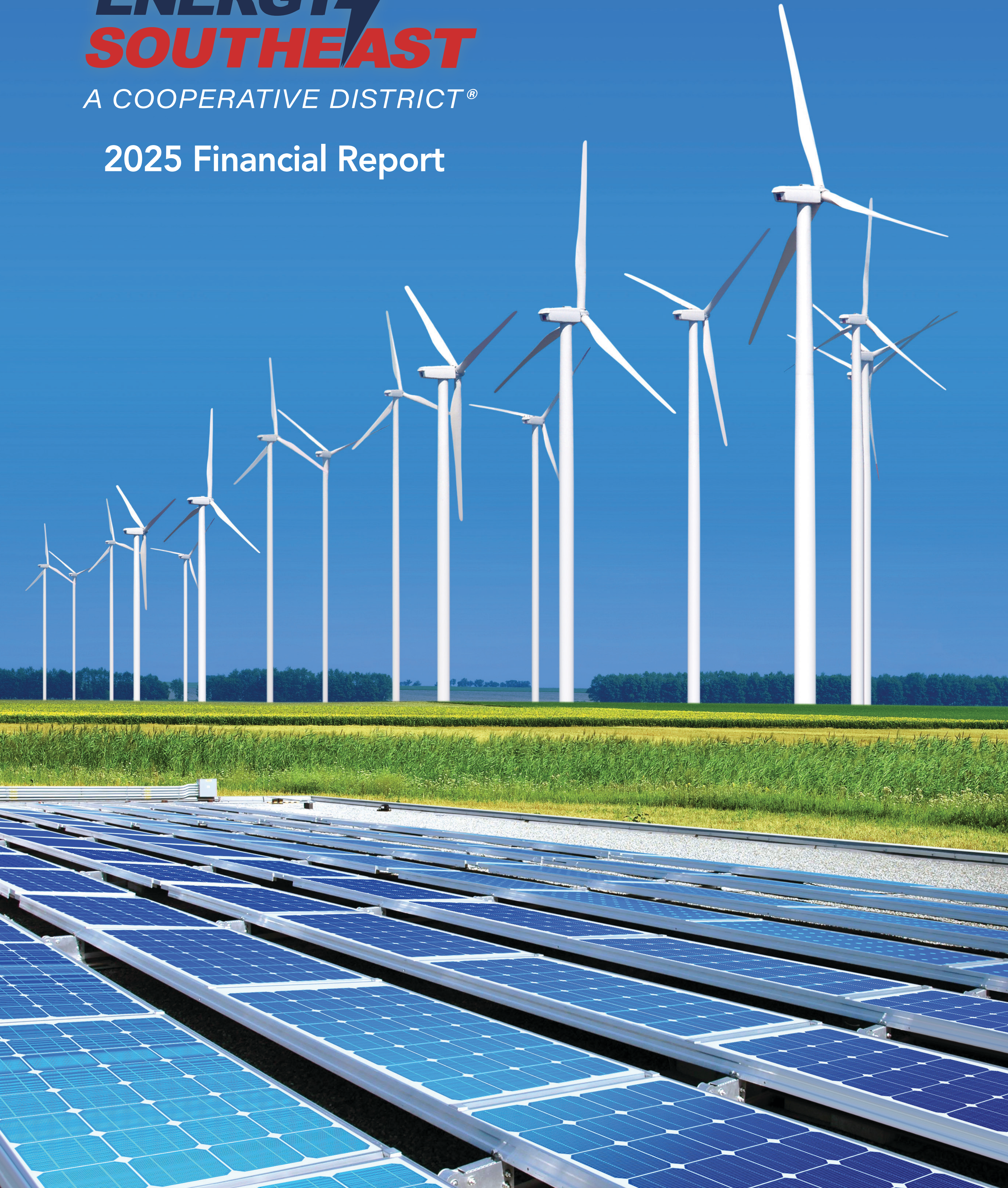
ENERGY SOUTHEAST

A COOPERATIVE DISTRICT®

2025 Financial Report



Energy Southeast, A Cooperative District

Financial Statements as of and for the Years Ended September 30, 2025 and 2024, and Independent Auditors' Report

Table of Contents

	Page
Management's Discussion and Analysis	3–7
Independent Auditors' Report	8–10
Financial Statements as of and for the Years Ended September 30, 2025 and 2024:	
Statements of Net Position	11
Statements of Revenues, Expenses, and Changes in Net Position	12
Statements of Cash Flows	13
Notes to Financial Statements	14–28

Management’s Discussion and Analysis

Overview of the Financial Statements

Management’s Discussion and Analysis (MD&A) is intended to serve as an introduction to Energy Southeast, A Cooperative District (the District’s) basic financial statements. The MD&A represents management’s examination and analysis of the District’s financial condition and performance. The financial statements report information about the District using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include the statements of net position, statements of revenues, expenses, and changes in net position, the statements of cash flows, and the notes to the financial statements.

The statements of net position represent a point-in-time snapshot of the nature and amount of the District’s resources and obligations. The statements of net position present information on all of the District’s assets/deferred outflows and liabilities/deferred inflows, with the difference between the two being reported as net position.

The statements of revenues and expenses and changes in net position present information relative to how the District’s net position changed during the fiscal years presented. All changes in net position are reported on the accrual basis as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will result in cash flow in future fiscal years.

The statements of cash flows present the distribution of cash received and expended during the periods. Non-cash transactions are omitted from this statement.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The District operates only one type of proprietary fund—the enterprise fund type. Enterprise funds are used to report business-type activities (as contrasted with tax-supported governmental activities).

Financial Analysis

Condensed statements of net position as of September 30, 2025, 2024, and 2023 are as follows:

	2025	2024	2023
Current assets	$ 67,414,056	$ 64,376,414	$ 16,784,648
Noncurrent assets	2,080,228,206	2,437,418,064	520,769,716
Deferred outflows of resources	30,024,106	5,758,794	
Total assets and deferred outflows	2,177,666,368	2,507,553,272	537,554,364
Current liabilities	35,532,418	40,175,420	7,092,824
Noncurrent liabilities	2,141,449,612	2,128,634,948	530,466,290
Deferred inflows of resources		338,519,307	
Total liabilities and deferred inflows	2,176,982,030	2,507,329,675	537,559,114
Net position	$ 684,338	$ 223,597	$ (4,750)

Total Assets

- At September 30, 2025, current assets increased $3 million from fiscal year 2024 primarily due to an increase in the current portion of prepaid energy supply to be delivered over the next fiscal year. At September 30, 2024, current assets increased by $47 million from fiscal year 2023 primarily due to an increase of $41 million related to the current portion of prepaid energy supply, and an increase of $5.6 million related to accounts receivable generated from the commencement of energy deliveries in fiscal year 2024.
- At September 30, 2025, noncurrent assets decreased $357 million from fiscal year 2024 due to a decrease in fair value of derivative instruments – commodity swaps of $338 million driven by changes in commodity market prices. At September 30, 2024, noncurrent assets increased by $1.9 billion from fiscal year 2023 primarily due to two prepaid energy sales agreements being executed in fiscal year 2024 resulting in approximately $1.5 billion of prepaid energy supplies.
- At September 30, 2025, deferred outflows of resources increased by $24 million from fiscal year 2024 due to changes in the fair value of derivative instruments – commodity swaps. At September 30, 2024, deferred outflows of resources increased by $5.7 million from fiscal year 2023 primarily due to recording the fair value of derivative instruments – interest rate swaps associated with the 2023A-2 and 2023B-2 SOFR index rate bonds.

Total Liabilities

- Current liabilities decreased by $5 million from fiscal year 2024 to 2025 due to a decrease in accrued interest payable caused by a decrease in interest payments due on the 2024 Series B bonds. Current liabilities increased by $33 million from fiscal year 2023 to 2024 primarily due to the accrued interest associated with the issuance of the 2023 Series B and 2024 Series B bonds in fiscal year 2024.

- Noncurrent liabilities increased $13 million from fiscal year 2024 to 2025 due primarily to the net effect of bond premium amortization of $11 million and an increase in the fair value of derivative instruments – commodity swaps of $25 million, which flipped from an asset position to a liability position caused by changes in commodity market prices. Noncurrent liabilities increased by $1.6 billion from fiscal year 2023 to 2024 due to the issuance of the 2023 Series B bonds of $599.8 million and the associated bond premium of $12 million and issuance of the 2024 Series B bonds of $941.6 million and the associated bond premium of $47 million.
- Deferred inflows of resources decreased by $338 million from fiscal year 2024 to 2025 due to changes in commodity market prices affecting the fair value of derivative instruments – commodity swaps and increased by $338 million from fiscal year 2023 to 2024 due to the same reason.

Net Position

Net position increased by $460,741 and $228,347 in fiscal year 2025 and 2024, respectively, due to each respective years positive change in net position.

A summary of operations for the years ended September 30, 2025, 2024, and 2023 is as follows:

	2025	2024	2023
Total operating revenues	$ 68,873,350	$ 42,705,077	$ -
Operating expenses	59,748,884	35,167,241	4,750
Operating income	9,124,466	7,537,836	(4,750)
Other income (expense) - net	(8,663,725)	(7,309,489)	-
Change in net position	460,741	228,347	(4,750)
Net position - beginning of year	223,597	(4,750)	-
Net position - end of year	$ 684,338	$ 223,597	$ (4,750)

Total Operating Revenues

In fiscal year 2025, a total of 1,760,760 MWh of energy was delivered for total energy sales of $68 million, compared to 1,035,053 MWh of energy delivered for total energy sales of $42 million in fiscal year 2024. The increase of $26 million is due to fiscal year 2025 being the first full year of energy deliveries for Projects 2 and 3 (as defined in the Energy Prepayments and Long-Term Financing Activities section).

Operating Expenses

The majority of operating expenses represent the depletion of prepaid energy supplies that have been delivered to the Project Participant. As mentioned above, a total of 1,760,760 and 1,035,053 MWh of energy was delivered in fiscal year 2025 and 2024, respectively, resulting in prepaid energy supply depletion expense of $58 million and $40 million for fiscal years 2025 and 2024, respectively.

Other Income (Expense)—Net

Other income (expense)—net consists of items such as interest expense, investment income, bond issuance costs, bond premium amortization, and costs recoverable from future billings. While there was fluctuation in all of those items, other income (expense) – net changed by $1.3 million of additional expense from fiscal year 2024 to 2025 primarily due to an increase of interest expense of $30 million caused by fiscal year 2025 being the first full year of the 2023 Series B and 2024 Series B bonds being outstanding, an increase in costs recoverable from future billings of $16 million, and a decrease in bond issuance costs of $10 million due to no new projects being issued in fiscal year 2025. Other income (expense) – net also changed by $7.3 million of additional expense from fiscal year 2023 to 2024 primarily due to the costs recoverable from future billings impact associated with energy deliveries.

Energy Prepayments and Long-Term Financing Activity

Prepaid Energy Sales Agreement 1 (Project 1)
In fiscal year 2023, the District issued $501,240,000 of Energy Supply Revenue Bonds, 2023 Series A under a trust indenture for the purpose of executing a secured prepayment transaction for long-term energy supplies with Morgan Stanley Energy Structuring, LLC (MSES). The District entered into a prepaid energy sales agreement with MSES providing for the delivery of varying amounts of electric energy quantities totaling 13,511,350 MWh over a term of 30 years. The District also entered into a corresponding power supply contract with AMEA, which provides for the sale of energy to be delivered to AMEA over the term of the power supply contract. Energy deliveries related to Project 1 began October 1, 2023.

Prepaid Energy Sales Agreement 2 (Project 2)
In fiscal year 2024, the District issued $599,885,000 of Energy Supply Revenue Bonds, 2023 Series B under a trust indenture for the purpose of executing a secured prepayment transaction for long-term energy supplies with MSES. The District entered into an energy purchase agreement with MSES providing for the delivery of varying amounts of electric energy quantities totaling 19,196,664 MWh over a term of 30 years. The District also entered into a corresponding power supply contract with AMEA, which provides for the sale of energy to be delivered to AMEA over the term of the power supply contract. The energy deliveries related to Project 2 began March 1, 2024.

Prepaid Energy Sales Agreement 3 (Project 3)
In fiscal year 2024, the District issued $941,635,000 of Energy Supply Revenue Bonds, 2024 Series B under a trust indenture for the purpose of executing a secured prepayment transaction for long-term energy supplies with Energy Prepay II, LLC (EPII), a subsidiary of Morgan Stanley Capital Group Inc. The District entered into an energy purchase agreement with EPII providing for the delivery of varying amounts of electric energy quantities totaling 28,416,469 MWh over a term of 30 years. The District also entered into a corresponding power supply contract with AMEA, which provides for the sale of energy to be delivered to AMEA over the term of the power supply contract. The energy deliveries related to Project 3 began June 1, 2024.

<u>Summary of Long-Term Prepaid Energy Sales Agreements / Power Supply Contracts</u>
Below are the energy power supply contract quantities in MWh for each project over the next five years:

	Project 1	Project 2	Project 3	Total (in MWh)
September 30:				
2026	400,903	586,920	831,896	1,819,719
2027	385,440	586,920	867,240	1,839,600
2028	386,496	588,528	869,616	1,844,640
2029	385,440	586,920	867,240	1,839,600
2030	385,440	586,920	867,240	1,839,600

Project Participants

The District was incorporated in 2019 but did not begin operating until 2023. As of September 30, 2025 and 2024, AMEA is the only Project Participant (“Participant”).

Economic Outlook and Currently Known Facts

The District’s current prepay transactions, prepaid energy sales agreements, power supply contracts, and related hedging mechanisms are structured to mitigate its risk from market volatility. While the energy sales revenue and costs associated with the contracts may vary from year to year, the margin on the sales remains the same. The same structure will be established for any prepay transactions the District enters in the future when market conditions are favorable for such transaction.

The District has entered into two additional prepay projects subsequent to September 30, 2025. These two prepay projects include project participants other than AMEA. See Note 10 for additional details.

Contacting the District’s Financial Management

This financial report is designed to provide the creditors, customers, investors, and other users with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have any questions about this report or need additional financial information regarding the District, contact Logan Remson, Vice President and Chief Financial Officer of Energy Southeast, A Cooperative District, 80 TechnaCenter Drive, Suite 200, Montgomery, Alabama 36117, or call (334) 387-3512.

Independent Auditors' Report

Board of Directors
Energy Southeast, a Cooperative District
Montgomery, Alabama

Opinion

We have audited the accompanying financial statements of the business-type activities of Energy Southeast, a Cooperative District (ESE), as of and for the years ended September 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the ESE's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of ESE, as of September 30, 2025 and 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ESE, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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 ESE'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.

74 Commerce Street, Montgomery, AL 36104
P.O. Box 33, Montgomery, AL, 36101-0033
116 Company Street
Wetumpka, AL, 36092
(334) 834-6640
100 North Gay Street, Suite 340
Auburn, AL 36830
201 Williams SW, Suite 280
Huntsville, AL 35801
www.AldridgeBorden.com

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ESE's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the ESE'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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Aldridge, Borden and Company, P.C.

Montgomery, Alabama

February 11, 2026

Energy Southeast, A Cooperative District
Statements of Net Position
As of September 30, 2025 and 2024

Assets and Deferred Outflows	2025	2024
Current assets		
Cash and cash equivalents, unrestricted	$ 572,109	$ 216,592
Cash and cash equivalents, restricted	1,219,475	398,274
Accounts receivable	5,748,440	5,660,823
Prepaid energy supply	59,848,377	58,100,725
Other prepaid expenses	25,655	
Total current assets	67,414,056	64,376,414
Noncurrent assets		
Prepaid energy supply	1,859,169,114	1,919,017,491
Costs recoverable from future billings	169,176,796	81,603,088
Investments, restricted	51,882,296	98,278,178
Fair value of derivative instruments		338,519,307
Total noncurrent assets	2,080,228,206	2,437,418,064
Deferred outflows of resources		
Accumulated change in fair value of hedging derivatives	30,024,106	5,758,794
Total assets and deferred outflows	$ 2,177,666,368	$ 2,507,553,272

Liabilities, Deferred Inflows, and Net Position	2025	2024
Current liabilities		
Accounts payable	$ 36,550	$ 40,447
Accrued interest payable, restricted	35,495,868	40,134,973
Total current liabilities	35,532,418	40,175,420
Noncurrent liabilities		
Revenue bonds	2,042,760,000	2,042,760,000
Bond premium	68,665,506	80,116,154
Fair value of derivative instruments	30,024,106	5,758,794
Total noncurrent liabilities	2,141,449,612	2,128,634,948
Deferred inflows of resources		
Accumulated change in fair value of hedging derivatives		338,519,307
Total liabilities and deferred inflows	2,176,982,030	2,507,329,675
Net position	684,338	223,597
Total liabilities, deferred inflows, and net position	$ 2,177,666,368	$ 2,507,553,272

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

Energy Southeast, A Cooperative District
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended September 30, 2025 and 2024

	2025	2024
Operating revenues		
Energy sales	$ 68,274,126	$ 42,321,194
Administrative fees	599,224	383,883
Total operating revenues	68,873,350	42,705,077
Operating expenses		
Depletion of prepaid energy supplies	58,100,725	34,940,200
Energy supply rebate	376,825	
Project expenses	132,851	71,505
Management and administration fee	1,000,000	
Administrative and general	138,483	155,536
Total operating expenses	59,748,884	35,167,241
Operating income	9,124,466	7,537,836
Other income (expense):		
Interest expense	(110,805,589)	(80,290,939)
Costs recoverable from future billings	87,573,708	71,780,429
Investment income	3,117,508	3,336,481
Bond issuance costs		(10,107,120)
Bond premium amortization	11,450,648	7,971,660
Total other income (expense) - net	(8,663,725)	(7,309,489)
Change in net position	460,741	228,347
Net position:		
Balance - beginning of year	223,597	(4,750)
Balance - end of year	$ 684,338	$ 223,597

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

Energy Southeast, A Cooperative District
Statements of Cash Flows
For the Years Ended September 30, 2025 and 2024

	2025	2024
Cash flows from (used for) operating activities		
Cash received from sales of energy	$ 68,408,908	$ 37,044,254
Cash paid under prepaid power supply contracts		(1,510,079,062)
Cash paid to suppliers	(1,300,886)	(186,594)
Net cash from (used for) operating activities	67,108,022	(1,473,221,402)
Cash flows from (used for) noncapital related financing activities		
Issuance of energy supply revenue bonds		1,541,520,000
Issuance of bond premium		58,861,524
Bond issuance costs and underwriter's discount		(10,107,120)
Interest paid	(115,444,694)	(47,248,790)
Net cash from (used for) noncapital related financing activities	(115,444,694)	1,543,025,614
Cash flows from (used for) investing activities		
Proceeds from (purchases of) funds invested	46,395,882	(72,666,785)
Interest receipts	3,117,508	3,336,481
Net cash from (used for) investing activities	49,513,390	(69,330,304)
Net increase in cash and cash equivalents	1,176,718	473,908
Cash and cash equivalents - beginning of year	614,866	140,958
Cash and cash equivalents - end of year	$ 1,791,584	$ 614,866
Reconciliation of cash and cash equivalents		
Unrestricted	$ 572,109	$ 216,592
Restricted	1,219,475	398,274
	$ 1,791,584	$ 614,866
Reconciliation of operating income to net cash from (used for) operating activities		
Operating income	$ 9,124,466	$ 7,537,836
Adjustments to reconcile operating income to net cash used for operating activities		
Depletion of prepaid energy supplies	58,100,725	34,940,200
Changes in operating assets and liabilities		
Accounts receivable	(87,617)	(5,660,823)
Prepaid energy supply contracts		(1,510,079,062)
Other prepaid expenses	(25,655)	
Accounts payable	(3,897)	40,447
Total adjustments	57,983,556	(1,480,759,238)
Net cash from (used for) operating activities	$ 67,108,022	$ (1,473,221,402)

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

1. Summary of Significant Accounting Policies

Organization and Operations

Energy Southeast, A Cooperative District (the District) is a public corporation and a capital improvement cooperative district of the State of Alabama, duly created and existing Sections 11-99B-1 through 11-99B-18 of the Alabama Code (1975), as amended. The District was incorporated and organized in 2019 pursuant to authorization of the governing body of Alabama Municipal Electric Authority (AMEA) by a Certificate of Incorporation. The District was formed for the purpose of acquiring secure, reliable, competitively priced and adequate long-term supplies of electric and natural gas energy for ultimate delivery to AMEA and other public entities (the Participants).

Basis of Accounting

The accounting records of the District are maintained on an 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 District also complies with policies and practices prescribed by its Board of Directors and practices common within the industry.

Cash and Cash Equivalents

The District considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Restricted cash and cash equivalents are held by the trustee under the trust indentures.

Restricted cash of $511,109 and $708,366 at September 30, 2025 is held in several restricted guaranteed investment contracts and repurchase agreements, and money market securities issued by the United States Government, respectively. Restricted cash of $398,274 at September 30, 2024 is held in money market securities issued by the United States Government.

Prepaid Energy Supply

Prepaid energy supplies represent the District's secured prepayments for the acquisition of energy to be delivered to Participants under contracted volumes per month through May 2054. Capitalized acquisition costs are depleted using the units of production method.

Costs Recoverable from Future Billings

The long-term prepaid energy sales agreements establish a pricing mechanism outlining the methods for billing the Participants for energy supply services provided under the contract. The District's energy billings are designed to provide, over the life of each project, full recovery of all project costs. Expenses in excess of amounts currently billable to the Participants will be recovered from future billings and are classified as noncurrent assets.

Investments

As part of the prepay energy projects, the District has investment agreements with various counterparties in connection with the issuance of the bonds. The investment agreements and the related trust indentures provide for the investment of funds held by the trustee into specific interest-bearing investments and accounts. The District's investments consist of guaranteed investment contracts and repurchase agreements in accordance with the investment agreements in place related to each bond issuance. The balances are restricted for use by the trustee primarily for debt service. The carrying amount of the investments is cost, which approximates fair value.

Amortization

Bond premiums are amortized using the effective interest method over the term of the related debt.

Revenue Recognition

Operating revenues are recognized in the period that energy is supplied to Participants. The District considers all revenues and expenses associated with energy sales and administrative fee services to be operating. All other revenues are reflected as other income.

Derivatives

The District bills its Participants based on index prices and, therefore, has entered into various commodity swap agreements to effectively adjust its energy revenues from a market price to the fixed price related to the prepaid energy transaction. Based on the market price of energy sold in each project, the District either receives payments from swap counterparties or is obligated to make payments to swap counterparties. The commodity swaps are considered dormant until January 1, 2026.

The District also holds interest rate swap agreements that are designed to approximate a fixed interest rate, with variable cash flows received from the bank generally offsetting increases or decreases in variable interest payments due to bondholders. Interest rate swap receipts or payments are recognized as adjustments to interest expense at the point of settlement.

The District follows GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement requires all derivatives that qualify for hedge accounting to be recognized on the statements of net position and measured at fair value. The estimated fair value of the commodity and interest rate swap agreements are recorded as a derivative asset or liability with a corresponding amount recorded as a deferred inflow or outflow for the effective portion of each hedge contract.

Income Taxes

As a public corporation in the state of Alabama, the District's income is exempt from federal and state income taxes. Accordingly, no provision for such taxes is made in the accompanying financial statements.

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

Recent Accounting Pronouncements
GASB has issued the following statements that became effective for the year ending September 30, 2025:

In June 2022, GASB issued GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement became effective for the District in FY2025 and did not have a material impact on the District's financial statements.

In December 2023, GASB issued GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement became effective for the District in FY2025 and did not have a material impact on the District's financial statements.

GASB has issued the following statements that will become effective in future years:

In April 2024, GASB issued GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model, particularly Management's Discussion and Analysis, to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement will become effective for the District in FY2026. The District is evaluating the impact this Statement will have on financial reporting.

In September 2024, GASB issued 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. Particularly, lease assets recognized in accordance with Statement No. 87, *Leases,* intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* and subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements* should be disclosed separately by major class of underlying asset in the capital assets note disclosure. The requirements of this Statement will become effective for the District in FY2026. The District is evaluating the impact this Statement will have on financial reporting.

2. Power Supply Contracts

The District has entered into three power supply contracts with AMEA (the Participant). Power Supply Contract 1 was signed on June 8, 2023, Power Supply Contract 2 was signed on October 18, 2023, and Power Supply Contract 3 was signed on April 16, 2024.

In each contract, the District agrees to sell and deliver or cause to be delivered to the Participant, and the Participant agrees to purchase and take or cause to be taken from the District, in each case, on a firm basis, the contract quantity of energy, meaning monthly quantities of assigned energy and/or hourly quantities of base energy.

All power supply contracts will remain in full force and effect for a term ending at the end of the delivery period under the energy purchase agreements; provided, however, that if the delivery period under any of the energy purchase agreements is terminated, the corresponding power supply contract will terminate on the energy delivery termination date.

The average monthly quantity of electric energy that the Participant has agreed to purchase under the power supply contracts is equal to the average monthly quantity of electric energy to be delivered to the District under Prepaid Energy Sales Agreement 1 (approximately 38,000 MWh/month), Prepaid Energy Sales Agreement 2 (approximately 53,000 MWh/month), and Prepaid Energy Sales Agreement 3 (approximately 79,000 MWh/month).

Energy delivery began on October 1, 2023 for Power Supply Contract 1, March 1, 2024 for Power Supply Contract 2, and June 1, 2024 for Power Supply Contract 3.

3. Prepaid Energy Sales Agreements

The District has entered into three prepaid energy sales agreements with various energy suppliers for the delivery of specified monthly quantities of assigned energy or hourly quantities of base energy to designated delivery points each month over a term of 30 years. The District has agreed to make a lump sum advance payment to the energy supplier for all of the cost of the electric energy to be delivered. Prepaid Energy Sales Agreement 1 ("Project 1") was executed on June 8, 2023, Prepaid Energy Sales Agreement 2 ("Project 2") was executed on October 18, 2023, and Prepaid Energy Sales Agreement 3 ("Project 3") was executed on April 16, 2024.

Project 1

On June 8, 2023, the District entered into a 30-year prepaid energy purchase agreement with Morgan Stanley Energy Structuring, LLC (MSES). The delivery period under the energy purchase agreement commenced on October 1, 2023 and is scheduled to end on September 30, 2053. The delivery period is subject to early termination on any energy delivery termination date that may occur. The total quantity of electric energy to be delivered by the energy supplier over the term of the energy purchase agreement is approximately 13,500,000 MWh.

Project 2

On October 18, 2023, the District entered into another 30-year prepaid energy purchase agreement with MSES. The delivery period under the energy purchase agreement is scheduled to commence on March 1, 2024 and is scheduled to end on February 28, 2054. The delivery period is subject to early termination on any energy delivery termination date that may occur. The total quantity of electric energy to be delivered by the energy supplier over the term of the energy purchase agreement is approximately 19,100,000 MWh.

Project 3

On April 16, 2024, the District entered into a 30-year prepaid energy purchase agreement with Energy Prepay II, LLC, whose sole member is Morgan Stanley Capital Group (MSCG). The delivery period under the energy purchase agreement is scheduled to commence on June 1, 2024 and is scheduled to end on May 31, 2054. The delivery period is subject to early termination on any energy delivery termination date that may occur. The total quantity of electric energy to be delivered by the energy supplier over the term of the energy purchase agreement is approximately 28,400,000 MWh.

For all three agreements, the respective energy supplier is required to deliver fixed, pre-determined quantities of electric energy at the delivery points set forth in the energy purchase agreements. These delivery points match the delivery points under the power supply contracts. The quantity of electric energy to be delivered each month or each day during the term of the energy purchase agreement matches the quantity of electricity the District has agreed to deliver each month or each day during the term of the power supply contract.

Pursuant to the energy purchase agreements, the energy supplier is obligated to deliver specified quantities of electric energy, make certain payments for electric energy not delivered, remarket energy not taken by the Participant and pay a termination payment on any early termination payment date established under the energy purchase agreement. The payment obligations of the energy supplier under the energy purchase agreement are unconditionally guaranteed by Morgan Stanley.

4. Revenue Bonds

Revenue bonds at September 30, 2025 and 2024 consist of the following:

	2025	2024
Energy supply revenue bonds, 2023 Series A-1	$ 481,240,000	$ 481,240,000
Energy supply revenue bonds, 2023 Series A-2	20,000,000	20,000,000
Energy supply revenue bonds, 2023 Series B-1	499,885,000	499,885,000
Energy supply revenue bonds, 2023 Series B-2	100,000,000	100,000,000
Energy supply revenue bonds, 2024 Series B	941,635,000	941,635,000
Total revenue bonds	$ 2,042,760,000	$ 2,042,760,000

Changes in revenue bonds for the year ended September 30, 2025 are as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Energy Supply Revenue Bonds				
2023 Series A-1	$ 481,240,000			$ 481,240,000
2023 Series A-2	20,000,000			20,000,000
2023 Series B-1	499,885,000			499,885,000
2023 Series B-2	100,000,000			100,000,000
2024 Series B	941,635,000			941,635,000
Totals	$ 2,042,760,000	$ -	$ -	$ 2,042,760,000

Changes in revenue bonds for the year ended September 30, 2024 are as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Energy Supply Revenue Bonds				
2023 Series A-1	$ 481,240,000			$ 481,240,000
2023 Series A-2	20,000,000			20,000,000
2023 Series B-1		499,885,000		499,885,000
2023 Series B-2		100,000,000		100,000,000
2024 Series B		941,635,000		941,635,000
Totals	$ 501,240,000	$ 1,541,520,000	$ -	$ 2,042,760,000

Future debt service requirements are as follows:

	Principal 2023 Series A-1	Principal 2023 Series A-2	Principal 2023 Series B-1	Principal 2023 Series B-2	Principal 2024 Series B	Interest	Total Debt Service
Fiscal year-end:							
2026						$ 110,609,752	$ 110,609,752
2027	$ 545,000		$ 4,555,000		$ 4,890,000	110,471,302	120,461,302
2028	655,000		4,915,000		5,285,000	109,940,833	120,795,833
2029	610,000		5,080,000		5,405,000	109,364,390	120,459,390
2030	645,000		5,365,000		5,680,000	108,774,965	120,464,965
2031 - 2032	478,785,000	$ 20,000,000	479,970,000	$ 100,000,000	920,375,000	158,725,971	2,157,855,971
Totals	$ 481,240,000	$ 20,000,000	$ 499,885,000	$ 100,000,000	$ 941,635,000	$ 707,887,213	$ 2,750,647,213

2023 Series A

On June 20, 2023, the District issued its Energy Supply Revenue Bonds, 2023 Series A-1 and 2023 Series A-2 under a Trust Indenture between the District and Regions Bank, as Trustee. The bonds totaled $501,240,000.

The 2023 Series A Bonds were issued in two separate series:

$481,240,000 Energy Supply Revenue Bonds, 2023 Series A-1, fixed interest rate of 5.25%
20,000,000 Energy Supply Revenue Bonds, 2023 Series A-2, variable interest rate based on SOFR

From their initial issue date to and including December 31, 2030 (the initial interest rate period), the 2023 Series A-1 Bonds will bear interest at a fixed rate, and the 2023 Series A-2 Bonds will bear interest at a SOFR index rate. During the initial interest rate period, interest on the 2023 Series A-1 Bonds is payable semiannually on each January 1 and July 1, commencing January 1, 2024, and interest on the 2023 Series A-2 Bonds is payable on the first business day of each month, commencing on the first business day of July 2023. The Bonds are subject to optional and extraordinary mandatory redemption during the initial interest rate period, and the Bonds of each Series are subject to mandatory tender for purchase on January 1, 2031.

The transaction structure of the 2023 Series A Bonds includes the use of ISDA interest rate swap agreement with MSES to levelized cash flows and ensure the District is able to service revenue bond debt. Under the swap agreement, the District will pay a fixed rate of 4.3985% on the 2023 Series A-2 Bonds.

Proceeds of the Bonds were used to prepay the costs of the acquisition of a fixed quantity of electric energy to be delivered over thirty years under Project 1, between the District and MSES.

2023 Series B

On October 27, 2023, the District issued its Energy Supply Revenue Bonds, 2023 Series B-1 and 2023 Series B-2 under a Trust Indenture between the District and Regions Bank, as Trustee. The bonds totaled $599,885,000.

The 2023 Series B Bonds were issued in two separate series:

$499,885,000 Energy Supply Revenue Bonds, 2023 Series B-1, fixed interest rate of 5.50%
100,000,000 Energy Supply Revenue Bonds, 2023 Series B-2, variable interest rate based on SOFR

From their initial issue date to and including October 31, 2031 (the initial interest rate period), the 2023 Series B-1 Bonds will bear interest at a fixed rate, and the 2023 Series B-2 Bonds will bear interest at a SOFR index rate. During the initial interest rate period, interest on the 2023 Series B-1 Bonds is payable semiannually on May 1 and November 1, commencing May 1, 2024, and interest on the 2023 Series B-2 Bonds is payable on the first business day of each month, commencing on the first business day of December 2023. The Bonds are subject to optional and extraordinary mandatory redemption during the initial interest rate period, and the Bonds of each Series are subject to mandatory tender for purchase on November 1, 2031.

The transaction structure of the 2023 Series B Bonds includes the use of ISDA interest rate swap agreement with MSES to levelized cash flows and ensure the District is able to service revenue bond debt. Under the swap agreement, the District will pay a fixed rate of 5.246% on the 2023 Series B-2 Bonds.

Proceeds of the Bonds were used to prepay the costs of the acquisition of a fixed quantity of electric energy to be delivered over thirty years under Project 2, between the District and MSES.

<u>2024 Series B</u>

On April 16, 2024, the District issued its Energy Supply Revenue Bonds, 2024 Series B under a Trust Indenture between the District and Regions Bank, as Trustee. The bonds totaled $941,635,000 and bears interest at a fixed rate of 5.00%.

From their initial issue date to and including May 31, 2032 (the initial interest rate period), the 2024 Series B Bonds will bear interest at a fixed rate. During the initial interest rate period, interest on the 2024 Series B Bonds is payable semiannually on June 1 and December 1, commencing December 1, 2024. The Bonds are subject to optional and extraordinary mandatory redemption during the initial interest rate period, and the Bonds are subject to mandatory tender for purchase on June 1, 2032.

Proceeds of the Bonds were used to prepay the costs of the acquisition of a fixed quantity of electric energy to be delivered over thirty years under Project 3, between the District and Energy Prepay II, LLC.

5. Costs Recoverable from Future Billings

The expenses associated with the prepaid energy sales agreements in excess of amounts currently billable will be recovered in future periods' billing to Participants as outlined in each energy supply agreement. Costs recoverable is made up of the following as of and for the year ended September 30, 2025 and 2024:

	Year Ended September 30:		From Inception to September 30:	
	2025	2024	2025	2024
Energy sales	$ (68,274,126)	$ (42,321,194)	$ (110,595,320)	$ (42,321,194)
Depletion of prepaid energy supplies	58,100,725	34,940,200	93,040,925	34,940,200
Energy supply rebate	376,825		376,825	
Interest expense	110,805,589	80,290,939	198,341,046	87,535,457
Investment income	(3,117,508)	(3,336,481)	(6,774,106)	(3,656,598)
Bond issuance costs		10,107,120	14,074,088	14,074,088
Bond premium amortization	(11,450,648)	(7,971,660)	(20,491,018)	(9,040,370)
Management and administration fee	1,000,000		1,000,000	
Project related operating expenses	132,851	71,505	204,356	71,505
Total costs recoverable	$ 87,573,708	$ 71,780,429	$ 169,176,796	$ 81,603,088

6. Derivative Instruments

The District was party to the following derivative instruments during the reporting period:

1. Fixed-receiver energy commodity swaps are entered into by the District to hedge the cash flows of the energy purchase agreements entered into in conjunction with the 2023 Series A, 2023 Series B, and 2024 Series B Energy Supply Revenue Bonds, in which the District has agreed to prepurchase certain volumes of energy at certain delivery points based on a fixed price. The fixed-receiver swaps are with various counterparties who are obligated to pay the fixed price in exchange for payment by the District of the Index price for energy at the delivery point, based on identical terms in the energy purchase agreements. The swaps effectively fix the price to be received from sales of energy related to the respective energy purchase agreement.

2. Fixed-payer interest rate swaps are entered into by the District to manage interest rate risk. The interest rate swaps are used to reduce the risk of rising interest rates on the District's SOFR index rate bonds. By entering into this agreement, the District converts a floating rate liability into a fixed rate liability. Under the terms of the agreement, the District will pay amounts corresponding to the principal amount of the SOFR index rate bonds at a fixed rate and will receive from the swap counterparty at a floating rate on a monthly settlement basis.

Under GASB Statement No. 53, the District 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, the District 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 statements of net position, depending on whether the value is positive or negative from the District's perspective.

The District does not issue the derivative instruments for trading purposes and intends to hold these agreements until maturity.

The table below presents the fair value of the derivative instruments at September 30, 2025 and 2024:

	2025	2024
Energy supply commodity swap agreements	$ (25,628,437)	$ 338,519,307
Interest rate swap agreements	(4,395,669)	(5,758,794)
Total fair value of derivative instruments	$ (30,024,106)	$ 332,760,513

At September 30, 2025, the District had the following derivative instruments outstanding:

Instrument Type	Objective	Total Notational Volume	Effective Date	Maturity Date	Terms	Counterparty Credit Rating	Fair Value
Fixed receiver energy swap	Hedge cash flow of prepaid energy contract - 2023 Series A energy supply revenue bonds	12,503,947 MWh	10/1/2023	9/30/2053	ESE receives $78.08/MWh; pays index	A1/A+	$ 35,862,415
Fixed receiver energy swap	Hedge cash flow of prepaid energy contract - 2023 Series B energy supply revenue bonds	18,117,696 MWh	3/1/2024	2/28/2054	ESE receives $70.88/MWh; pays index	A1/A+	(25,203,852)
Fixed receiver energy swap	Hedge cash flow of prepaid energy contract - 2024 Series B energy supply revenue bonds	27,263,018 MWh	6/1/2024	5/31/2054	ESE receives $70.97/MWh; pays index	A1/A+	(36,287,000)
Fixed payer interest rate swap	Hedge exposure to interest rate fluctuations on the 2023 Series A-2 bonds	$ 20,000,000	6/20/2023	1/1/2031	ESE pays 4.3985%; receives SOFR Index Rate	A1/A+	(105,377)
Fixed payer interest rate swap	Hedge exposure to interest rate fluctuations on the 2023 Series B-2 bonds	$ 100,000,000	10/27/2023	11/1/2031	ESE pays 5.246%; receives SOFR Index Rate	A1/A+	(4,290,292)
Totals							$ (30,024,106)

At September 30, 2024, the District had the following derivative instruments outstanding:

Instrument Type	Objective	Total Notational Volume	Effective Date	Maturity Date	Terms	Counterparty Credit Rating	Fair Value
Fixed receiver energy swap	Hedge cash flow of prepaid energy contract - 2023 Series A energy supply revenue bonds	12,503,947 MWh	10/1/2023	9/30/2053	ESE receives $78.08/MWh; pays index	A1/A+	$ 116,474,092
Fixed receiver energy swap	Hedge cash flow of prepaid energy contract - 2023 Series B energy supply revenue bonds	18,117,696 MWh	3/1/2024	2/28/2054	ESE receives $70.88/MWh; pays index	A1/A+	88,273,274
Fixed receiver energy swap	Hedge cash flow of prepaid energy contract - 2024 Series B energy supply revenue bonds	27,263,018 MWh	6/1/2024	5/31/2054	ESE receives $70.97/MWh; pays index	A1/A+	133,771,941
Fixed payer interest rate swap	Hedge exposure to interest rate fluctuations on the 2023 Series A-2 bonds	$ 20,000,000	6/20/2023	1/1/2031	ESE pays 4.3985%; receives SOFR Index Rate	A1/A+	(209,887)
Fixed payer interest rate swap	Hedge exposure to interest rate fluctuations on the 2023 Series B-2 bonds	$ 100,000,000	10/27/2023	11/1/2031	ESE pays 5.246%; receives SOFR Index Rate	A1/A+	(5,548,907)
Totals							$ 332,760,513

The effect of marking the derivative instruments to market during fiscal year 2025 and 2024 had no impact on the net revenues or expenses in the accompanying statements of revenues, expenses, and changes in net position.

The aggregate fair value for hedging derivative instruments is classified in the District's statements of net position as follows as of September 30, 2025 and 2024:

	2025	2024
Fair value of derivative instruments	$ (30,024,106)	$ 332,760,513
Deferred outflows - accumulated change in fair value of hedging derivatives	30,024,106	5,758,794
Deferred inflows - accumulated change in fair value of hedging derivatives		338,519,307

The District is exposed to counterparty credit risk on derivative instruments that are in asset positions. To mitigate counterparty credit risk, the terms of the fixed receiver commodity swap agreements include a ratings-based termination right of the District in the event the counterparty is downgraded below Baa3/BBB-. The District currently has contracts with counterparties (and guarantors) bearing credit ratings of A1/A+.

In addition, the energy supplier and the commodity swap counterparties have entered into custodial agreements in order to administer the payments to be made with respect to the energy supplier commodity swaps. Under the custodial agreements, any payment required to be made by the energy supplier under the energy supplier commodity swap for any month is to be paid into a custodial account held by the custodian and not released to the commodity swap counterparty until the custodian has received confirmation from the Trustee that it has received the commodity swap receipt for such month from the commodity swap counterparty. In the event such commodity swap receipt is not received, the custodian is required to transfer the amount on deposit in the custodial account to the trustee, which amount shall be treated as a commodity swap receipt in accordance with the Trust Indenture.

The District or its swap counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract or breaches certain contractual provisions. In addition, the fixed receiver swap agreements which hedge the prepaid energy sales agreements will automatically terminate if the associated prepaid energy sales agreement is terminated.

The District is not required to make termination payments to the swap counterparties under any occurrence of certain early termination events specified in the applicable commodity swaps. The termination amounts, based on the unamortized portion of the prepayment proceeds, together with the amounts required to be on deposit in certain funds held by the Trustee, has been calculated to provide a sum at least sufficient to pay the redemption price of the outstanding bonds. The termination amount is payable solely out of the termination proceeds and reserve amounts available to the District at the time of any early termination of the commodity swaps.

The District does not bear basis risk on any of its commodity swaps. Hedged items are matched with hedging derivative instruments that are indexed to the same price index/delivery point. The District is not exposed to basis risk on any of its interest rate swaps because the variable price is the actual rate the District pays on its variable bonds, not an index price.

The District 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.

All hedging derivative instruments and underlying hedged items are denominated in United States dollars; thus, the District is not exposed to foreign currency risk.

The fixed receiver commodity swap and fixed payer interest rate swap agreements are tear-up swaps and do not contain a provision requiring the District to post collateral in the event the fair value of all hedging derivative instruments with that counterparty is in a liability position; therefore, no collateral has been posted.

7. Fair Value of Financial Instruments

The estimated fair value amounts have been determined by the District using available market information and appropriate valuation methodologies. However, considerable judgment is 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 the District 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 fair value of the commodity swaps is derived from pricing information generated from observable market data for the 10 years after the statements of net position and using other observable inputs thereafter. The District incorporates forward yield curves with the pricing information to document reasonable, logical, and supportable fair value determinations and proper level of classification. The fair value of the interest rate swaps is estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Professional accounting standards establish a framework for measuring fair value. The 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 three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Inputs other than Level 1 that are observable, either directly or indirectly. Level 2 inputs include prices that can be corroborated with other observable inputs for substantially the complete term of a contract.

Level 3: Unobservable inputs.

The fair value of restricted investments is based on book value. The fair value of the energy supply swap agreements is estimated by using both Level 2 and 3 inputs as defined above. The fair value of the interest rate swap agreements is estimated using Level 2 inputs.

The fair value estimates presented herein are based on pertinent information available to management as of September 30, 2025. Although management is not aware of any factors that would significantly effect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

The fair value hierarchy for assets and liabilities measured at fair value on a recurring basis as of September 30, 2025 are as follows:

	Level 1	Level 2	Level 3	Total
Energy supply swap agreements		$ (11,262,558)	$ (14,365,879)	$ (25,628,437)
Interest rate swap agreements		(4,395,669)		(4,395,669)

The fair value hierarchy for assets and liabilities measured at fair value on a recurring basis as of September 30, 2024 are as follows:

	Level 1	Level 2	Level 3	Total
Energy supply swap agreements		$ 132,144,095	$ 206,375,212	$ 338,519,307
Interest rate swap agreements		(5,758,794)		(5,758,794)

8. Related Party Transactions

The District shares all officers and directors with AMEA. AMEA is currently the District's only Participant. All operating revenues as of September 30, 2025 and 2024 and $5,660,823 of accounts receivable as of September 30, 2025 and 2024 were with AMEA.

In addition, the District entered into a Management and Administrative Services Agreement with AMEA on August 22, 2023. This agreement outlines the provision of management, administrative, and corporate services by AMEA to the District for their prepaid energy projects. The agreement specifies services including management, financial accounting, procurement, and others. The District began paying AMEA the annual management fee in FY2025 from funds on deposit in restricted cash and cash equivalent accounts established for the payment of expenses attributable to the District's prepaid projects. The annual management service fee paid was $1,000,000 and $0 for the years ending September 30, 2025 and 2024, respectively.

9. Arbitrage Rebate

The Tax Reform Act of 1986 requires the District to rebate the earnings on the investment of bond and revenue anticipation note proceeds, in excess of their yield, to the federal government. This requirement is effective for the District's Series 2023A, 2023B, and 2024B bonds. Typically, the rebate is due and payable five years from the date the bonds were issued and at five-year intervals thereafter. Because positive arbitrage can be offset against negative arbitrage, the rebatable amount fluctuates each year and may or may not be owed at the payment intervals. Because of the uncertainty of having to make this payment, the District is contingently liable for any arbitrage rebate. The District has determined that any rebate liability at September 30, 2025 and 2024 would be insignificant due to the limited amount of investment proceeds received to date.

10. Subsequent Events

On October 10, 2025, the District issued $798,985,000 of 2025 Series B Energy Supply Revenue Bonds. The bonds will be used to prepay the costs of acquiring a fixed quantity of energy to be delivered to one Participant over 30 years.

On October 30, 2025, the District issued $405,440,000 of 2025 Series A Energy Supply Revenue Bonds. The bonds will be used to prepay the costs of acquiring a fixed quantity of energy to be delivered to three Participants over 30 years.

The District has evaluated all events or transactions that occurred after September 30, 2025, through the date the accompanying financial statements were available to be issued, February 11, 2026. All subsequent events requiring recognition as of September 30, 2025 have been incorporated into these financial statements.