



**The Southeast Alabama Gas District**

**FINANCIAL STATEMENTS**

September 30, 2025 and 2024



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## **INDEPENDENT AUDITOR'S REPORT**

### ***Opinions***

We have audited the financial statements of the business-type activities of The Southeast Alabama Gas District ("Southeast Gas"), as of and for the years ended September 30, 2025 and 2024, the fiduciary activities as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise Southeast Gas's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the respective changes in financial position and cashflows thereof of Southeast Gas, as of and for the years ended September 30, 2025 and 2024, and the financial position and respective changes in financial position of the fiduciary activities of Southeast Gas as of and for the year ended September 30, 2025, in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinions.

### ***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 beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to error or fraud, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 – 7 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 44 – 46 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, 2026

## 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 37 communities in the southeast portion of the state. Southeast Gas owns and operates 576 miles of transmission lines as well as 1,922 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 23 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, an enterprise fund. Enterprise funds are used to report business-type activities of Southeast Gas.

**Fiduciary Funds** — Southeast Gas utilizes a fiduciary fund to account for assets it holds as a trustee for parties outside its reporting entity. Assets held in trust for the defined benefit pension plan are reported in a fiduciary fund.

**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 2,400 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

## Management's Discussion and Analysis

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.

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).

The fiduciary fund financial statements report activity about The Southeast Alabama Gas District Retirement Income Plan ("the Plan"). Southeast Gas serves in a fiduciary capacity as the trustee of the Plan. The activity included in the fiduciary fund financial statements is reported separately from Southeast Gas's operating activities because the assets of the Plan are restricted for the payment of retirement benefits and cannot be used to finance the operations of Southeast Gas.

### 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>	<b>2025</b>		<i>Change</i>		<b>2024</b>		<i>Change</i>		<b>2023</b>	
<b>Assets</b>										
Current and other assets	\$	56,352,137	\$	12,743,924	\$	43,608,213	\$	(4,624,553)	\$	48,232,766
Capital assets, net		100,855,875		(5,581,987)		106,437,862		10,096,377		96,341,485
<b>Total assets</b>		<b>157,208,012</b>		<b>7,161,937</b>		<b>150,046,075</b>		<b>5,471,824</b>		<b>144,574,251</b>
Deferred outflows of resources		1,901,319		(2,044,455)		3,945,774		(2,835,978)		6,781,752
<b>Liabilities</b>										
Current liabilities		28,316,685		4,820,563		23,496,122		(2,781,441)		26,277,563
Other liabilities		38,601,458		124,218		38,477,240		(1,764,725)		40,241,965
<b>Total liabilities</b>		<b>66,918,143</b>		<b>4,944,781</b>		<b>61,973,362</b>		<b>(4,546,166)</b>		<b>66,519,528</b>
Deferred inflows of resources		5,262,799		(2,653,510)		7,916,309		3,619,133		4,297,176
<b>Net Position</b>										
Net investment in capital assets		64,278,911		(6,987,965)		71,266,876		3,977,334		67,289,542
Restricted for debt service		210,605		(124,465)		335,070		1,795		333,275
Unrestricted		22,438,873		9,938,641		12,500,232		(416,250)		12,916,482
<b>Total net position</b>	<b>\$</b>	<b>86,928,389</b>	<b>\$</b>	<b>2,826,211</b>	<b>\$</b>	<b>84,102,178</b>	<b>\$</b>	<b>3,562,879</b>	<b>\$</b>	<b>80,539,299</b>

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>	<b>2025</b>	<i>Change</i>	<b>2024</b>	<i>Change</i>	<b>2023</b>
Operating revenues	\$ 101,969,754	\$ 18,753,698	\$ 83,216,056	\$ (6,287,654)	\$ 89,503,710
Operating expenses	94,168,827	19,877,005	74,291,822	(7,565,386)	81,857,208
Operating income (loss)	7,800,927	(1,123,307)	8,924,234	1,277,732	7,646,502
Non-operating revenues (expenses)	(3,214,588)	(163,465)	(3,051,123)	(241,353)	(2,809,770)
Increase (decrease) in net position					
before distributions	4,586,339	(1,286,772)	5,873,111	1,036,379	4,836,732
Distributions	(1,760,128)	550,104	(2,310,232)	(181,218)	(2,129,014)
Change in net position	2,826,211	(736,668)	3,562,879	855,161	2,707,718
Net position - beginning	84,102,178	3,562,879	80,539,299	2,707,718	77,831,581
Net position - ending	\$ 86,928,389	2,826,211	\$ 84,102,178	\$ 3,562,879	\$ 80,539,299

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

### Financial Analysis — 2025 Compared to 2024 and 2023

**Operating Revenues – Distribution Revenue** — Operating revenues are composed of revenues from distribution. In 2025, distribution revenues increased \$18,700,000 due to increased gas prices. For 2024, distribution revenues decreased \$6,300,000 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	<b>2025</b>	<i>change</i>	<b>2024</b>	<i>change</i>	<b>2023</b>
Tariff	1,967,876	(35,895)	2,003,771	97,260	1,906,511
Industrial	8,712,562	153,717	8,558,845	346,102	8,212,743
Resale	6,871,599	914,168	5,957,431	2,945,870	3,011,561
Total	17,552,037	1,031,990	16,520,047	3,389,232	13,130,815

The increase in resale mcf sold for 2025 and 2024 is due to contracts with additional resale customers. The increase in industrial units sold is due to additional industrial customers.

**Operating Expenses** — The increase in 2025 operating expenses from 2024 was due primarily to a increase in gas costs due to increased gas prices. The average per unit cost of gas decreased from \$4.10 in 2023 to \$2.72 in 2024 and increased to \$3.56 for 2025. Distribution expenses increased \$1,700,000 in 2025 compared to 2024 and increased \$1,500,000 in 2024 compared to 2023. Depreciation expense increased \$600,000 in 2025 compared to 2024 and increased \$48,000 in 2024 compared to 2023.

**Nonoperating Income and Expense** — Interest expense increased \$5,000 in 2025 compared to 2024 and \$700,000 compared to 2023 as a result of draws on existing loans.

## Management's Discussion and Analysis

**Distributions to Member Municipalities** — Southeast Gas's Board chose to distribute \$1,800,000 to member municipalities for 2025. Distributions for 2024 were \$2,300,000 and \$2,100,000 for 2023.

**Total Assets and Total Liabilities** — Southeast Gas had total assets at September 30, 2025 of \$157,200,000 of which \$44,500,000 was current assets, \$100,900,000 capital assets, and \$11,900,000 other noncurrent assets. At September 30, 2025, Southeast Gas had construction work in progress of \$8,600,000 which consisted of approximately \$7,300,000 for distribution, transmission, service line installations and intake stations, and \$1,300,000 for meters, stations and line replacements, cathodic protection equipment, vehicles, computers and software, and buildings. Southeast Gas had total liabilities of \$66,900,000 at September 30, 2025, of which \$28,300,000 was current liabilities and the remaining \$38,600,000 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 \$1,900,000 at September 30, 2025 and \$3,900,000 at September 30, 2024. 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 \$5,300,000 at September 30, 2025 and \$7,900,000 at September 30, 2024.

**Liquidity and Capital Resources** — Southeast Gas had \$22,950,000 in unrestricted cash and investments at September 30, 2025. In addition, there were restricted cash of \$211,000 invested in bond debt service funds. Accounts receivable from customers totaled \$6,500,000, compared to accounts payable of \$6,200,000 and a distribution payable to member towns of \$1,800,000. Gas in storage at September 30, 2025, had a balance of \$3,100,000 with an average cost of \$3.239 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, 2025 and 2024 was \$10,000,000 and \$8,000,000 respectively.

**Net Position** — Southeast Gas had total net position at September 30, 2025, of \$86,900,000, an increase of \$2,800,000 from September 30, 2024. Net position invested in capital assets totaled \$64,300,000 at September 30, 2025. Total restricted net position was \$200,000 composed of bond debt service funds. The remaining unrestricted net position was \$22,400,000 at September 30, 2025.

**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>	<b>2025</b>	<b>2024</b>
<b>Assets and Deferred Outflows of Resources</b>		
Current assets		
Cash and cash equivalents	\$ 16,658,840	\$ 11,383,479
Bond debt service funds-restricted	210,605	335,070
Investments	6,291,066	6,086,871
Receivable due from broker	816,573	2,029,270
Customer accounts receivable — net of allowance for uncollectible accounts of \$240,352 and \$225,644 in 2025 and 2024, respectively	6,539,294	5,112,172
Other accounts receivable	5,551,160	2,652,624
Materials and supplies	4,631,636	4,978,672
Gas in storage	3,105,285	2,730,433
Regulatory assets — current	-	987,285
Prepayments and other	649,170	703,540
<b>Total current assets</b>	<b>44,453,629</b>	<b>36,999,416</b>
Noncurrent assets		
Capital assets		
Gas utility plant in service — at original cost	184,550,454	178,507,987
Construction work in progress	8,572,359	16,890,047
Lease right-of-use asset	233,508	233,508
Less accumulated depreciation	(92,278,057)	(89,015,769)
Less accumulated amortization — lease right-of-use asset	(222,389)	(177,911)
<b>Total capital assets</b>	<b>100,855,875</b>	<b>106,437,862</b>
Regulatory assets — noncurrent	4,926,355	6,158,797
Other accounts receivable — noncurrent	6,522,153	-
Other assets	450,000	450,000
<b>Total noncurrent assets</b>	<b>112,754,383</b>	<b>113,046,659</b>
<b>Total assets</b>	<b>157,208,012</b>	<b>150,046,075</b>
Deferred outflows of resources		
Fair value of derivatives	29,135	-
Pension plan	1,863,343	3,935,257
OPEB plan	8,841	10,517
<b>Total deferred outflows of resources</b>	<b>1,901,319</b>	<b>3,945,774</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 159,109,331</b>	<b>\$ 153,991,849</b>

(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>	2025	2024
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
Current liabilities		
Current maturities of long-term debt	\$ 3,138,813	\$ 2,963,669
Accounts payable (including amounts for gas purchases of \$4,683,008 and \$2,037,722 in 2025 and 2024, respectively)	6,199,142	3,518,603
Distributions payable to member municipalities	1,760,128	2,310,232
Line of credit	10,000,000	8,000,000
Customer deposits	3,478,434	3,308,784
Lease liability — current	12,650	49,847
Regulatory liabilities — current	353,557	281,131
Accrued expenses	3,373,961	3,063,856
<b>Total current liabilities</b>	<b>28,316,685</b>	<b>23,496,122</b>
Noncurrent liabilities		
Series 2015A Bonds	-	371,250
Series 2015B Bonds	3,072,500	3,375,000
Series 2017 Bonds	-	517,500
Series 2022A Bonds	7,145,797	7,406,426
Series 2022B Bonds	5,373,282	5,547,405
Series 2023 Bonds VR1	9,424,916	-
Series 2023 Bonds VR2	5,071,020	-
Series 2023 Bonds	3,339,517	14,934,139
Lease liability	-	12,651
Net other postretirement benefit liability	292,304	524,637
Regulatory liabilities — noncurrent	4,882,122	5,788,232
<b>Total noncurrent liabilities</b>	<b>38,601,458</b>	<b>38,477,240</b>
<b>Total liabilities</b>	<b>66,918,143</b>	<b>61,973,362</b>
Deferred inflows of resources		
Fair value of derivatives	-	1,245,125
Pension Plan	4,931,091	6,546,537
OPEB Plan	331,708	124,647
<b>Total deferred inflows of resources</b>	<b>5,262,799</b>	<b>7,916,309</b>
Net position		
Net investment in capital assets	64,278,911	71,266,876
Restricted	210,605	335,070
Unrestricted	22,438,873	12,500,232
<b>Total net position</b>	<b>86,928,389</b>	<b>84,102,178</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 159,109,331</b>	<b>\$ 153,991,849</b>

(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>	<b>2025</b>	<b>2024</b>
<b>Operating Revenues</b>	<b>\$ 101,969,754</b>	<b>\$ 83,216,056</b>
<b>Operating Expenses</b>		
Natural gas purchases	62,473,195	44,902,160
Distribution expenses	26,296,409	24,604,326
Depreciation and amortization	5,399,223	4,785,336
Total operating expenses	<b>94,168,827</b>	<b>74,291,822</b>
Operating income	<b>7,800,927</b>	<b>8,924,234</b>
Nonoperating income (expense)		
Investment gain	315,334	465,853
Interest expense	(1,836,326)	(1,831,161)
Other — net	(1,693,596)	(1,685,815)
Net nonoperating expense	<b>(3,214,588)</b>	<b>(3,051,123)</b>
Change in net position prior to distribution	<b>4,586,339</b>	<b>5,873,111</b>
Distributions to member municipalities	<b>(1,760,128)</b>	<b>(2,310,232)</b>
Change in net position	<b>2,826,211</b>	<b>3,562,879</b>
Net position - beginning of year	<b>84,102,178</b>	<b>80,539,299</b>
Net position - end of year	<b>\$ 86,928,389</b>	<b>\$ 84,102,178</b>

*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>	<b>2025</b>	2024
<b>Operating Activities</b>		
Receipts from customers	\$ 91,121,943	\$ 83,263,358
Payments to suppliers	(71,331,162)	(55,120,515)
Receipts from (payments on) hedging activities — net	1,259,848	1,064,207
Payments to employees	(15,861,349)	(15,125,231)
Other receipts	169,650	106,216
Net cash provided by operating activities	<b>5,358,930</b>	14,188,035
<b>Investing Activities</b>		
Net (purchases) redemption of investments	(204,195)	(341,720)
Interest receipts/investment changes	315,334	465,853
Other	9,677,334	(1,237,232)
Net cash provided (used) by investing activities	<b>9,788,473</b>	(1,113,099)
<b>Capital and Related Financing Activities</b>		
Proceeds from issuance of short-term notes payable	10,000,000	8,000,000
Payments on short-term notes payable	(8,000,000)	(10,000,000)
Proceeds from issuance of long-term debt	4,413,448	7,909,349
Principal payments on long-term debt	(2,962,992)	(3,258,750)
Capital expenditures	(9,494,570)	(13,644,481)
Interest payments	(1,642,161)	(1,588,538)
Distributions paid to member municipalities	(2,310,232)	(2,129,014)
Capital project funds	-	1,512,922
Bond debt service funds	124,465	(1,795)
Net cash used in capital and related financing activities	<b>(9,872,042)</b>	(13,200,307)
Net increase (decrease) in cash and cash equivalents	<b>5,275,361</b>	(125,371)
Cash and cash equivalents at beginning of year	<b>11,383,479</b>	11,508,850
Cash and cash equivalents at end of year	<b>\$ 16,658,840</b>	\$ 11,383,479

(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>	<b>2025</b>	<b>2024</b>
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>Provided by Operating Activities</b>		
Operating income	\$ 7,800,927	\$ 8,924,234
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	5,399,223	4,785,336
Changes in certain assets and liabilities:		
Customer accounts receivable	(1,427,122)	858,549
Other accounts receivable	(9,420,689)	(811,247)
Materials and supplies	347,036	(129,921)
Gas in storage	(374,852)	2,371,612
Prepayments and other	54,370	(106,146)
Other deferred charges	220,347	142,463
Accounts payable	2,680,539	(1,121,865)
Customer deposits	169,650	106,216
Accrued expenses	310,105	306,103
Regulatory liabilities — pension	(2,823,769)	(4,220,736)
Hedging activities — net	3,196,229	2,691,031
Deferred outflows — pension	2,073,590	2,835,978
Other — net	(2,846,654)	(2,443,572)
Total adjustments	(2,441,997)	5,263,801
Net cash provided by operating activities	\$ 5,358,930	\$ 14,188,035

(Concluded)

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

The Southeast Alabama Gas District  
Statement of Fiduciary Net Position

Employee Pension  
Trust Fund

<i>September 30,</i>	<b>2025</b>
<b>Assets</b>	
Investments, at fair value	\$ 48,106,595
Total assets	48,106,595
<b>Liabilities</b>	
Accounts payable	-
Total liabilities	-
<b>Net Position</b>	
Restricted - held in trust for pension benefits	\$ 48,106,595

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

**The Southeast Alabama Gas District  
Statement of Changes in Fiduciary Net Position**

	Employee Pension Trust Fund
<i>For the year ended September 30,</i>	<b>2025</b>
<b>Additions</b>	
Contributions - employer	\$ 1,701,012
Net investment income (loss)	4,228,437
Total additions	5,929,449
<b>Deductions</b>	
Benefits paid	3,161,997
Total deductions	3,161,997
Net increase (decrease) in fiduciary net position	2,767,452
Net position, beginning of year	45,339,143
Net position, end of year	\$ 48,106,595

*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 37 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.

**Financial Statements** — Southeast Gas reports its primary operating activities as a proprietary fund. A fiduciary fund has been established to account for assets restricted for payment of pension benefits to employees for which Southeast Gas serves as the trustee. Activity in the proprietary and fiduciary funds is reported using the economic resources measurement focus and the accrual basis of accounting.

Southeast Gas’s regulatory assets and liabilities as of September 30, 2025 and 2024 consisted of the following:

<i>September 30,</i>	2025		2024	
	Current	Noncurrent	Current	Noncurrent
<b>Regulatory Assets:</b>				
Fair value of derivatives	\$ -	\$ 87,400	\$ 987,285	\$ 349,100
Unamortized loss on reacquired debt	-	53,998	-	230,569
Unamortized debt expense	-	146,221	-	163,815
PGP assessment	-	4,638,736	-	3,718,011
Pension	-	-	-	1,697,302
<b>Total regulatory assets</b>	<b>\$ -</b>	<b>\$ 4,926,355</b>	<b>\$ 987,285</b>	<b>\$ 6,158,797</b>

## The Southeast Alabama Gas District Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

<i>September 30,</i>	2025		2024	
	Current	Noncurrent	Current	Noncurrent
<b>Regulatory Liabilities:</b>				
Fair value of derivatives	\$ 53,665	\$ -	\$ -	\$ -
Annuity payable	-	450,000	-	450,000
Unearned gas supply project rebates	-	706,328	-	485,981
Net pension liability	-	3,040,028	-	4,852,251
Pension	-	685,766	-	-
Other retirement liability	299,892	-	281,131	-
<b>Total regulatory liabilities</b>	<b>\$ 353,557</b>	<b>\$ 4,882,122</b>	<b>\$ 281,131</b>	<b>\$ 5,788,232</b>

**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, 2025 and 2024, consisted of the following:

<i>September 30,</i>	2025			2024		
	MMBtu	\$ Gas	Admin Fee	MMBtu	\$ Gas	Admin Fee
<b>SGS Projects:</b>						
Project 1	1,791,850	\$ 5,774,143	\$ 53,756	1,738,200	\$ 3,882,994	\$ 52,146
Project 2	1,337,500	4,388,316	40,125	1,279,766	2,698,869	38,393
<b>Total</b>	<b>3,129,350</b>	<b>\$ 10,162,459</b>	<b>\$ 93,881</b>	<b>3,017,966</b>	<b>\$ 6,581,863</b>	<b>\$ 90,539</b>

Southeast Gas receives \$0.01 per MMBtu from SGS for management fees. SGS paid \$228,177 and \$236,376 to Southeast Gas for management fees in 2025 and 2024, 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, 2025 and 2024, consisted of the following:

<i>September 30,</i>	2025			2024		
	MMBtu	\$ Gas	Admin Fee	MMBtu	\$ Gas	Admin Fee
<b>SEA Projects:</b>						
Project 2	4,074,000	\$ 13,204,100	\$ 122,220	4,026,000	\$ 9,024,940	\$ 120,780
Project 4	2,462,000	7,805,240	73,860	2,470,500	5,316,665	74,115
Project 5	440,500	1,391,745	13,215	442,000	971,215	13,260
Project 6	3,099,500	8,723,236	123,980	3,082,050	4,723,773	123,282
Project 8	366,000	940,470	10,980	-	-	-
Project 11	549,000	1,685,640	21,960	-	-	-
<b>Total</b>	<b>10,991,000</b>	<b>\$ 33,750,431</b>	<b>\$ 366,215</b>	<b>10,020,550</b>	<b>\$ 20,036,593</b>	<b>\$ 331,437</b>

## The Southeast Alabama Gas District Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Southeast Gas receives \$0.01 per MMBtu from SEA for management fees. SEA paid \$486,861 and \$372,600 to Southeast Gas for management fees in 2025 and 2024, respectively.

Southeast Gas provides short-term operating capital to SEA to cover the initial start-up costs of uncompleted projects. As of September 30, 2025 and 2024, SEA owed Southeast Gas \$384,069 and \$748,152 for start-up costs and management fees.

**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 (\$5,338,932 as of September 30, 2025) 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 (\$13,095,179 as of September 30, 2025). 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, 2025 and 2024, 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, 2025 and 2024, the Board of Directors approved a distribution of \$1,760,128 and \$2,310,232, 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 2.97% and 2.70% of the cost of the depreciable gas utility plant in service for the years ended September 30, 2025 and 2024, 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.

## The Southeast Alabama Gas District Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**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.

**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. These investments are carried at amortized cost, which approximates market value at September 30, 2025 and 2024.

**Investments – Fiduciary Fund** — Fiduciary fund investments consist primarily of mutual funds and pooled separate accounts which are restricted for payment of retirement benefits to qualifying plan participants. These investments are reported at fair value at September 30, 2025 and 2024.

**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, capital construction reimbursements and interest receivable.

At September 30, 2025, other accounts receivable includes an amount due from a customer for reimbursement of the cost of construction of a new service line. The balance of this receivable at September 30, 2025 was \$9,087,352 of which \$6,522,153 is not scheduled to be paid in the next fiscal year and is reported as other accounts receivable — noncurrent. This receivable is secured by a utility guarantee bond in the amount of \$11,650,000 issued by the customer.

**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.

## The Southeast Alabama Gas District Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**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.

**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, 2025 and 2024.

**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 94% 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.

## The Southeast Alabama Gas District Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**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.

**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, 2025 and 2024 is as follows:

<i>September 30,</i>	<b>2025</b>	<b>2024</b>
Noncash transactions — declaration of distributions to member municipalities	<b>\$ 1,760,128</b>	<b>\$ 2,310,232</b>

**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, 2025 and 2024 were \$981,400 and \$2,673,130, 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 \$53,665 of net gains 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.

## The Southeast Alabama Gas District Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Fair Value Measurements** — Southeast Gas's financial instruments consist of cash and cash equivalents, restricted cash, certificates of deposit, investments, 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. Investments and 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:

*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, 2025. 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. 101, *Compensated Absences*. This statement became effective for fiscal years beginning after December 15, 2023. This Statement supersedes prior guidance based on vesting and instead requires recognizing a liability only when leave is *more likely than not* to be used, paid in cash, or otherwise settled. The adoption of this Statement for the fiscal year ended September 30, 2025 had no impact on the previously reported beginning net position.

## The Southeast Alabama Gas District Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 102, *Certain Risk Disclosures*. This statement became effective for fiscal years beginning after June 15, 2024. This Statement requires governments to disclose potential risks arising from vulnerabilities due to certain concentrations or constraints when those conditions make the government vulnerable to a substantial impact, and when associated events have occurred, are in process, or are more likely than not to occur within 12 months of the issuance of the financial statements. The adoption did not impact amounts previously reported in net position, and no new disclosures were required, as management was not aware of any concentrations or constraints with related events that met all of the disclosure criteria as of the issuance of these financial statements.

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

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.

GASB Statement No. 105, *Subsequent Events*. This Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This Statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained. That definition modifies the subsequent events time frame throughout the GASB literature. This Statement also requires the date through which subsequent events have been evaluated to be disclosed. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. he requirements of this Statement are effective for fiscal years beginning after June 15, 2026, 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, 2026, 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: INVESTMENTS – FIDUCIARY FUNDS

Investments restricted for the payment of pension benefits are reported in the fiduciary fund financial statements and consist of pooled separate accounts with underlying investments in various securities, primarily mutual funds. These investments are held by a brokerage firm which serves as the third party administrator of the plan. Oversight for pension plan investment decisions is vested in the Pension Oversight Committee, appointed the Board of Directors of Southeast Gas, the plan sponsor. The Pension Oversight Committee meets quarterly with the plan’s investment advisor to review investment performance and assess the adequacy of the current investment portfolio.

**Fair Value** – GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The following table sets forth by level, within the fair value hierarchy, the fiduciary fund investments at fair value as of September 30, 2025:

	Fair Value	Credit Quality Rating	Level
Investments by fair value level			
Fiduciary fund			
Mutual funds - money market	5,106,034	A+	L1
Mutual funds - bonds	14,529,286	AAA - B	L1
Mutual funds - stocks	28,471,275		L1
Total fiduciary fund	48,106,595		

**Interest Rate Risk** – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. The Pension Oversight Committee monitors interest rate risk as part of its quarterly review process and proposes changes when necessary to mitigate the impact of interest rate risk.

**Credit Risk** – GASB Statement 40: *Deposit and Investment Risk Disclosures* requires that governments provide information about credit risk associated with their investments by disclosing the credit rating of investments in debt securities as described by nationally recognized statistical rating organizations.

**Concentration Risk** – GASB Statement 40: *Deposit and Investment Risk Disclosures* requires disclosures of investments in any one issuer that represents five percent or more of total investments, excluding investments issued or explicitly guaranteed by the U.S government, investments in mutual funds, external investments pools and other pooled investments. The Pension Oversight Committee monitors concentration risk as part of its quarterly review process and proposes changes when necessary to maintain adequate diversification of the plan’s investment portfolio.

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

**Note 3: GAS UTILITY PLANT IN SERVICE AND LEASE ASSETS**

Southeast Gas's gas utility plant in service at September 30, 2025 and 2024 consisted of the following:

	<b>October 1, 2024</b>	<b>Additions</b>	<b>Reductions</b>	<b>September 30, 2025</b>
Construction in progress	\$ 16,890,047	\$ 9,494,570	\$ 17,812,258	\$ 8,572,359
Gas utility plant in service:				
Land	1,361,972	-	-	1,361,972
Transmission plant	47,341,708	928,756	-	48,270,464
Distribution plant	101,126,560	3,687,274	353,196	104,460,638
Production plant	12,529	-	-	12,529
Buildings	10,976,994	83,157	30,205	11,029,946
Equipment and other	17,688,224	2,705,002	978,321	19,414,905
	178,507,987	7,404,189	1,361,722	184,550,454
Accumulated depreciation	(89,015,769)	(5,354,745)	(2,092,457)	(92,278,057)
Gas utility plant in service - net	\$ 106,382,265	\$ 11,544,014	\$ 17,081,523	\$ 100,844,756

	<b>October 1, 2023</b>	<b>Additions</b>	<b>Reductions</b>	<b>September 30, 2024</b>
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 3: GAS UTILITY PLANT IN SERVICE AND LEASE ASSETS (Continued)

Southeast Gas’s intangible right-of-use lease assets at September 30, 2025 and 2024 consisted of the following:

<i>September 30,</i>	<b>2025</b>	<b>2024</b>
<b>Lease Assets</b>		
Office Space - Montgomery, AL	\$ 233,508	\$ 233,508
Accumulated amortization	(222,389)	(177,911)
Lease asset, net	\$ 11,119	\$ 55,597

### Note 4: 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 \$0 at September 30, 2025. The 2015A Bonds bear interest at a rate of 2.38% and mature at various dates ranging from 2025 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 \$3,072,500 at September 30, 2025. The 2015B Bonds bear interest at a rate of 2.96% and mature at various dates ranging from 2025 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 \$0 at September 30, 2025. The 2017 Bonds bear interest at a rate of 2.3% and mature at various dates ranging from 2025 through 2026.

**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 \$7,145,797 at September 30, 2025. 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 \$5,373,282 at September 30, 2025. 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%. These bonds have a long-term balance of \$3,339,517 at September 30, 2025. On the conversion of the loan an amortization schedule for principal payments are supplied. The following loans have been converted.

## The Southeast Alabama Gas District Notes to Financial Statements

### Note 4: FINANCING ARRANGEMENTS (Continued)

**Series 2023 Bonds VR1** – In September 2025, Southeast Gas converted \$10,408,070 of the \$25,000,000 for construction of new mains. These bonds have a long-term balance of \$9,424,916.

**Series 2023 Bonds VR2** – In September 2025, Southeast Gas converted \$5,600,000 of the \$25,000,000 for construction of new mains. These bonds have a long-term balance of \$5,071,020.

**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, 2025 was 2.00%. There was \$10,000,000 and \$8,000,000 outstanding at September 30, 2025 and 2024, 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 \$12,650 and \$62,498 as of September 30, 2025 and 2024, respectively.

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

**Note 4: 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, 2025 and 2024:

	Beginning Balance	Borrowings	Payments	Ending Balance	Due Within One Year
<b>September 30, 2025</b>					
Series 2015A Bonds	\$ 1,451,250	\$ -	\$ 1,080,000	\$ 371,250	\$ 371,250
Series 2015B Bonds	3,671,250	-	296,250	3,375,000	302,500
Series 2017 Bonds	1,998,750	-	1,481,250	517,500	517,500
Series 2022A Bonds	7,470,241	-	63,815	7,406,426	260,630
Series 2022B Bonds	5,589,759	-	41,677	5,548,082	174,799
Series 2023 Bonds	14,934,139	4,413,448	16,008,070	3,339,517	-
Series 2023 Bonds VR1	-	10,408,070	-	10,408,070	983,154
Series 2023 Bonds VR2	-	5,600,000	-	5,600,000	528,980
	\$ 35,115,389	\$ 20,421,518	\$ 18,971,062	\$ 36,565,845	\$ 3,138,813
Line of credit	\$ 8,000,000	\$ 10,000,000	\$ 8,000,000	\$ 10,000,000	\$ -
Lease liability	\$ 62,498	\$ -	\$ 49,848	\$ 12,650	\$ 12,650
Compensated absences, net	\$ 2,167,380	\$ 203,550	\$ -	\$ 2,370,930	\$ 2,370,930
<b>September 30, 2024</b>					
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	\$ 10,000,000	\$ 8,000,000	\$ 10,000,000	\$ 8,000,000	\$ -
Lease liability	\$ 109,368	\$ -	\$ 46,870	\$ 62,498	\$ 49,847
Compensated absences, net	\$ 2,042,870	\$ 124,510	\$ -	\$ 2,167,380	\$ 2,167,380

## The Southeast Alabama Gas District Notes to Financial Statements

### Note 4: FINANCING ARRANGEMENTS (Continued)

**Debt Service** — The debt service requirements for bonds payable and lease obligations outstanding at September 30, 2025 are as follows:

Fiscal Year Ending September 30,	Series 2015 A and B Bonds		Series 2017 Bonds	
	Principal	Interest	Principal	Interest
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	342,500	58,477	-	-
2031–2035	1,762,500	130,493	-	-
<b>Totals</b>	<b>\$ 3,746,250</b>	<b>\$ 524,984</b>	<b>\$ 517,500</b>	<b>\$ 5,014</b>

Fiscal Year Ending September 30,	Series 2022A Bonds		Series 2022B Bonds	
	Principal	Interest	Principal	Interest
2026	\$ 260,630	\$ 242,680	\$ 174,799	\$ 239,508
2027	269,443	233,867	181,226	231,727
2028	278,554	224,757	190,710	223,598
2029	287,972	215,338	198,525	215,105
2030	297,710	205,601	207,397	206,233
2031–2035	1,646,527	870,025	1,184,582	883,569
2036–2040	1,944,369	572,182	1,474,016	594,134
2041–2045	2,296,089	220,463	1,834,170	233,980
2046–2050	125,132	695	102,657	751
<b>Totals</b>	<b>\$ 7,406,426</b>	<b>\$ 2,785,608</b>	<b>\$ 5,548,082</b>	<b>\$ 2,828,605</b>

Fiscal Year Ending September 30,	Series 2023 VR1 Bonds		Series 2023 VR2 Bonds	
	Principal	Interest	Principal	Interest
2026	\$ 983,154	\$ 514,010	\$ 528,980	\$ 276,560
2027	1,157,137	476,133	622,591	256,180
2028	1,220,585	412,685	656,728	222,043
2029	1,287,511	345,758	692,738	186,033
2030	1,358,107	275,162	730,721	148,049
2031–2033	4,401,576	362,127	2,368,242	194,841
<b>Totals</b>	<b>\$ 10,408,070</b>	<b>\$ 2,385,875</b>	<b>\$ 5,600,000</b>	<b>\$ 1,283,706</b>

Fiscal Year Ending September 30,	Lease Obligations	
	Principal	Interest
2026	\$ 12,650	\$ 633
<b>Totals</b>	<b>\$ 12,650</b>	<b>\$ 633</b>

## The Southeast Alabama Gas District Notes to Financial Statements

### Note 4: 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
<b><i>As of September 30, 2025</i></b>			
Bond sinking funds	\$ 35,665	\$ 57,592	\$ 66,355
Debt service interest fund	40,924	994	9,075
	\$ 76,589	\$ 58,586	\$ 75,430

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

**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, 2025, the unamortized loss on reacquired debt totaled \$0.

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, 2025, the unamortized loss on reacquired debt totaled \$45,947.

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, 2025, the unamortized loss on refunded debt totaled \$8,051.

### Note 5: 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 5: 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 6: 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, 2025 and 2024, Southeast Gas had recorded a net pension liability of \$3,040,028 and \$4,852,251, 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 \$345,000 in 2025 and \$1.7 million in 2024.

**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, 2024, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	153
Inactive employees entitled to but not yet receiving benefits	52
Active employees	72

## The Southeast Alabama Gas District Notes to Financial Statements

### Note 6: 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>	<b>2025</b>	<b>2024</b>
Actuarially determined required contribution	\$ 1,412,161	\$ 1,566,293
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, 2025, 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, 2024. 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, 2024 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, 2025
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:

<b>Asset Class</b>	<b>Allocation Percentage</b>
Equity investments	55.00%
Fixed income investments	30.00%
Cash and cash equivalents	11.00%
Real estate	4.00%

**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 6: 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, 2025:

	1% Decrease (6.25%)	Current Rate (7.25%)	1% Increase (8.25%)
Net pension liability	\$ 8,540,858	\$ 3,040,028	\$ (1,638,434)

**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
<b>September 30, 2025</b>			
Balances at September 30, 2024	\$ 50,191,394	\$ 45,339,143	\$ 4,852,251
Service cost	380,662	-	380,662
Interest	3,564,338	-	3,564,338
Differences between expected and actual experience	172,226	-	172,226
Differences between projected and actual investment earnings	-	3,230,280	(3,230,280)
Contributions - employer	-	1,701,012	(1,701,012)
Projected investment income	-	998,157	(998,157)
Benefit payments	(3,161,997)	(3,161,997)	-
Balances at September 30, 2025	\$ 51,146,623	\$ 48,106,595	\$ 3,040,028

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

**Note 6: DEFINED BENEFIT PENSION PLAN (Continued)**

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<b>September 30, 2024</b>			
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

**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
<b>September 30, 2025</b>		
Differences between expected and actual experience	\$ 113,656	\$ -
Changes in assumptions and other inputs	-	18,609
Net difference in projected and actual earnings on plan investments	1,749,687	4,912,482
	\$ 1,863,343	\$ 4,931,091
<b>September 30, 2024</b>		
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

## The Southeast Alabama Gas District Notes to Financial Statements

### Note 6: DEFINED BENEFIT PENSION PLAN (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources as of September 30, 2025 will be recognized in pension expense as follows:

	Deferred Outflows	Deferred Inflows	Net
Balances at September 30,			
2026	\$ 1,860,713	\$ (1,630,732)	\$ 229,981
2027	2,630	(1,612,122)	(1,609,492)
2028	-	(1,488,604)	(1,488,604)
2029	-	(199,633)	(199,633)
<b>Total</b>	<b>\$ 1,863,343</b>	<b>\$ (4,931,091)</b>	<b>\$ (3,067,748)</b>

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 7: 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, 2025 and 2024, the annual basic contribution was recorded as a liability in the amount of \$299,892 and \$281,131, 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, 2025 and 2024, Southeast Gas had total contributions to this plan of \$430,620 and \$402,868, respectively.

### Note 8: 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 8: 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 9: 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, 2025, plan participants consisted of the following groups:

Retirees	2
Spouses	2
Active plan members	192

The components of Southeast Gas's net OPEB liability at September 30, 2025 and 2024, is as follows:

<i>September 30,</i>	<b>2025</b>	<b>2024</b>
Net OPEB Liability	<b>\$ 292,304</b>	<b>\$ 524,637</b>

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, 2025 (the measurement date), using the following actuarial methods and assumptions:

Actuarial valuation date	October 1, 2025
Actual cost method	Entry Age, cost increasing at inflation
Discount rate	4.90%
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	Rates of retirement between ages 62 and 70

The discount rate used to measure the OPEB liability was the discount rate shown above, which is the 2025 20-year tax-free municipal bond (Bond Buyer 20-Bond General Obligation Index) yield of 4.90%. The Plan is not funded.

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

**Note 9: 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.

	<b>1% Decrease (3.90%)</b>	<b>Current Rate (4.90%)</b>	<b>1% Increase (5.90%)</b>
Total OPEB liability	\$ 301,365	\$ 292,304	\$ 267,367

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

	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
<b>September 30, 2025</b>			
Balances at September 30, 2024	\$ 524,637	\$ -	\$ 524,637
Service cost	22,893	-	22,893
Interest	20,861	-	20,861
Changes of assumptions	(267,537)	-	(267,537)
Benefit payments	(8,550)	-	(8,550)
Balances at September 30, 2025	\$ 292,304	\$ -	\$ 292,304

	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
<b>September 30, 2024</b>			
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

## The Southeast Alabama Gas District Notes to Financial Statements

### Note 9: 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:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>September 30, 2025</b>		
Differences between expected and actual experience	\$ -	\$ 245,184
Changes in assumptions and other inputs	8,841	86,524
	<b>\$ 8,841</b>	<b>\$ 331,708</b>
<b>September 30, 2024</b>		
Differences between expected and actual experience	\$ -	\$ 41,234
Changes in assumptions and other inputs	10,517	83,413
	<b>\$ 10,517</b>	<b>\$ 124,647</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources as of September 30, 2025 will be recognized in OPEB expense as follows:

	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>	<b>Net</b>
Balances at September 30,			
2026	\$ 1,676	\$ (60,477)	\$ (58,801)
2027	1,676	(60,476)	(58,800)
2028	1,676	(60,478)	(58,802)
2029	1,676	(54,353)	(52,677)
2030	1,032	(50,898)	(49,866)
2031 and after	1,105	(45,026)	(43,921)
<b>Total</b>	<b>\$ 8,841</b>	<b>\$ (331,708)</b>	<b>\$ (322,867)</b>

## The Southeast Alabama Gas District Notes to Financial Statements

### Note 10: DEPOSITS, INVESTMENTS, AND CONCENTRATION OF CREDIT RISK

At September 30, 2025, 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	\$ 16,564,731	72 %	Current	N/A
Money market funds	94,109	0 %	Current	N/A
Total cash and cash equivalents	16,658,840	72 %		
Investments:				
Certificates of deposit	6,291,066	27 %	Oct 2025 - Sept 2028	N/A
Bond debt service funds	210,605	1 %	Current	N/A
<b>Total cash and investments</b>	<b>\$ 23,160,511</b>	<b>100 %</b>		

**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 five customers that accounted for 24% in 2025 and six customers that accounted for 25% in 2024 of Southeast Gas's total distribution revenues. In addition, distribution revenues include transportation revenues to a transportation customer that accounted for 29% and 30% of total throughput for the years ended September 30, 2025 and 2024, respectively. The transportation revenues totaled \$1,324,736 for the year ended September 30, 2025, and \$1,380,943 for the year ended September 30, 2024. 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 11: 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 gain of \$29,135 and a loss of \$1,245,125 at September 30, 2025 and 2024, 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 11: DERIVATIVES AND HEDGING ACTIVITIES (Continued)

#### Terms and Objectives of Hedging Derivatives Instruments

Instrument Type	Objective	Total Notional Volume (Mmbtu)	Effective Dates	Expiration Dates	Terms	Fair Value	Increase (Decrease) in Fair Value
<b>September 30, 2025</b>							
NG futures - NYMEX Henry Hub long position	Cashflow hedge for - the purchase price of natural gas	1,455,000	June 2023 - Sept. 2025	Nov 2025 - Dec 2028	Southeast Gas pays fixed price for natural gas delivery	\$ (29,135)	\$ 1,274,260
<b>September 30, 2024</b>							
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)

**Fair Value Classification** – Natural gas futures contracts are classified as level 1 investments under the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*.

**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.

**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.

## The Southeast Alabama Gas District Notes to Financial Statements

### Note 12: 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 13: 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 2025.

**Capital Budget** — Southeast Gas's capital expenditures expected to be funded by current operations are currently estimated to total \$5 million in 2026, \$5 million in 2027, and \$5 million in 2028. 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 2025, total Pool 1 interests owned were estimated at approximately 4 Bcfe of natural gas. As of June 2025, production from such interests was approximately 12,700 Mcfe per day. Southeast Gas's share of that production is 35 Mcfe per day. The acquisitions were financed through PGP. Southeast Gas's share of the outstanding debt is approximately \$2.3 million. Based on index gas prices as of September 30, 2025, minimum annual payments to PGP for these committed volumes are estimated to be \$42,000. 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 companies have signed natural gas production agreements with Southeast Gas with the same terms and conditions as the agreement between Southeast Gas and PGP.

## The Southeast Alabama Gas District Notes to Financial Statements

### **Note 13: COMMITMENTS AND CONTINGENCIES (Continued)**

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 2025, production from such interests was approximately 511 Mcfe per day. Southeast Gas's share of that production is 1 Mcfe per day. The debt associated with these properties is approximately \$3.6 million with Southeast Gas's share being approximately \$181,000, 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, 2025, minimum annual payments to PGP for these committed volumes are estimated to be \$1,700.

Pool 3 is composed of four members, Southeast Gas, MGAG, Patriots Energy Group, and National Public Gas Agency. As of June 2025, total Pool 3 interests owned were estimated at approximately 131 Bcfe of natural gas. As of June 2025, production from such interests was approximately 23,000 Mcfe per day. Southeast Gas's share of that production is approximately 2,300 Mcfe per day. The outstanding debt associated with these properties is \$56 million with Southeast Gas's share being approximately \$5.6 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, 2025, minimum annual payments to PGP for these committed volumes are estimated to be \$2.7 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 \$1.85 million and \$1.7 million for the years ended September 30, 2025 and 2024, respectively, and are included in "Natural Gas Purchases" in the accompanying statements of revenues, expenses, and changes in net position.

### **Note 14: 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, 2025 and 2024, were \$1,760,128 and \$2,310,232 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 15: 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 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 Southeast Alabama Gas District  
Notes to Financial Statements**

**Note 15: FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

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

<i>September 30, 2025</i>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Natural gas futures contracts	\$ 29,135	\$ -	\$ 29,135	\$ -
<i>September 30, 2024</i>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Natural gas futures contracts	\$ (1,245,125)	\$ -	\$ (1,245,125)	\$ -

The carrying amount and fair value of the Series 2023VR1, Series 2023VR2, 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:

	<b>2025</b>		<b>2024</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
Series 2023VR1 Bonds	\$ 10,408,070	\$ 10,973,810	\$ -	\$ -
Series 2023VR2 Bonds	\$ 5,600,000	\$ 5,904,393	\$ -	\$ -
Series 2022A Bonds	\$ 5,548,082	\$ 5,890,588	\$ 5,589,759	\$ 6,294,927
Series 2022B Bonds	\$ 7,406,426	\$ 7,237,498	\$ 7,470,246	\$ 7,692,157
Series 2017 Bonds	\$ 517,500	\$ 504,650	\$ 1,998,750	\$ 1,961,566
Series 2015A Bonds	\$ 371,250	\$ 362,153	\$ 1,451,250	\$ 1,425,069
Series 2015B Bonds	\$ 3,375,000	\$ 3,247,153	\$ 3,671,250	\$ 3,656,515

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**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>	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Total Pension Liability</b>										
Service cost	\$ 380,662	\$ 422,489	\$ 523,080	\$ 513,600	\$ 523,346	\$ 537,212	\$ 547,546	\$ 568,707	\$ 630,808	\$ 650,875
Interest	3,564,338	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
Differences between expected and actual experience	172,226	56,275	1,161,031	441,471	320,100	645,069	571,729	256,990	245,538	(1,151,796)
Change of assumptions	-	-	-	86,351	(140,175)	(54,161)	(120,018)	(224,513)	(472,307)	1,636,311
Benefit payments	(3,161,997)	(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)
Net change in total pension liability	955,229	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
Total pension liability - Beginning	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
Total Pension Liability - Ending	51,146,623	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
<b>Plan Fiduciary Net Position</b>										
Contributions - employer	1,701,012	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
Net investment income	4,228,437	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
Benefit payments	(3,161,997)	(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)
Administrative expenses	-	-	-	-	-	-	-	-	(5,792)	(19,015)
Net change in plan fiduciary net position	2,767,452	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
Plan fiduciary net position - Beginning	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
Plan fiduciary net position - Ending	48,106,595	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
Net pension liability - Ending	\$ 3,040,028	\$ 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
Plan fiduciary net position as a percentage of total pension liability	94.06%	90.33%	76.23%	75.57%	93.08%	82.02%	83.89%	85.18%	82.85%	77.70%
<b>Covered Payroll</b>	\$ 6,478,514	\$ 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
Net pension liability as a percentage of covered payroll	46.92%	78.65%	175.59%	178.21%	48.19%	127.18%	97.12%	84.86%	91.84%	110.46%

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

<i>September 30,</i>	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Actuarially determined contribution	\$ 1,412,161	\$ 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
Contribution in relation to the actuarially determined contribution	1,701,012	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
Contribution deficiency (excess)	(288,851)	(134,719)	(119,291)	(375,467)	(284,747)	(295,749)	(394,530)	(64,059)	(3)	(130,434)
Covered payroll	6,478,514	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
Contributions as a percentage of covered payroll	26.26%	27.57%	25.54%	26.51%	26.37%	27.80%	26.91%	22.65%	23.93%	22.42%

**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>	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Total OPEB Liability</b>								
Service cost	\$ 22,893	\$ 21,391	\$ 10,548	\$ 13,392	\$ 13,103	\$ 13,228	\$ 15,636	\$ 17,463
Interest	20,861	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	(248,283)	-	(65)	(43,702)	-	(25,019)	-	-
Change of assumptions	(19,254)	7,063	(1,791)	(24,768)	8	7,425	(108,863)	(18,121)
Benefit payments	(8,550)	(7,250)	(3,275)	(825)	(1,200)	(8,075)	(8,850)	(6,150)
<b>Net change in total pension liability</b>	<b>(232,333)</b>	<b>41,684</b>	<b>251,502</b>	<b>(49,265)</b>	<b>18,102</b>	<b>(5,075)</b>	<b>(86,581)</b>	<b>6,344</b>
Total OPEB liability - Beginning	524,637	482,953	231,451	280,716	262,615	267,690	354,271	347,927
Total OPEB Liability - Ending	292,304	524,637	482,953	231,451	280,717	262,615	267,690	354,271
<b>Covered-Employee Payroll</b>	<b>\$ 14,180,451</b>	<b>\$ 13,322,883</b>	<b>\$ 12,788,251</b>	<b>\$ 12,574,286</b>	<b>\$ 10,078,518</b>	<b>\$ 10,695,569</b>	<b>\$ 10,060,777</b>	<b>\$ 9,230,197</b>
Net pension liability as a percentage of covered- employee payroll	2.1%	3.9%	3.8%	1.8%	2.8%	2.5%	2.7%	3.8%

\* Only eight years of historical data were available for presentation at September 30, 2025.