actuarial valuation and measurement dates.

Actuarial Assumptions — The total pension liability in the October 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry Age, as a level percent of pay
Amortization method	Level dollar payments
Inflation	2.50%
Asset valuation method	Market value as of September 30, 2024
Projected salary increases	4.50%
Investment rate of return	7.25%
Retirement age	Age 63 or age at valuation date if later
Mortality	The Pri-2012 Mortality Table, projected by the MP-2021 Mortality Improvement Scale

There have been no changes in the benefit terms or actuarial assumptions.

The 7.25% long-term expected rate of return on pension plan investments was determined following discussions between the employer and the Plan’s investment counsel regarding the fund’s investment portfolio and expected future returns thereon. The allocation of the Plan’s portfolio by class of investment was as follows:

Asset Class	Allocation Percentage
Equity investments	51.00%
Fixed income investments	30.00%
Cash and cash equivalents	14.00%
Real estate	5.00%

Discount Rate — The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made equal to the actuarially determined contribution rate. Based on this assumption, the

The Southeast Alabama Gas District Notes to Financial Statements

Note 5: DEFINED BENEFIT PENSION PLAN (Continued)

pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

The following table presents Southeast Gas's net pension liability calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point higher (8.25%) or one percentage point lower (6.25%) than the current rate as of September 30, 2024:

	1% Decrease (6.25%)	Current Rate (7.25%)	1% Increase (8.25%)
Net pension liability	\$ 10,241,437	\$ 4,852,251	\$ 271,470

Changes in Net Pension Liability — The changes in the net pension liability are summarized as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
September 30, 2024			
Balances at September 30, 2023	\$ 49,202,446	\$ 37,505,489	\$ 11,696,957
Service cost	422,489	-	422,489
Interest	3,493,734	-	3,493,734
Differences between expected and actual experience	56,275	-	56,275
Differences between projected and actual investment earnings	-	6,444,869	(6,444,869)
Contributions - employer	-	1,701,012	(1,701,012)
Projected investment income	-	2,671,323	(2,671,323)
Benefit payments	(2,983,550)	(2,983,550)	-
Balances at September 30, 2024	\$ 50,191,394	\$ 45,339,143	\$ 4,852,251

**The Southeast Alabama Gas District
Notes to Financial Statements**

Note 5: DEFINED BENEFIT PENSION PLAN (Continued)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
September 30, 2023			
Balances at September 30, 2022	\$ 46,803,842	\$ 35,369,362	\$ 11,434,480
Service cost	523,080	-	523,080
Interest	3,417,397	-	3,417,397
Differences between expected and actual experience	1,161,031	-	1,161,031
Changes of assumptions	-	-	-
Differences between projected and actual investment earnings	-	617,589	(617,589)
Contributions - employer	-	1,701,012	(1,701,012)
Projected investment income	-	2,520,430	(2,520,430)
Benefit payments	(2,702,904)	(2,702,904)	-
Administrative expenses	-	-	-
Balances at September 30, 2023	\$ 49,202,446	\$ 37,505,489	\$ 11,696,957

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions — Southeast Gas reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
September 30, 2024		
Differences between expected and actual experience	\$ 312,373	\$ 78,027
Changes in assumptions and other inputs	123,510	92,061
Net difference in projected and actual earnings on plan investments	3,499,374	6,376,449
	\$ 3,935,257	\$ 6,546,537
September 30, 2023		
Differences between expected and actual experience	\$ 951,274	\$ 197,335
Changes in assumptions and other inputs	339,162	170,873
Net difference in projected and actual earnings on plan investments	5,486,186	2,194,074
	\$ 6,776,622	\$ 2,562,282

The Southeast Alabama Gas District Notes to Financial Statements

Note 5: DEFINED BENEFIT PENSION PLAN (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources as of September 30, 2024 will be recognized in pension expense as follows:

	Deferred Outflows	Deferred Inflows	Net
Balances at September 30,			
2025	\$ 2,159,342	\$ (2,413,972)	\$ (254,630)
2026	1,775,915	(1,431,101)	344,814
2027	-	(1,412,491)	(1,412,491)
2028	-	(1,288,973)	(1,288,973)
Total	\$ 3,935,257	\$ (6,546,537)	\$ (2,611,280)

The actuarial valuation was prepared as of the current valuation date. Deferred outflow and inflows related to differences between expected and actual experience and changes in assumptions will be recognized in pension expense, beginning in the current reporting period, over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active and inactive employees), determined as of the beginning of the measurement period. Differences between projected and actual earnings on plan investments is amortized into pension expense over a closed five-year period.

Note 6: DEFINED CONTRIBUTION RETIREMENT PLAN

The Southeast Alabama Gas District Defined Contribution Retirement Program (the "Program") is sponsored by Southeast Gas. The Program is a Section 401(a) Defined Contribution Plan, which provides for employer contributions. All full-time employees hired after January 1, 2011, who are 18 years of age and older, are in the Program. All full-time employees hired after January 1, 2011, Southeast Gas matches the participants' contributions up to 5% of the participants' base compensation. Southeast Gas's matching contributions for the participants are fully vested upon entering the plan. Southeast Gas also gives a basic contribution of 5% of the participant's base compensation to the plan, annually, after completing one year of service. As amended, July 1, 2021, all full-time employees hired before January 1, 2011, the employer will make a matching contribution equal to 100% of the participant's elective deferrals that do not exceed 2% of a participant's compensation. The annual contribution is made at the end of the plan year. As of September 30, 2024 and 2023, the annual basic contribution was recorded as a liability in the amount of \$281,131 and \$242,138, respectively, and is included with the current portion of regulatory liabilities in the Statement of Net Position. Participants fully vest in the employer basic contributions after five years of service. Although it has not expressed any intent to do so, Southeast Gas may amend the plan at the Board's discretion. The plan is administered by a third-party administrator. For the years ended September 30, 2024 and 2023, Southeast Gas had total contributions to this plan of \$402,868 and \$368,654, respectively.

Note 7: DEFERRED COMPENSATION PLAN

Southeast Gas had a deferred compensation plan which qualifies as a defined contribution plan pursuant to Section 457 of the Internal Revenue Code, which allows plan participants to defer and contribute to the plan, through Southeast Gas, a specified portion of the participants' compensation subject to IRS limits. Employees hired prior to January 1, 2011 are eligible to participate in this plan.

The Southeast Alabama Gas District Notes to Financial Statements

Note 7: DEFERRED COMPENSATION PLAN (Continued)

Southeast Gas matches the participants' contributions up to 2% of the participants' base compensation. Participants are fully vested upon entering the plan. The plan is administered by a third-party administrator. Although it has not expressed any intent to do so, Southeast Gas may amend the plan at Board's discretion. Southeast Gas has no discretionary authority or control over any assets of the plan, which are the property of the participants. This plan was amended July 1, 2021 and the matching contribution is now included in the Defined Contribution Retirement Plan.

Note 8: POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The Southeast Alabama Gas District Premium Supplement Plan is a single employer defined benefit postretirement plan that provides eligible retirees a premium supplement to assist with the cost of retiree health insurance until the retiree reaches age 65 or seven years from the date of retirement, whichever occurs first. Southeast Gas pays a supplement of \$75 per month for single coverage and \$200 per month for family coverage for each eligible participating retiree. The premium supplements were increased to \$150 per month for single coverage and \$400 per month for family coverage effective January 2024. The retiree is responsible for the cost of health insurance premiums in excess of the supplement. The Plan is funded on a pay-as-you-go basis. The Plan is governed by Southeast Gas, which may amend Plan provisions and which is responsible for the management of the Plan.

As of September 30, 2024, plan participants consisted of the following groups:

Retirees	3
Spouses	2
Active plan members	187

The components of Southeast Gas's net OPEB liability at September 30, 2024 and 2023, is as follows:

<i>September 30,</i>	2024	2023
Net OPEB Liability	\$ 524,637	\$ 482,953

The Plan's fiduciary net position as a percentage of its total OPEB liability is 0%.

The total OPEB liability was determined as of September 30, 2024 (the measurement date), using the following actuarial methods and assumptions:

Actuarial valuation date	October 1, 2022
Actual cost method	Entry Age, cost increasing at inflation
Discount rate	3.81%
Inflation rate	2.50%
Long-term expected rate of return	N/A
Mortality table	Pri-2012 Mortality Table, projected by the MP-2021 Mortality Improvement Scale
Medical Trend	N/A
Retirement Age	63 or, if later, age on valuation date

The discount rate used to measure the OPEB liability was the discount rate shown above, which is the 2024 20-year tax-free municipal bond (Bond Buyer 20-Bond General Obligation Index) yield of 3.81%. The Plan is not funded.

The Southeast Alabama Gas District
Notes to Financial Statements

Note 8: POSTRETIREMENT BENEFITS OTHER THAN PENSIONS (Continued)

The following represents the net OPEB liability calculated using the stated discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower and 1-percentage point higher than the current rate.

	1% Decrease (2.81%)	Current Rate (3.81%)	1% Increase (4.81%)
Total OPEB liability	\$ 550,896	\$ 524,637	\$ 500,012

Changes in Net OPEB Liability — The changes in the net OPEB liability are summarized as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
September 30, 2024			
Balances at September 30, 2023	\$ 482,953	\$ -	\$ 482,953
Service cost	21,391	-	21,391
Interest	20,480	-	20,480
Changes of assumptions	7,063	-	7,063
Benefit payments	(7,250)	-	(7,250)
Balances at September 30, 2024	\$ 524,637	\$ -	\$ 524,637

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
September 30, 2023			
Balances at September 30, 2022	\$ 231,451	\$ -	\$ 231,451
Service cost	10,548	-	10,548
Interest	9,728	-	9,728
Changes in benefit terms	236,357	-	236,357
Changes of assumptions	(1,791)	-	(1,791)
Differences between expected and actual experience	(65)	-	(65)
Benefit payments	(3,275)	-	(3,275)
Balances at September 30, 2023	\$ 482,953	\$ -	\$ 482,953

The Southeast Alabama Gas District
Notes to Financial Statements

Note 8: POSTRETIREMENT BENEFITS OTHER THAN PENSIONS (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB — Southeast Gas reported deferred outflows and inflows of resources related to the OPEB of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
September 30, 2024		
Differences between expected and actual experience	\$ -	\$ 41,234
Changes in assumptions and other inputs	10,517	83,413
	\$ 10,517	\$ 124,647
September 30, 2023		
Differences between expected and actual experience	\$ -	\$ 49,130
Changes in assumptions and other inputs	5,130	96,731
	\$ 5,130	\$ 145,861

Amounts reported as deferred outflows of resources and deferred inflows of resources as of September 30, 2024 will be recognized in OPEB expense as follows:

	Deferred Outflows	Deferred Inflows	Net
Balances at September 30,			
2025	\$ 1,676	\$ (21,213)	\$ (19,537)
2026	1,676	(21,214)	(19,538)
2027	1,676	(21,213)	(19,537)
2028	1,676	(21,215)	(19,539)
2029	1,676	(15,090)	(13,414)
2030 and after	2,137	(24,702)	(22,565)
Total	\$ 10,517	\$ (124,647)	\$ (114,130)

The Southeast Alabama Gas District Notes to Financial Statements

Note 9: DEPOSITS, INVESTMENTS, AND CONCENTRATION OF CREDIT RISK

At September 30, 2024, Southeast Gas's deposit and investment balances (as defined by GASB Statement No. 40, *Deposit and Investment Risk Disclosures* — an amendment of GASB Statement No. 3) were as follows:

Investment Type	Fair Value	Percent to Total	Maturities	Rating
Cash and cash equivalents:				
Cash	\$ 11,356,129	64 %	Current	N/A
Money market funds	27,350	0 %	Current	N/A
Total cash and cash equivalents	11,383,479	64 %		
Investments:				
Certificates of deposit	6,086,871	34 %	Nov 2024 - Sept 2027	N/A
Bond debt service funds	335,070	2 %	Current	N/A
Total cash and investments	\$ 17,805,420	100 %		

Interest Rate Risk — Southeast Gas's investment philosophy is to stagger certificate of deposit maturities monthly over a one to three-year period. Southeast Gas has no term policy on purchased governmental securities.

Credit Risk — Southeast Gas's policy regarding credit risk on investments is governed by indenture requirements, which require investments in agencies of the federal government and state and local governments with a rating from one of the rating agencies in one of the two highest rating categories. Southeast Gas is also allowed to acquire certificates of deposits in amounts which are not to exceed Federal Depository Insurance Coverage ("FDIC"). Certificates of deposit which exceed FDIC limits must be collateralized by the local banking institutions.

Concentration of Credit Risk — Southeast Gas places no limit on the amount that may be invested in any one issuer. Southeast Gas requires residential and commercial customers to maintain a deposit based on the type of service provided and the customer's credit history. These customer deposits are held by Southeast Gas in either certificates of deposit with varying maturity dates or money market accounts. Industrial customers typically maintain surety bonds or letters of credit and also have specified minimum monthly bill requirements based on the individual contracts.

Southeast Gas's primary source of revenue is distribution revenues. Southeast Gas had six customers that accounted for 25% in 2024 and five customers that accounted for 29% in 2023 of Southeast Gas's total distribution revenues. In addition, distribution revenues include transportation revenues to a transportation customer that accounted for 30% and 39% of total throughput for the years ended September 30, 2024 and 2023, respectively. The transportation revenues totaled \$1,380,943 for the year ended September 30, 2024, and \$1,313,932 for the year ended September 30, 2023. In management's opinion, Southeast Gas has in place adequate cash deposits and prepayments from customers, as well as reserves related to customer accounts receivable to mitigate the risk of material loss.

The Southeast Alabama Gas District Notes to Financial Statements

Note 10: DERIVATIVES AND HEDGING ACTIVITIES

Southeast Gas employs hedging techniques utilizing exchange traded derivative instruments, primarily NYMEX natural gas futures contracts, to manage the gas commodity price exposure inherent in the purchase, storage and sale of natural gas in its everyday service to customers. Long positions in these futures contracts effectively fix a purchase price for natural gas, whereas short positions effectively fix a selling price. Southeast Gas also utilizes options, swaps and forward contracts on occasion as part of its overall hedging strategy.

Southeast Gas is exposed to market gas price risk in the event of nonperformance by the counterparty; however, Southeast Gas does not anticipate nonperformance. In the normal course of acquiring gas for distribution customers, Southeast Gas also entered into futures contracts. The combined fair market value of these hedging derivative positions was a loss of \$1,245,125 and \$1,589,033 at September 30, 2024 and 2023, respectively. These amounts have been recorded as a deferred outflow or inflow under fair value of derivatives and as a regulatory liability or asset in the accompanying statements of net position.

Under GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, Southeast Gas must adhere to guidelines addressing the recognition, measurement, and disclosure of information regarding derivative instruments. The Statement defines derivative instruments and items that may be hedged, provides criteria for “hedging derivative instruments” and “investment derivative instruments”, prescribes methods for determining “effectiveness” as a hedging derivative instrument, and outlines accounting and financial statement reporting and disclosure requirements.

By applying the consistent critical terms methodology, Southeast Gas has determined that each of its hedge positions is “effective”, and is thus a hedging derivative instrument under GASB 53. As such, the fair market value of derivative positions is recorded as a deferred inflow or deferred outflow on the balance sheet, depending on whether the value is positive or negative from Southeast Gas’s perspective. Southeast Gas will continue to assess the effectiveness of each hedge, on an annual basis, applying one of the methodologies prescribed under GASB 53.

The Southeast Alabama Gas District Notes to Financial Statements

Note 10: DERIVATIVES AND HEDGING ACTIVITIES (Continued)

Terms and Objectives of Hedging Derivatives Instruments

Instrument Type	Objective	Total Notional	Effective Dates	Expiration Dates	Terms	Fair Value	Increase (Decrease) in Fair Value
		Volume (Mmbtu)					
September 30, 2024							
NG futures - NYMEX Henry Hub - long position	Cashflow hedge for the purchase price of natural gas	2,060,000	Feb 2022 - Sept. 2024	Nov 2024 - Dec 2028	Southeast Gas pays fixed price for natural gas delivery	\$ 1,245,125	\$ (343,908)
September 30, 2023							
NG futures - NYMEX Henry Hub - long position	Cashflow hedge for the purchase price of natural gas	3,652,500	Mar 2020 - Sept. 2023	Nov 2023 - Dec 2028	Southeast Gas pays fixed price for natural gas delivery	\$ 1,642,033	\$ (6,699,933)
NG futures - NYMEX Henry Hub - short position	Cashflow hedge for the selling price of natural gas	100,000	Feb-23	Jan-24	Southeast Gas receives a fixed price for the sale of natural gas	\$ (53,000)	\$ 53,000

Credit Risk – Southeast Gas does not bear counterparty risk on its hedging derivative instruments. Essentially all of its hedging derivative instruments consist of futures contracts traded on the NYMEX. With a futures contract, the exchange clearing house acts as the counterparty to both parties in the contract, mitigating the risk of counterparty non-performance. In addition, all futures positions are marked to market daily with margins required to be posted and maintained by all participants at all times further mitigating the risk of non-performance of a counterparty.

Basis Risk – Southeast Gas bears basis risk due to locational differences associated with the spot price of natural gas at various delivery points and the spot price of natural gas at the Henry Hub. These differences arise as a result of regional factors such as location, pipeline transmission costs, and supply and demand. Southeast Gas monitors this price differential on an ongoing basis as part of its hedging strategy and determined that the impact has not been material to its operations.

Interest Rate Risk – Southeast Gas does not bear interest rate risk on any of its derivative commodity contracts.

Termination Risk – Southeast Gas does not bear termination risk on any of its futures contracts as both parties to the contract are obligated to perform according to the terms of the contract with no provision for termination.

Rollover Risk – Southeast Gas is not exposed to rollover risk due to the fact that the maturities of the hedging derivative instruments and the underlying hedged item are matched.

The Southeast Alabama Gas District Notes to Financial Statements

Note 10: DERIVATIVES AND HEDGING ACTIVITIES (Continued)

Foreign Currency Risk — all hedging derivative instruments and underlying hedged items are denominated in US Dollars, thus Southeast Gas is not exposed to foreign currency risk.

Note 11: RISK MANAGEMENT

Southeast Gas 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 others; and natural disasters. Southeast Gas carries commercial insurance, subject to certain limits and deductibles, to reduce the financial impact of claims arising from such matters.

Note 12: COMMITMENTS AND CONTINGENCIES

Litigation — Southeast Gas is subject to certain claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material adverse effect on the financial position or results of operations of Southeast Gas. There are no significant matters of pending litigation in 2024.

Capital Budget — Southeast Gas's capital expenditures expected to be funded by current operations are currently estimated to total \$5 million in 2025, \$5 million in 2026, and \$5 million in 2027. The capital budget is subject to periodic review and revision, and actual capital costs incurred may vary from estimates because of changes in such factors as business conditions; environmental regulations; load projections; the cost and efficiency of construction labor, equipment, and materials; and the cost of capital.

Gas Supply Agreements — On November 16, 2004, Southeast Gas was among the original seven public gas and electric utilities that signed an agreement to form a gas supply agency called Public Gas Partners, Inc. (PGP). PGP was created to secure economical, long-term wholesale natural gas supplies for its member agencies to stabilize and reduce the cost of natural gas for the mutual benefit of all their customers. The partnership was motivated by the common need for a long-term, secure stream of economical natural gas supplies.

As a PGP member, Southeast Gas has entered into three Natural Gas Production Sharing Agreements (PSA) with PGP. Each PSA obligates Southeast Gas to pay its share of all costs incurred by the related PGP pool. The PSAs include a step-up provision that could obligate Southeast Gas to increase its participation up to 125% of its original participation in the event of default of another member.

The members of Pool 1 are Southeast Gas, MGAG, Florida Municipal Power Agency, Patriots Energy Group, and Tennessee Energy Acquisition Corporation. The acquisition period for Pool 1 closed effective November 2007. Under the Pool 1 PSA, Southeast Gas has an 18% participation share. As of June 2024, total Pool 1 interests owned were estimated at approximately 4 Bcfe of natural gas. As of June 2024, production from such interests was approximately 3,400 Mcfe per day. Southeast Gas's share of that production is 603 Mcfe per day. The acquisitions were financed through PGP. Southeast Gas's share of the outstanding debt is approximately \$6.1 million. Based on index gas prices as of September 30, 2024, minimum annual payments to PGP for these committed volumes are estimated to be \$441,000. Approximately 49% of Southeast Gas's committed volumes were committed on behalf of PowerSouth, Marshall County Gas District, Northwest Alabama Gas District, Scottsboro Water, Sewer and Gas Board, and Cullman-Jefferson Counties Gas District. These

The Southeast Alabama Gas District Notes to Financial Statements

Note 12: COMMITMENTS AND CONTINGENCIES (Continued)

companies have signed natural gas production agreements with Southeast Gas with the same terms and conditions as the agreement between Southeast Gas and PGP.

Pool 2 is composed of five members, Southeast Gas, MGAG, Florida Municipal Power Agency, Patriots Energy Group, and Tennessee Energy Acquisition Corporation. The acquisition period for Pool 2 expired in June 2008. As of June 2024, production from such interests was approximately 274 Mcfe per day. Southeast Gas's share of that production is 4 Mcfe per day. The debt associated with these properties is approximately \$11 million with Southeast Gas's share being approximately \$543,000, financed by PGP. Southeast Gas's share of the debt balance of Pool 2 is 5%, with a maximum participation share of 6.3%. Based on index gas prices as of September 30, 2024, minimum annual payments to PGP for these committed volumes are estimated to be \$3,000.

Pool 3 is composed of four members, Southeast Gas, MGAG, Patriots Energy Group, and National Public Gas Agency. As of June 2024, total Pool 3 interests owned were estimated at approximately 131 Bcfe of natural gas. As of June 2024, production from such interests was approximately 24,000 Mcfe per day. Southeast Gas's share of that production is approximately 2,400 Mcfe per day. The outstanding debt associated with these properties is \$58 million with Southeast Gas's share being approximately \$5.8 million, financed by PGP. Southeast Gas's share of the costs associated with Pool 3 is 10% with a maximum participation share of 13%. Based on index gas prices as of September 30, 2024, minimum annual payments to PGP for these committed volumes are estimated to be \$1.8 million. Approximately 17% of Southeast Gas's committed volumes were committed on behalf of Marshall County Gas District, and Northwest Alabama Gas District. These companies have signed natural gas production agreements with Southeast Gas with the same terms and conditions as the agreement between Southeast Gas and PGP.

Total expenses related to these gas supply arrangements with PGP were \$1.7 million and \$2.2 million for the years ended September 30, 2024 and 2023, respectively, and are included in "Natural Gas Purchases" in the accompanying statements of revenues, expenses, and changes in net position.

Note 13: DISTRIBUTIONS TO MEMBER MUNICIPALITIES

The Board of Directors declares each year distributions to be paid in November to the member municipalities. The amounts declared for fiscal years ended September 30, 2024 and 2023, were \$2,310,232 and \$2,129,014 respectively. Those amounts were reflected as distributions to member municipalities in the accompanying statements of revenues, expenses, and changes in net position for the years then ended.

Note 14: FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of financial instruments have been determined by Southeast Gas using market information and appropriate valuation methodologies. The estimates presented are not necessarily indicative of the amounts that Southeast Gas could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair market value.

**The Southeast Alabama Gas District
Notes to Financial Statements**

Note 14: FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, and accrued interest payable are estimated to approximate fair value because of their short-term nature. The carrying amount of derivative instruments equals fair value.

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by category:

<i>September 30, 2024</i>	Total	Level 1	Level 2	Level 3
Natural gas futures contracts	\$ (1,245,125)	\$ -	\$ (1,245,125)	\$ -
<i>September 30, 2023</i>	Total	Level 1	Level 2	Level 3
Natural gas futures contracts	\$ (1,589,033)	\$ -	\$ (1,589,033)	\$ -

The carrying amount and fair value of the Series 2022A, Series 2022B, Series 2017 Bonds, Series 2015A Bonds, and Series 2015B Bonds, based on interest rates that are currently available to Southeast Gas for issuance of debt with similar terms and remaining maturities are as follows at September 30:

	2024		2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Series 2022A Bonds	\$ 5,589,759	\$ 6,294,927	\$ 5,589,759	\$ 5,710,283
Series 2022B Bonds	\$ 7,470,246	\$ 7,692,157	\$ 7,470,246	\$ 6,944,153
Series 2017 Bonds	\$ 1,998,750	\$ 1,961,566	\$ 3,717,500	\$ 3,595,947
Series 2015A Bonds	\$ 1,451,250	\$ 1,425,069	\$ 2,703,750	\$ 2,617,881
Series 2015B Bonds	\$ 3,671,250	\$ 3,656,515	\$ 3,958,750	\$ 3,758,379

Note 16: UNCERTAINTIES

On January 1, 2020, Gas Pipeline Safety Section of the Alabama Public Service Commission enacted Rule 13. The rule has various requirements for specific types of service lines, but generally mandates that any service line that has been inactive for a period of three years, five in some scenarios, be physically abandoned or retired from service. The rule also mandates compliance with specific record keeping and record retention requirements. Management does not expect this rule to have a continued effect on the operations and maintenance of Southeast Gas's distribution system. In FY 2024, Southeast Gas completed conversions of inactive service lines to active customers and continues retiring the inactive service lines that are not converted to active.

The Southeast Alabama Gas District
Schedule of Changes in Net Pension Liability and Related Ratios –
Southeast Alabama Gas District Retirement Income Plan
Last 10 Fiscal Years

<i>September 30,</i>	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	\$ 422,489	\$ 523,080	\$ 513,600	\$ 523,346	\$ 537,212	\$ 547,546	\$ 568,707	\$ 630,808	\$ 650,875	\$ 674,710
Interest	3,493,734	3,417,397	3,238,312	3,119,204	3,003,331	2,868,026	2,743,459	2,646,584	2,397,367	2,347,144
Differences between expected and actual experience	56,275	1,161,031	441,471	320,100	645,069	571,729	256,990	245,538	(1,151,796)	241,772
Change of assumptions	-	-	86,351	(140,175)	(54,161)	(120,018)	(224,513)	(472,307)	1,636,311	266,370
Benefit payments	(2,983,550)	(2,702,904)	(2,374,399)	(2,204,307)	(2,139,254)	(1,998,979)	(1,772,121)	(1,570,943)	(1,406,486)	(1,352,951)
Net change in total pension liability	988,948	2,398,604	1,905,335	1,618,168	1,992,197	1,868,304	1,572,522	1,479,680	2,126,271	2,177,045
Total pension liability - Beginning	49,202,446	46,803,842	44,898,507	43,280,339	41,288,142	39,419,838	37,847,316	36,367,636	34,241,365	32,064,320
Total Pension Liability - Ending	50,191,394	49,202,446	46,803,842	44,898,507	43,280,339	41,288,142	39,419,838	37,847,316	36,367,636	34,241,365
Plan Fiduciary Net Position										
Contributions - employer	1,701,012	1,701,012	1,701,012	1,701,012	1,701,012	1,842,763	1,559,261	1,691,918	1,646,448	1,750,002
Net investment income	9,116,192	3,138,019	(5,747,404)	6,795,072	1,298,989	1,216,150	2,435,407	2,983,973	2,550,832	(126,019)
Benefit payments	(2,983,550)	(2,702,904)	(2,374,399)	(2,204,307)	(2,139,254)	(1,998,979)	(1,772,121)	(1,570,943)	(1,406,486)	(1,352,951)
Administrative expenses	-	-	-	-	-	-	-	(5,792)	(19,015)	(18,630)
Net change in plan fiduciary net position	7,833,654	2,136,127	(6,420,791)	6,291,777	860,747	1,059,934	2,222,547	3,099,156	2,771,779	252,402
Plan fiduciary net position - Beginning	37,505,489	35,369,362	41,790,153	35,498,376	34,637,629	33,577,695	31,355,148	28,255,992	25,484,213	25,231,811
Plan fiduciary net position - Ending	45,339,143	37,505,489	35,369,362	41,790,153	35,498,376	34,637,629	33,577,695	31,355,148	28,255,992	25,484,213
Net pension liability - Ending	\$ 4,852,251	\$ 11,696,957	\$ 11,434,480	\$ 3,108,354	\$ 7,781,963	\$ 6,650,513	\$ 5,842,143	\$ 6,492,168	\$ 8,111,644	\$ 8,757,152
Plan fiduciary net position as a percentage of total pension liability	90.33%	76.23%	75.57%	93.08%	82.02%	83.89%	85.18%	82.85%	77.70%	74.43%
Covered Payroll	\$ 6,169,739	\$ 6,661,459	\$ 6,416,199	\$ 6,450,257	\$ 6,118,773	\$ 6,847,906	\$ 6,884,768	\$ 7,069,177	\$ 7,343,670	\$ 7,391,947
Net pension liability as a percentage of covered payroll	78.65%	175.59%	178.21%	48.19%	127.18%	97.12%	84.86%	91.84%	110.46%	118.47%

**The Southeast Alabama Gas District
Schedule of Contributions –
Southeast Alabama Gas District Retirement Income Plan
Last 10 Fiscal Years**

<i>September 30,</i>	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,566,293	\$ 1,581,721	\$ 1,325,545	\$ 1,416,265	\$ 1,405,263	\$ 1,448,233	\$ 1,495,202	\$ 1,691,915	\$ 1,516,014	\$ 1,701,455
Contribution in relation to the actuarially determined contribution	1,701,012	1,701,012	1,701,012	1,701,012	1,701,012	1,842,763	1,559,261	1,691,918	1,646,448	1,750,002
Contribution deficiency (excess)	(134,719)	(119,291)	(375,467)	(284,747)	(295,749)	(394,530)	(64,059)	(3)	(130,434)	(48,547)
Covered payroll	6,169,739	6,661,459	6,416,199	6,450,257	6,118,773	6,847,906	6,884,768	7,069,177	7,343,670	7,391,947
Contributions as a percentage of covered payroll	27.57%	25.54%	26.51%	26.37%	27.80%	26.91%	22.65%	23.93%	22.42%	23.67%

List of Assumptions for Actuarially Determined Contribution

Valuation date	Beginning of plan year (October 1)
Actuarial cost method	Aggregate
Asset valuation method	4 year smoothed method
Salary increases	4.50%
Investment rate of return	7.25%
Retirement age	Age 63 or age at valuation date if later
Mortality	The Pri-2012 Mortality Table projected with Mortality Improvement Scale MP-2021 for annuitants and non-annuitants

Actuarially determined contribution is calculated as of the middle of the plan year

**The Southeast Alabama Gas District
Schedule of Changes in Net OPEB Liability and Related Ratios –
Southeast Alabama Gas District Premium Supplement Plan
Last 10 Fiscal Years***

<i>September 30,</i>	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability							
Service cost	\$ 21,391	\$ 10,548	\$ 13,392	\$ 13,103	\$ 13,228	\$ 15,636	\$ 17,463
Interest	20,480	9,728	6,638	6,191	7,366	15,496	13,152
Change of benefit terms	-	236,357	-	-	-	-	-
Differences between expected and actual experience	-	(65)	(43,702)	-	(25,019)	-	-
Change of assumptions	7,063	(1,791)	(24,768)	8	7,425	(108,863)	(18,121)
Benefit payments	(7,250)	(3,275)	(825)	(1,200)	(8,075)	(8,850)	(6,150)
Net change in total pension liability	41,684	251,502	(49,265)	18,102	(5,075)	(86,581)	6,344
Total OPEB liability - Beginning	482,953	231,451	280,716	262,615	267,690	354,271	347,927
Total OPEB Liability - Ending	524,637	482,953	231,451	280,717	262,615	267,690	354,271
Covered-Employee Payroll	\$ 13,322,883	\$ 12,788,251	\$ 12,574,286	\$ 10,078,518	\$ 10,695,569	\$ 10,060,777	\$ 9,230,197
Net pension liability as a percentage of covered- employee payroll	3.9%	3.8%	1.8%	2.8%	2.5%	2.7%	3.8%

* Only seven years of historical data were available for presentation at September 30, 2024.