Texas Municipal Power Agency
Financial Statements

For the Years Ended September 30, 2018 and 2017

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FINANCIAL SECTION

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Independent Auditor's Report

Members of the Board of Directors
Texas Municipal Power Agency
Dallas, TX

We have audited the accompanying financial statements of Texas Municipal Power Agency, as of and for the years ended September 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise Texas Municipal Power Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Texas Municipal Power Agency as of September 30, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2018, the Agency changed its method of accounting for postemployment benefits other than pensions (OPEB) with the adoption of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other post-employment benefit information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 audits 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Texas Municipal Power Agency's basic financial statements. The combining statement as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining statement is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statement is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BKD, LLP

Dallas, Texas
December 7, 2018

Texas Municipal Power Agency
Management's Discussion and Analysis ("MD&A")
For the Years Ended September 30, 2018 and 2017
(Unaudited)

The objective of this discussion and analysis is to provide the reader with information relevant to an assessment of the financial condition and the results of operations of the Texas Municipal Power Agency ("Agency" or "TMPA"). This report contains supplemental information, which is essential to financial reporting and required by the Governmental Accounting Standards Board, in addition to the basic financial statements of the enterprise operation. TMPA's management encourages readers to refer to the accompanying basic financial statements and their related notes for more detailed information concerning the financial condition of the Agency. The basic financial statements are comprised of the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows, and the related notes.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Texas Municipal Power Agency, Finance Department, P.O. Box 7000, Bryan, Texas 77805 or visit our website at www.texasmpa.org.

Financial and Operational Highlights for Fiscal Year Ended September 30, 2018

The Texas energy market has taken several considerable turns over the last several years. In FY 2014, natural gas prices continued to rise as did Gibbons Creek's utilization, with generation increasing 32% compared to FY 2013. This increase was also attributed to Gibbons Creek's high availability and having no scheduled outage in FY 2014. In FY 2015, natural gas prices dropped significantly causing Gibbons Creek's utilization to fall as well. Generation decreased 37% compared to FY 2014 due to both low natural gas prices and an extended scheduled maintenance outage. In FY 2016, the trend from FY 2015 continued as low natural gas prices kept ERCOT wholesale power prices low. As a result, Gibbons Creek's utilization fell as generation decreased 20% compared to FY 2015. Further contributing to the decrease in generation was an extended scheduled maintenance outage. In FY 2017, Gibbons Creek continued to operate in a load-following mode, increasing and decreasing generation to follow electrical demand's daily peaks and valleys.

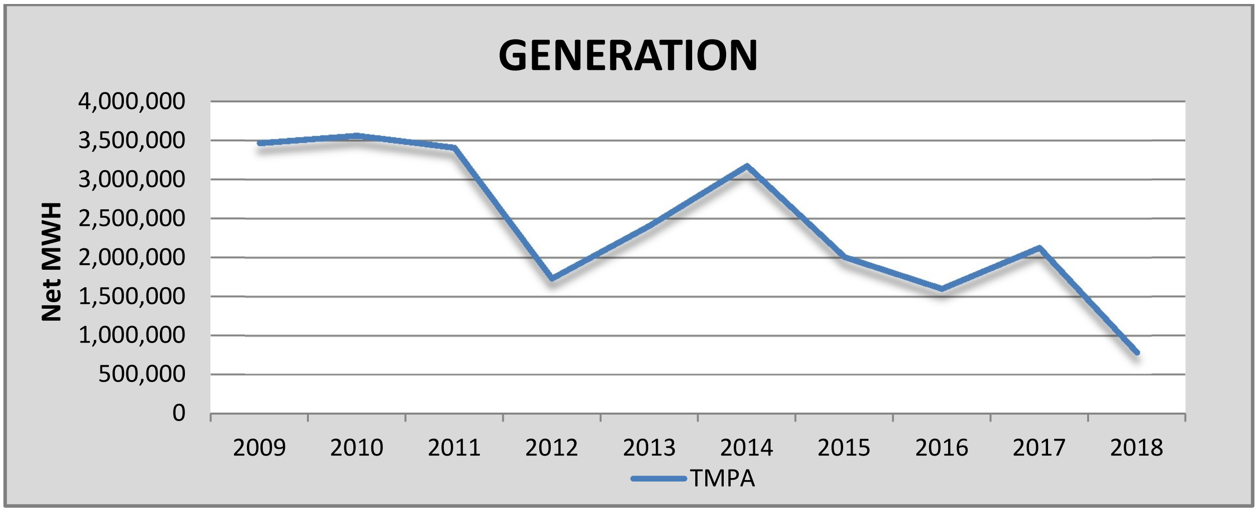
Effective October 17, 2017, Gibbons Creek entered into a seasonal operations mode, operating during the summer months only (June-September). This change was authorized by ERCOT through a Notification of Suspension of Operations (NSO) Initial and Final Determination, dated August 2017. Another NSO Final Determination, with intent for continued seasonal operations, was issued in May 2018, with a proposed offline date of October 1, 2018. See Note 9 for further detail on the financial impact of entering into a seasonal operations mode.

Effective September 1, 2016, TMPA and the Member Cities entered into a Joint Operating Agreement ("JOA") addressing ownership, operational, and contractual issues associated with TMPA following the expiration of the Power Sales Contract ("PSC"). The PSC expired as to Greenville on September 1, 2018, but was extended by the Cities of Bryan, Denton, and Garland until September 30, 2018. The PSC expired as to the remaining Cities on September 30, 2018.

Effective September 1, 2018, the "Debt Discharge Date" occurred, i.e. the date on which all TMPA Generation Debt was paid off. The only debt remaining after September 1, 2018, is Transmission Debt.

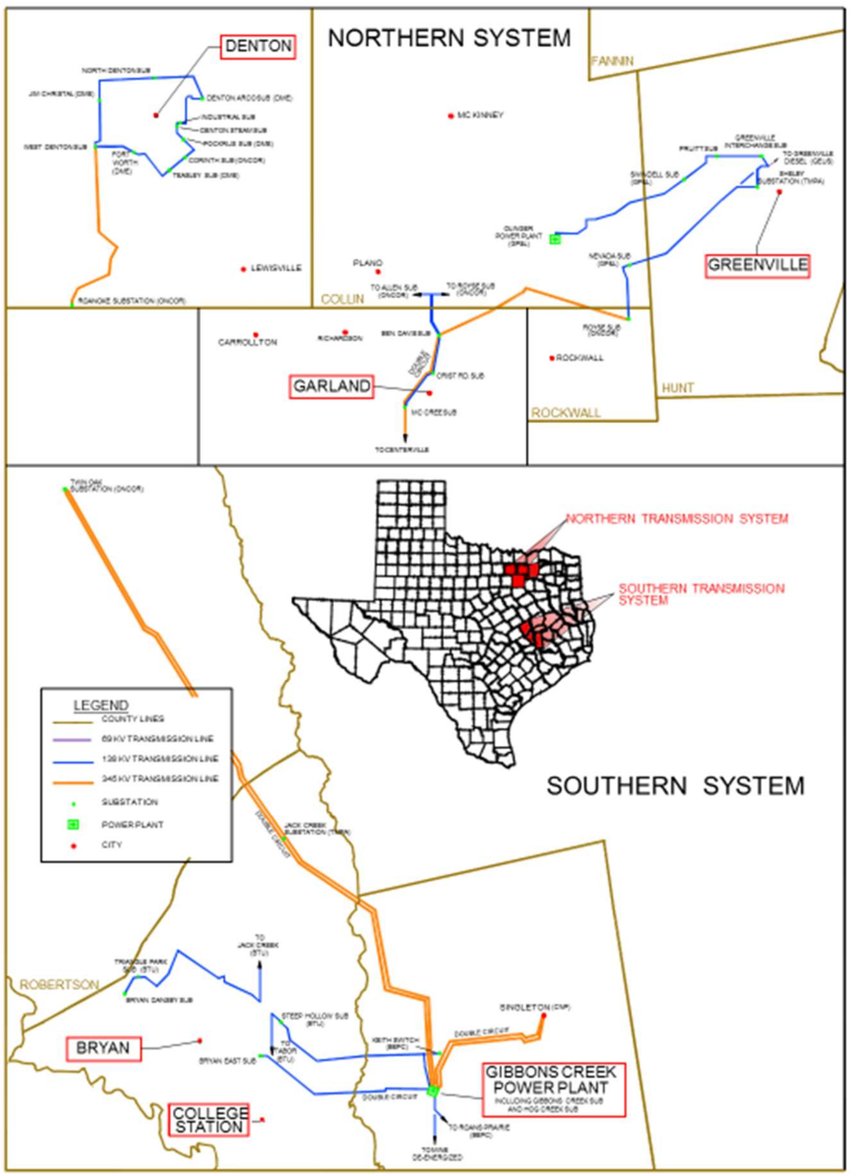
In January 2016 and again in June 2017, the Board of Directors authorized requests for proposals for the sale of Gibbons Creek and certain transmission assets. Certain proposals received in connection with the 2016 RFP were pursued in 2016 and into 2017, but negotiations were ultimately discontinued. The Agency received additional proposals in the summer and fall of 2017, and at present, the Agency is reviewing a proposal it received in September 2017. See Note 9 for further detail on the requests for proposals.

The graph below illustrates generation for the 10-year period ending FY 2018.



TMPA has approximately 350 circuit miles of transmission lines (both 345kV and 138kV), 1 mile of 69kV transmission line, 13 substations, and maintains additional transmission assets within jointly-owned transmission stations. TMPA is a registered Transmission Owner in ERCOT and is represented in various technical working groups which support the ongoing operation of the ERCOT grid. A map of the TMPA transmission system can be found below.

A group of capital projects have been approved that will span the next several years with the goal of refurbishing, upgrading, and replacing aging transmission assets. These projects are needed to ensure system reliability as electricity usage increases and changing generation patterns drive expansion of the ERCOT transmission system.



Texas Municipal Power Agency
Statements of Net Position
(Dollars in Thousands)

	September 30, 2018	2017	2016
Assets and Deferred Outflows of Resources			
Assets			
Current Assets			
Current Unrestricted Assets	$ 54,506	$ 52,658	$ 59,520
Current Restricted Assets	1,973	1,181	11,407
Total Current Assets	56,479	53,839	70,927
Noncurrent Assets, Net			
Electric Plant	195,785	208,355	424,506
Other Assets	17,159	144,498	85,049
Total Noncurrent Assets	212,944	352,853	509,555
Total Assets	269,423	406,692	580,482
Deferred Outflows of Resources			
Unamortized Excess Cost on Advance Refunding of Debt	-	403	843
Total Deferred Outflows of Resources	-	403	843
Total Assets and Deferred Outflows of Resources	$ 269,423	$ 407,095	$ 581,325
Liabilities and Net Position			
Liabilities			
Current Liabilities			
Current Liabilities	$ 37,991	$ 140,414	$ 200,270
Total Current Liabilities	37,991	140,414	200,270
Noncurrent Liabilities			
Long Term Debt	214,487	207,824	299,350
Noncurrent Liabilities Other Than Debt	2,730	13,970	49,311
Total Noncurrent Liabilities	217,217	221,794	348,661
Total Liabilities	255,208	362,208	548,931
Net Position			
Net Investment in Capital Assets	(9,716)	1,740	2,243
Restricted for Insurance Claims	-	2,093	3,315
Unrestricted	23,931	41,054	26,836
Total Net Position	14,215	44,887	32,394
Total Liabilities and Net Position	$ 269,423	$ 407,095	$ 581,325

Statements of Net Position Information
Explanations of Significant Variances Between FY 2017 and FY 2018

Current Unrestricted Assets increased $1.8 million (4%) primarily due to increased cash as the Agency was under budget, which was somewhat offset by decrease in inventory. Current unrestricted assets at the end of fiscal year end 2018 consist of cash and investments, accounts receivable and interest receivable.

Current Restricted Assets increased $0.8 million (67%). Current restricted assets consist primarily of cash to pay for the ensuing debt service payments.

Electric Plant decreased by $12.6 million (6%) due to the final impairment of generation assets. See Note 9 for further detail on the impairment.

Other Assets decreased by $127.3 million (88%). Other assets consist of regulatory assets and non-current restricted cash and investments. The decrease is primarily due to the complete recovery of debt principal for the Series 2013 Generation bonds, which were paid off as of September 1, 2018 and significantly reduced the recorded regulatory asset.

Current Liabilities decreased $102.4 million (73%). The decrease is primarily due to the Series 2013 Generation bonds being paid off as of September 1, 2018.

Long-Term Debt increased by $6.7 million (3%) due to the issuance of the Series 2017 Transmission bonds.

Non-Current Liabilities Other Than Debt decreased by $11.2 million (80%) primarily due to the reduction in the liability for Other Post-Employment Benefits, discussed in further detail in Note 8.

Net Position decreased by $30.7 million (68%). Net position is comprised of three components: net investment in capital assets, restricted for insurance claims, and unrestricted. The decrease in net position was impacted by the annual refund to the Member Cities of unrestricted excess revenues and the final impairment of the generation assets.

Statements of Net Position Information
Explanations of Significant Variances Between FY 2016 and FY 2017

Current Unrestricted Assets decreased $6.9 million (12%) primarily due to reducing coal inventory down to zero at year-end in preparation for entering into a seasonal operations mode. Current unrestricted assets consist of cash and investments, fuel and material inventories, accounts receivable and interest receivable.

Current Restricted Assets decreased $10.2 million (90%). Current restricted assets consist primarily of cash collected from the Member Cities to pay for the ensuing debt service payments. At fiscal year-end, since principal and interest payments are made on March 1 and September 1, the cash collected from the Member Cities is for the following fiscal year debt service. The decrease is due to the FY 2018 debt service payments being lower than the FY 2017 debt service payments as a result of the Series 2008 bonds being paid off in FY 2017. See Note 6 for further detail on debt.

Electric Plant decreased by $216.2 million (51%) due to the impairment of generation assets resulting from the decision to enter into a seasonal operations mode and uncertainty of future production. See Note 9 for further detail on the impairment.

Other Assets increased by $59.4 million (70%). Other assets consist of regulatory assets and non-current restricted cash and investments. The increase is primarily due to two reasons: i) regulatory assets decreasing parallel to payments of debt principal and zero coupon bond interest, which are the basis for their recovery; and ii) the impact of impairment of generation assets resulting from the decision to enter into a seasonal operations mode. See Note 9 for further detail on the impairment.

Current Liabilities decreased $59.8 million (30%). The decrease is primarily due to two reasons: i) a decrease in the current portion of TMPA's bonds as a result of principal payments becoming due on the bonds in FY 2018 (Series 2008 bonds were paid off in FY 2017); and ii) the elimination of the unearned revenue associated with the escrow account funded by the City of Garland in FY 2015 to prepay a portion of the Agency's FY 2017 debt service. See note 6 for further detail on debt and the escrow funding's.

Long-Term Debt decreased by $91.5 million (31%) primarily due to the reclassification of a portion of long-term debt to current for the upcoming debt service in FY 2018 (Series 2013 will be paid off in FY 2018).

Non-Current Liabilities Other Than Debt decreased by $35.3 million (72%) primarily due to the normal amortization of unearned revenue related to a prepayment by the Member Cities of their contractual obligation under the Power Sales Contract.

Net Position increased by $12.5 million (39%). Net position is comprised of three components: net investment in capital assets, restricted for insurance claims, and unrestricted. The increase in net position was heavily impacted by the impairment of the generation assets.

Texas Municipal Power Agency
Operating Information
(Dollars in Thousands)

	For the Years-Ended September 30, 2018	2017	2016
Operating Revenues			
Power Sales	$ 130,072	$ 230,755	$ 228,897
Transmission Revenues	44,384	44,314	43,102
Other Operating Revenues	1,015	2,086	1,273
Total Operating Revenues	175,471	277,155	273,272
Operating Expenses			
Fuel	19,437	49,177	39,928
Power Production - Operation and Maintenance	9,610	19,423	20,037
Transmission - Operation and Maintenance	3,661	3,656	2,950
Administrative and General	4,582	3,565	5,231
Transmission System Access Fee	24,011	24,171	23,124
Depreciation Expense	7,468	21,223	21,037
Renewals and Replacements	-	30	199
Total Operating Expenses	68,769	121,245	112,506
Income from Operations	106,702	155,910	160,766
Other Income (Expense)			
Investment Revenue	666	715	858
Contributed Capital	5,507	-	-
Miscellaneous Other Income (Expense)	612	2,207	(465)
Total Other Income	6,785	2,922	393
Interest Charges			
Interest Expense on Debt	9,935	11,058	20,369
Bond Issuance Cost	961	-	-
Amortization of Debt Premium and Excess Cost on Advance Refunding of Debt	(262)	130	12,797
Total Interest Charges	10,634	11,188	33,166
Impact of Regulatory Assets on Change in Net Position	(117,713)	74,603	(129,893)
Unearned Revenue Recognized	32,037	34,949	34,949
Net Revenues before Refunds	17,177	257,196	33,049
Refunds to Member Cities	(28,983)	(36,291)	(34,731)
Change in Net Position before Impairment of Electric Plant	(11,806)	220,905	(1,682)
Impairment of Electric Plant	(18,866)	(208,412)	-
Change in Net Position	(30,672)	12,493	(1,682)
Net Position			
Beginning Balance	44,887	32,394	34,076
Ending Balance	$ 14,215	$ 44,887	$ 32,394

Operating Information
Explanations of Significant Variances Between FY 2017 and FY 2018

Power Sales revenue decreased $100.7 million (44%) due to the plant entering a seasonal operations mode, only operating during the summer months. Power Sales are based upon two components, demand and energy. The demand component is designed to cover the Agency's fixed costs, including debt service, and is billed ratably throughout the year. The energy component is based on the cost of fuel and billed per-unit of generation.

Other Operating Income decreased $1.1 million (51%) primarily due to lower fly ash sales in FY 2018 compared to FY 2017 resulting from decreased generation.

Fuel Expense decreased $29.7 million (60%) due to lower generation in FY 2018 compared to FY 2017.

Power Production O&M Expense decreased $9.8 million (51%) due to the plant entering a seasonal operations mode, only operating during the summer months.

Depreciation Expense decreased $13.8 million (65%) due to 96.8% impairment of the generation assets that was effective September 30, 2017. The final impairment was effective September 30, 2018.

Contributed Capital increased $5.5 million (100%) due to the receipt of assets from third parties that paid for the construction of and/or improvements to the Agency's Transmission system.

Miscellaneous Other Income (Expense) decreased $1.6 million (72%) primarily due to two transactions in FY 2017: i) the receipt of funds from CenterPoint Energy for a transmission line easement in connection with the Houston Import Project; and ii) the receipt of funds from Cross Texas Transmission for a transmission line easement.

Bond Issuance Cost increased $1.0 million (100%) due to the issuance of the Series 2017 Transmission Bonds. See Note 6 for further detail.

Impact of Regulatory Assets on Change in Net Position increased $192.3 million (258%) due primarily to the payoff of all generation debt as of September 1, 2018, which significantly reduced the regulatory asset recorded on the Statement of Net Position.

Refunds to Member Cities decreased $7.3 million (20%) due to a combination of two factors. Debt service coverage refunds were lower in FY 2018 compared to FY 2017. Debt service coverage is budgeted annually equal to 1.26 times debt service (except on Series 2013 bonds which only require 1.00 coverage) and then refunded back to the Member Cities after required coverage is satisfied. Since debt service requirements (less Series 2013) were lower in FY 2018 than in FY 2017, budgeted debt service coverage was lower. In addition, an annual refund of eligible excess funds was made available to the Member Cities in FY 2018. There was no annual refund in FY 2017.

Operating Information
Explanations of Significant Variances Between FY 2016 and FY 2017

Power Sales revenue is consistent with prior year. Power Sales are based upon two components, demand and energy. The demand component is designed to cover the Agency's fixed costs, including debt service, and is billed ratably throughout the year. The energy component is based on the cost of fuel and billed per-unit of generation.

Other Operating Income increased $0.8 million (64%) primarily due to higher fly ash sales in FY 2017 compared to FY 2016 resulting from increased generation.

Fuel Expense increased $9.2 million (23%) due to higher generation in FY 2017 compared to FY 2016.

Administrative & General Expense decreased $1.7 million (32%) primarily due to a deliberate reduction in costs as the Member Cities contemplated the future plans for the Agency.

Renewals and Replacements decreased $0.2 million (85%). Beginning in FY 2014, the Agency discontinued the funding of renewals and replacements projects, which are considered large dollar maintenance projects, as part of its Capital Plan in an effort to restrict Capital Plan projects to only those that are capital in nature. As a result, beginning in FY 2014, funding for these types of maintenance projects were moved into the operation and maintenance budget. Renewals and Replacements expense incurred in the current year is related to renewals and replacements projects approved and funded prior to FY 2014 but not complete. As with FY 2017, the Agency anticipates that renewals and replacements activity will continue to be minimal as only a few renewal and replacement projects remain.

Miscellaneous Other Income (Expense) increased $2.7 million (121%) primarily due to two transactions: i) the receipt of funds from CenterPoint Energy for a transmission line easement in connection with the Houston Import Project; and ii) the receipt of funds from Cross Texas Transmission for a transmission line easement.

Interest Expense on Debt decreased $9.3 million (46%) due to the Series 1993 CABS being paid off in FY 2016.

Impact of Regulatory Assets on Change in Net Position decreased $204.5 million (157%) due to the impairment of the generation assets as a result of the decision to enter into a seasonal operations mode.

Refunds to Member Cities increased $1.6 million (4%) due to higher debt service coverage refunds in FY 2017 compared to FY 2016. Debt service coverage is budgeted annually equal to 1.26 times debt service and then refunded back to the Member Cities after required coverage is satisfied. Since debt service requirements were higher in FY 2017 than in FY 2016, budgeted debt service coverage was higher.

BASIC FINANCIAL STATEMENTS

Texas Municipal Power Agency
Statements of Net Position
(Dollars in Thousands)

Assets and Deferred Outflows of Resources

	September 30, 2018	September 30, 2017
Assets		
Current Assets		
Current Unrestricted Assets		
Cash and Cash Equivalents	$ 45,879	$ 40,466
Inventories		
Materials and Supplies	-	3,615
Accounts Receivable and Other	8,627	8,577
Total Current Unrestricted Assets	54,506	52,658
Current Restricted Assets		
Cash and Cash Equivalents	1,135	666
Prepaids	838	515
Total Current Restricted Assets	1,973	1,181
Total Current Assets	56,479	53,839
Noncurrent Assets		
Electric Plant		
In Service	373,911	385,292
Less Accumulated Depreciation	(182,096)	(186,738)
Total Net Plant	191,815	198,554
Construction Work in Progress	3,970	9,801
Total Electric Plant	195,785	208,355
Other Assets		
Restricted Cash and Cash Equivalents	12,028	10,316
Regulatory Assets	5,131	134,182
Total Other Assets	17,159	144,498
Total Noncurrent Assets	212,944	352,853
Total Assets	269,423	406,692
Deferred Outflows of Resources		
Unamortized Excess Cost on Advance Refunding of Debt	-	403
Total Deferred Outflows of Resources	-	403
Total Assets and Deferred Outflows of Resources	$ 269,423	$ 407,095

The accompanying notes are an intregral part of the financial statements.

Texas Municipal Power Agency
Statements of Net Position
(Dollars in Thousands)

Liabilities and Net Position

	September 30, 2018	September 30, 2017
Liabilities		
Current Liabilities		
Current Maturities of Revenue Bonds	$ 4,150	$ 93,805
Accrued Interest Payable	789	514
Accounts Payable	3,885	3,280
Unearned Revenue	-	32,037
Accrued Distribution to Member Cities	26,335	3,024
Accrued Compensation and Pension Benefits	457	5,301
Accrued Mine Reclamation Cost	2,375	2,453
Total Current Liabilities	37,991	140,414
Noncurrent Liabilities		
Long-Term Debt		
Revenue Bonds	186,925	105,840
Unamortized Premium	8,062	1,869
Tax Exempt Commercial Paper	19,500	100,115
Total Long-Term Debt	214,487	207,824
Other Employee Retirement Benefits	2,005	13,362
Accrued Mine Reclamation Cost	725	608
Total Other Long-Term Obligations	2,730	13,970
Total Noncurrent Liabilities	217,217	221,794
Total Liabilities	255,208	362,208
Net Position		
Net Investment in Capital Assets	(9,716)	1,740
Restricted for Insurance Claims	-	2,093
Unrestricted	23,931	41,054
Total Net Position	14,215	44,887
Total Liabilities and Net Position	$ 269,423	$ 407,095

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

Texas Municipal Power Agency
Statements of Revenues, Expenses and Changes in Net Position
(Dollars in Thousands)

	For the Years Ended September 30, 2018	2017
Operating Revenues		
Power Sales	$ 130,072	$ 230,755
Transmission Revenues	44,384	44,314
Other Operating Revenues	1,015	2,086
Total Operating Revenues	175,471	277,155
Operating Expenses		
Fuel	19,437	49,177
Power Production - Operation and Maintenance	9,610	19,423
Transmission - Operation and Maintenance	3,661	3,656
Administrative and General	4,582	3,565
Transmission System Access Fee	24,011	24,171
Depreciation Expense	7,468	21,223
Renewals and Replacements	-	30
Total Operating Expenses	68,769	121,245
Income from Operations	106,702	155,910
Other Income (Expense)		
Investment Revenue	666	715
Contributed Capital	5,507	-
Miscellaneous Other Income (Expense), Net	612	2,207
Total Other Income	6,785	2,922
Interest and Finance Charges		
Interest Expense on Debt	9,935	11,058
Bond Issuance Cost	961	-
Amortization of Debt Premium and Excess Cost on Advance Refunding of Debt	(262)	130
Total Interest and Finance Charges	10,634	11,188
Impact of Regulatory Assets on Change in Net Postion	(117,713)	74,603
Unearned Revenue Recognized	32,037	34,949
Net Revenues before Refunds	17,177	257,196
Refunds to Member Cities	(28,983)	(36,291)
Change in Net Position before Impairment of Electric Plant	(11,806)	220,905
Impairment of Electric Plant	(18,866)	(208,412)
Change in Net Position	(30,672)	12,493
Net Position		
Beginning Balance	44,887	32,394
Ending Balance	$ 14,215	$ 44,887

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

Texas Municipal Power Agency
Statements of Cash Flows
(Dollars in Thousands)

	For Years Ended September 30, 2018	For Years Ended September 30, 2017
Cash Flows from Operating Activities		
Cash Received from Power Sales	$ 129,404	$ 203,525
Cash Received from Transmission Revenues	29,356	28,267
Cash Received from Other Revenues	1,787	4,257
Cash Paid to Suppliers	(42,089)	(58,023)
Cash Paid to Employees	(7,557)	(10,078)
Net Cash Provided by Operating Activities	110,901	167,948
Cash Flows from Capital and Related Financing Activities		
Proceeds from Issuance of Debt	23,400	11,000
Construction Work in Progress	(4,994)	(9,827)
Payment of Principal on Debt	(105,910)	(127,694)
Debt issuance costs	(961)	-
Interest Paid on Debt	(9,836)	(11,603)
Refunds to Member Cities	(5,672)	(36,162)
Net Cash Used for Capital and Related Financing Activities	(103,973)	(174,286)
Cash Flows from Investing Activities		
Interest and Dividends on Investments	666	716
Net Cash Provided by Investing Activities	666	716
Net Increase (Decrease) in Cash and Cash Equivalents	7,594	(5,622)
Beginning Cash and Cash Equivalents Balance	51,448	57,070
Ending Cash and Cash Equivalents Balance	$ 59,042	$ 51,448

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

Texas Municipal Power Agency
Statements of Cash Flows
(Dollars in Thousands)

	2018	2017
Income From Operations	$ 106,702	$ 155,910
Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities:		
Depreciation Expense	7,468	21,223
Credits Applied to Power Sales	-	(29,635)
Change in Accounts Receivables and Other	(373)	1,733
Change in Inventories	127	21,580
Change in Accrued Mine Reclamation Cost	39	(360)
Change in Accounts Payable	138	(3,169)
Change in Accrued Compensation and Fringe Benefits	(3,200)	666
Total	4,199	12,038
	$ 110,901	$ 167,948

Supplemental Cash Flows Information

Capital invoices totaling $1,128,925 and $1,076,056 are included in accounts payable at September 30, 2018 and 2017, respectively. Approximately $87,000,000 of commercial paper was paid off through the issuance of the System Net Revenue/Transmission Revenue Converting Security Refunding Bonds, Series 2017.

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

TEXAS MUNICIPAL POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

Texas Municipal Power Agency
Notes to Financial Statements

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1. General

The Texas Municipal Power Agency ("TMPA" or the "Agency") was created on July 18, 1975 through the adoption of concurrent ordinances by the Texas Cities of Bryan, Denton, Garland, and Greenville ("Cities" or "Member Cities"), pursuant to TMPA's enabling legislation, Acts 1975, 64th Leg., Ch. 143, Sec. 1, now codified in Subchapter C, Chapter 163, Utilities Code. In 2015, the Legislature enacted Subchapter C-1, Chapter 163, Utilities Code (the "Act"). The Act permits the Member Cities of TMPA to adopt concurrent ordinances electing for TMPA to be governed by the Act. In 2016, the Member Cities took this action. Under the provisions of the Act, TMPA is a separate municipal corporation and political subdivision. TMPA is exempt from payment of federal income taxes under Section 115 of the Internal Revenue Code. In comparison to Subchapter C which previously governed TMPA, the Act, among other things, expands TMPA's authority in relation to the sale of electric facilities, authorizes the Member Cities to modify the governance structure of TMPA, and provides a procedure under which TMPA may be dissolved.

The Agency is governed by a Board of Directors made up of two representatives from each Member City and is empowered to plan, finance, acquire, construct, own, operate, and maintain facilities to be used in the business of generation, transmission, and sale of electric energy to the Member Cities.

In September 1976, TMPA entered into identical Power Sales Contracts (the "Contract") with each of the Cities for the purpose of obtaining for the Cities the economic advantages of jointly financing, constructing, and operating large electric generating units and related facilities to supply the Cities' future energy needs. Under the Contract, the Cities are required to pay, for the benefits received or to be received by them from such activities, an amount sufficient to pay TMPA's operating and maintenance expenses and the Bond Fund, Reserve Fund, and Contingency Fund requirements of the Revenue Bond Resolutions (the "Resolutions"). In addition, the Cities are obligated to guarantee the payment of TMPA's Prior Lien Bonds (the "Debt Service Guarantee").

As originally written in September 1976, the Contract was a requirements contract, which obligated the Cities, with certain exceptions, to purchase their wholesale electricity requirements from TMPA. On November 5, 1997, the Contract was amended. Under the amendment, the Contract was converted from a requirements contract to a take-or-pay contract, under which each City is obligated to take or pay for a specified percentage of electricity from TMPA's generating facility. Those percentages were Bryan 21.7%, Denton 21.3%, Garland 47%, and Greenville 10%. The amendment confirmed the Cities' obligations, explained above, to pay all costs of TMPA. Concurrently with the execution of the amendment on November 5, 1997, a Travis County District Court validated the Contract as amended and confirmed the authority of TMPA to enter into the amendment.

Effective June 24, 2010, the Contract was amended to enable TMPA to issue debt secured by transmission revenues ("Transmission Debt"). Transmission Debt issued prior to September 1, 2018, was to be secured by Net Revenues until September 1, 2018, and solely by transmission revenues thereafter. Transmission Debt issued after September 1, 2018, must be secured solely by transmission revenues. On August 30, 2010, pursuant to the amendment to the Contract, TMPA issued its first series of Transmission Debt. The final maturity date of such series of Transmission Debt is September 1, 2040. Two additional series of Transmission Debt, one of which is a revolving note program, were issued on December 1, 2017.

The term of the Contract was for a period of 35 years from September 1, 1976 or until all bonds and certain other indebtedness of the Agency were paid, whichever occurred later. On September 1, 2018, the "Debt Discharge Date" occurred, i.e. the date on which all Generation Debt of TMPA was paid off. On this date, the Contract was extended by and only as to the cities of Bryan, Denton, and Garland pursuant to the Joint Operating Agreement, discussed below, to September 30, 2018. The Contract expired as to the City of Greenville on September 1, 2018, and expired as to the remaining Cities on September 30, 2018. Although Transmission Debt remains outstanding, Transmission Debt has no effect on the term of the Contract.

Effective September 1, 2018, budgets and charges to recover TMPA's costs will be made pursuant to a Joint Operating Agreement between TMPA and the Member Cities, which became effective on September 1, 2016. See Note 9 for a description of the Joint Operating Agreement.

TMPA operates the Gibbons Creek Steam Electric Station ("GCSES"), a coal-fired generating plant located in Grimes County, Texas with a net generating capability of 470 megawatts. The plant began commercial operation on October 1, 1983. TMPA also owns and operates electric transmission assets in the State of Texas. These transmission facilities provide ties to the Member Cities and to other transmission providers at a number of points in the Electric Reliability Council of Texas ("ERCOT") system.

Regulation

The Agency's Board of Directors regulates TMPA's generation activities. Transmission activities are regulated by ERCOT and the PUCT. Each transmission service provider in ERCOT is required to provide non-discriminatory access to the electric grid in ERCOT. As compensation for this service, each transmission service provider annually receives its Transmission Cost of Service ("TCOS"), which is set by the PUCT.

2. Summary of Significant Accounting Policies

System of Accounts

The accounting records of TMPA are maintained substantially in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission ("FERC") for Class A and Class B Public Utilities and Licensees.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, and liabilities and 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 could differ from those estimates.

Measurement Focus, Basis of Accounting, and Basis of Presentation

The accounts of TMPA are organized and operated based on account groups in a fund. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in accounting for resources.

TMPA maintains an Enterprise Fund to account for its operations. An Enterprise Fund, which is a Proprietary Fund type, is accounted for on the flow of economic resources measurement focus and uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when incurred. Enterprise funds are used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of management is to finance the costs of providing services to the public primarily through user charges.

Accounting and Financial Reporting

The Agency's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB").

The Agency presents its financial statements in accordance with GASB Statement No. 34 ("GASB 34"), *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as amended.

The Agency follows the provisions of GASB Statement No. 62("GASB 62"), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. In general, GASB 62 permits an entity with cost-based rates to defer certain costs or income, which would otherwise be recognized when incurred. Costs are deferred to the extent that the rate-regulated entity is recovering or expects to recover such amounts through rates charged to customers while receipts are deferred to the extent that they are expected to cover costs to be incurred in the future.

GASB Pronouncements Effective in FY 2018

GASB Statement No. 75 ("GASB 75"), *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, requiring governmental entities to report a liability related to "other post-employment benefit plans" on the face of the financial statements and requiring extensive note disclosures and required supplementary information. Implementation of this statement will not result in a restatement since the liability under GASB 45 has been previously offset by a regulatory asset (was to be captured by future rates charged to members). Liability under GASB 75 will continue to be offset by regulatory asset. Restatement of the 2017 financial statements is not practical because prior year information calculated under the provisions of GASB is not available. See Note 8 for further detail.

GASB Statement No. 85 ("GASB 85"), *"Omnibus 2017"*, addressing practice issues that have arisen during implementation of other GASB standards. Implementation of GASB 85 had no impact on the financial statements.

GASB Statement No. 86 ("GASB 86"), *"Certain Debt Extinguishment Issues"*, eliminating an inconsistency in the literature related to in-substance defeasance of debt. Under previous guidance, debt could only be considered defeased if there was a refunding. GASB 86 now allows defeasance treatment even if the government uses existing assets and does not issue new debt. Implementation of GASB 86 had no impact on the financial statements.

GASB Pronouncements Effective in FY 2017

GASB Statement No. 74 ("GASB 74"), *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishing new accounting and financial reporting requirements for governments whose employees are provided with other postemployment benefits, as well as for certain nonemployer governments that have a legal obligation to provide financial support for other postemployment benefits provided to the employees of other entities. Implementation of GASB 74 had no impact on the financial statements.

GASB Statement No. 78 ("GASB 78"), *Pensions Provided through Certain Multiple-Employer Defined Benefit Plans*. GASB 78 addresses practice issues regarding the scope and applicability of GASB 68. Implementation of GASB 78 had no impact on the financial statements.

GASB Statement No. 77 ("GASB 77"), *Tax Abatement Disclosures*, requiring disclosure by state and local governments of their own tax abatement agreements and those that are entered into by other governments that reduce the reporting government's tax revenues. GASB 77 is intended to assist users of financial statements in assessing a government's financial condition and the limitations on a government's ability to raise resources. Implementation of GASB 77 had no impact on the financial statements.

GASB Statement No. 81 ("GASB 81"), *Irrevocable Split-Interest Agreements.* GASB 81 improves financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Implementation of GASB 81 had no impact on the financial statements.

GASB Pronouncements Issued but Not Yet Effective

In November 2016, GASB issued Statement No. 83 ("GASB 83"), *Certain Asset Retirement Obligations (ARO).* GASB 83 establishes uniform criteria for governments to recognize and measure certain asset retirement obligations, defined as a legally enforceable liability associated with the retirement of a tangible capital asset. Examples could be costs associated with decommissioning a nuclear power plant or disposal of an x-ray machine. An ARO is recognized when the liability is incurred, which is manifested by the occurrence of both an external obligating event (such as a legally binding contract or a court judgment) and an internal obligating event (such as placing a tangible capital asset into service). A government also recognizes a deferred outflow of resources when it recognizes an ARO liability. The ARO is measured at the best estimate of the current value of outlays expected to be incurred. Additional note disclosures are required. GASB 83 is effective for the fiscal period ending September 30, 2019. Continued review is necessary to determine the impact of this statement on the Agency.

In January 2017, GASB issued Statement No. 84 ("GASB 84"), *Fiduciary Activities.* GASB 84 establishes criteria for identifying fiduciary activities. It presents separate criteria for evaluating component units, pension and other postemployment benefit arrangements, and other fiduciary activities. GASB 84 is effective for the fiscal period ending September 30, 2020, however implementation will have no impact on the Agency.

In June 2017, GASB issued Statement No. 87 ("GASB 87"), *Leases*. GASB 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB 86 is effective for the fiscal period ending September 30, 2021, however implementation will have no impact on the Agency.

In June 2018, GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* ("GASB 88"). GASB 88 specifies disclosures that should be made in the financial statements related to debt. It also provides a definition of debt so that governments know which types of liabilities should be included in those disclosures. If a government has direct borrowings or direct placements, disclosures related to these should be provided separately from disclosures related to other types of debt. The implementation will have no impact on the Agency.

In December 2019, GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* ("GASB 89"). GASB 89 requires that interest costs incurred before the end of a construction period be recognized as expenses in the period in which the costs are incurred. As a result, the interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Earlier application is encouraged. GASB 89 will be applied prospectively to interest incurred after the date of adoption. Continued review is necessary to determine the impact of this statement on the Agency.

Electric Plant

Electric plant, with the exception of mine-related assets, is stated at historical cost. During construction, such costs include payroll and payroll-related amounts such as taxes and employee benefits, general and administrative costs, and an allowance for funds used in projects. As of September 30, 2018, the generation assets were fully impaired and have no remaining book value. Subsequent to the closing of the mining operation and recognition of the related impairment in 1996, mine-related assets are reported at net realizable value. Costs incurred for repairs and minor replacements are reported as operating expenses as appropriate. Upon retirement of the electric plant, the original cost thereof and the cost of removal, less salvage, are charged to accumulated depreciation. The Agency's capitalization policy requires expenditures exceeding $50,000 that are capital in nature and that have a useful life greater than one year to be capitalized.

Electric plant components, net of accumulated depreciation as of September 30, 2018 and 2017 are as follows (in thousands):

Summary of Additions, Less Transfers and Retirements to Plant

Electric Plant	Oct. 1, 2017	Additions	Transfers	Retirements/ Disposals	Sept. 30, 2018
Generation	$ 22,124	$ -	$ -	$ (22,124)	$ -
Transmission	293,632	6,078	10,595	(1,974)	308,331
Mine-Related	52,632	-	-	-	52,632
Other	15,986	429	(717)	(3,668)	12,030
Intangible Assets	918	-	-	-	918
Total Electric Plant	385,292	6,507	9,878	(27,766)	373,911
Accumulated Depreciation					
Generation	(9,349)	(605)	-	9,954	-
Transmission	(139,516)	(6,863)	-	1,691	(144,688)
Mine-Related	(29,858)	-	-	-	(29,858)
Other	(7,939)	-	-	465	(7,474)
Intangible Assets	(76)	-	-	-	(76)
Total Accumulated Depreciation	(186,738)	(7,468)	-	12,110	(182,096)
Construction Work in Progress	9,801	4,047	(9,878)	-	3,970
Total Electric Plant, Net of Accumulated Depreciation	$ 208,355	$ 3,086	$ -	$ (15,656)	$ 195,785

Electric Plant	Oct. 1, 2016	Additions	Transfers	Retirements/ Disposals	Sept. 30, 2017
Generation	$ 688,865	$ 649	$ 1,823	$ (669,213)	$ 22,124
Transmission	283,900	-	9,732	-	293,632
Mine-Related	52,632	-	-	-	52,632
Other	113,066	-	-	(97,080)	15,986
Intangible Assets	918	-	-	-	918
Total Electric Plant	1,139,381	649	11,555	(766,293)	385,292
Accumulated Depreciation					
Generation	(495,047)	(13,935)	-	499,633	(9,349)
Transmission	(133,353)	(6,163)	-	-	(139,516)
Mine-Related	(29,858)	-	-	-	(29,858)
Other	(68,237)	(1,128)	-	61,426	(7,939)
Intangible Assets	(76)	-	-	-	(76)
Total Accumulated Depreciation	(726,571)	(21,226)	-	561,059	(186,738)
Construction Work in Progress	11,696	9,660	(11,555)	-	9,801
Total Electric Plant, Net of Accumulated Depreciation	$ 424,506	$ (10,917)	$ -	$ (205,234)	$ 208,355

Allowance for Funds Used in Projects

Since inception, TMPA capitalized to electric plant approximately $135,963,415 of the interest cost funded through bond proceeds and commercial paper. The amount of interest capitalized will be recovered in future years by setting rates sufficient to provide funds for the related debt service requirements. TMPA capitalized interest costs of $176,571 and $103,750 during 2018 and 2017, respectively.

Depreciation

Depreciation is calculated using the straight-line method over the estimated useful lives of the various classes of plant, which are as follows:

Generation Assets Fully impaired as of September 30, 2018
Transmission Assets 40 Years
Other Utility Plant 5 to 20 Years

Annual depreciation provisions expressed as a percentage of average depreciable plant were approximately 2.0% and 1.9% in 2018 and 2017, respectively. During 2018 and 2017, depreciation expense was $7,468,114 and $21,222,725, respectively. See Note 9 for additional information regarding generation plant impairment.

Renewals and Replacements

Renewals and replacements are large dollar maintenance projects that, prior to 2014, were funded through the Agency's capital plan. The original cost of the projects is capitalized in electric plant in service and an offsetting contra account is established to reflect the expensing of those projects as renewals and replacements expense.

Beginning in 2014, the Agency modified its capital plan to include only those projects that are capital in nature. As a result, funding for these maintenance projects was moved to the operation and maintenance budget.

Renewals and replacements funding not utilized in prior years has been carried forward for completion of projects previously approved. During 2018 and 2017, renewals and replacements expense was $0 and $29,906, respectively. At September 30, 2018 and 2017, renewals and replacements funding of $1,059,766 and $1,566,120 was carried forward, respectively.

Summary of Additions, Less Transfers and Retirements to Plant

As of September 30, 2018, accumulated depreciation activity of $4.6 million includes depreciation expense of $7.5 million, an impairment charge of $10.0 million, and retirements of $2.1 million. See Note 9 for impairment discussion. As of September 30, 2017, accumulated depreciation activity of $539.8 million includes depreciation expense of $21.2 million and an impairment charge of $561.06 million.

Investments

Investments are stated at amortized cost and consist of investments in the Texas Local Government Investment Pool ("TexPool").

Funds invested in TexPool represent ownership of a pro-rata share of the underlying assets of the pool. The pool invests primarily in obligations of the U.S. Government, the State of Texas, or its agencies and instrumentalities, repurchase agreements, and other highly rated instruments as authorized by state law. TexPool is controlled by the State Comptroller of Public Accounts of Texas and only invests in assets that are authorized under both the Public Funds Investment Act and the TexPool Investment Policy. TexPool is measured at amortized cost as the pool meets requirements of GASB No. 79. Investment objective and strategies are to seek preservation of principal, liquidity and current income. The pool offers same day access to investment funds.

Inventories

Fuel stock and materials and supplies inventories are valued at cost, using weighted average methods. Inventories at September 30, 2018 were considered impaired.

Rates for Power Sales

TMPA's rates for power and energy billed to the Cities are designed to cover annual system costs as defined in the Resolutions and the Contract. In general, costs are defined to include TMPA's costs of operations (except for depreciation and amortization). It is the Agency's practice to budget approximately 1.26 times debt service requirements. The rates are set by the Board of Directors annually and are required to be reviewed on an annual basis. TMPA's practice is to periodically refund accumulated excess revenues to the Cities to the extent available funds after debt service coverage and specified required reserves have been met.

Revenues

Revenues from the sale of electricity are based upon two components, demand and energy. The demand component is a fixed amount established for the fiscal year, which is recognized ratably throughout the year. Beginning September 1, 2018, in accordance with the Joint Operating Agreement, these fixed costs are charged separately by business unit: Generation, Transmission, and Mine. The Joint Operating Agreement also authorizes the Agency to charge the Member Cities for decommissioning activities associated with the plant. The energy component is based on a per-unit generation amount, and is recognized as generation occurs. As of September 30, 2018 and 2017, the Agency had outstanding receivable balances related to Member Cities' electricity sales of

$3.0 million and $2.3 million, respectively. See Note 11 for further information. Transmission revenues are determined by the PUCT annually based on regulatory filings and are recognized ratably throughout the year by the Agency.

The Agency distinguishes between operating and non-operating revenues and expenses consistent with the criteria used to identify cash flows from operating activities in the Statement of Cash Flows. Generally, the Agency classifies revenues generated from power sales and transmission usage along with ancillary services as operating revenues. Fuel, production operating and maintenance, transmission operating and maintenance, general and administrative, transmission system access fee, depreciation on the Agency's electric plant assets, and renewals and replacements expense are classified as operating expenses. All other income and expenses, including investment revenues, interest expense, amortization of debt costs, regulatory assets recovered in the current year, unearned revenues, and refunds to Member Cities are considered non-operating activity.

Contributed Capital

Capital assets received from third parties who constructed and/or made improvements to the Agency's Transmission system are classified as contributed capital. These funds are recognized in the year in which they are received, as the assets have been fully conveyed to the Agency.

Transmission System Access Fee

The PUCT sets rates for wholesale transmission services within ERCOT. TMPA pays the cost of delivery of its power to the Member Cities based on those rates.

Regulatory Assets

TMPA is subject to the accounting requirements of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Accordingly, certain costs may be capitalized as regulatory assets that would otherwise be charged to expense. Such regulatory assets are recorded when it is probable that future revenue in an amount at least equal to the capitalized costs will result from inclusion of those costs in future rates. Types of costs deferred include depreciation, debt issuance costs, losses resulting from debt restructuring, other postemployment benefits, and write-downs of debt-financed capital assets. Recovery of costs will be through Member City demand components such as debt service principal payments, and commercial paper payoff. Estimated mine reclamation costs will be recovered through fiscal budget components.

Debt-Related Costs

Bond premiums and discounts are amortized over the terms of related bond issues under the effective interest method. Excess cost on advance refunding of debt is amortized using the straight-line method over the term of the bond issue.

Statements of Cash Flows

The Agency considers all highly liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2018 and 2017, cash equivalents include amounts held at TexPool.

Net Position

Net position is displayed in three components – net investment in capital assets, restricted for insurance claims, and unrestricted. Components of net investment in capital assets include electric plant and intangible assets net of depreciation, which are reduced by outstanding bond and commercial paper liabilities related to those assets. The outstanding liabilities are calculated net of the investments included in restricted assets.

Net position restricted for insurance claims is comprised of current and noncurrent cash and investments, restricted for Risk Management purposes. Unrestricted net position is comprised of those assets and liabilities that do not meet the definition of "restricted" or "net investment in capital assets".

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as needed.

3. Restricted Assets

Restricted assets include those assets comprising the Subordinate Lien Bond (Series 2010 Bonds), Subordinate Lien Reserve (Series 2010 Bonds), Subordinate Lien Bond (Series 2017 Bonds), Subordinate Lien Reserve (Series 2017 Bonds), Junior Subordinate Lien Bond, Project Construction, and Risk Management Program funds, which are principally established and maintained pursuant to the Resolutions. Substantially all assets in the Bond and Reserve Funds are available only to meet the principal and interest payments on the Revenue Bonds.

Subordinate Lien Bond Fund (Series 2010 Bonds) and Subordinate Lien Reserve Fund (Series 2010 Bonds) assets are for use in paying the interest and principal of outstanding Series 2010 Bonds. Subordinate Lien Bond Fund (Series 2017 Bonds) and Subordinate Lien Reserve Fund (Series 2017 Bonds) assets are for use in paying the interest and principal of outstanding Series 2017 Bonds. Junior Subordinate Lien Bond Fund assets were for use in paying interest and principal on the Series 2013 Bonds, which were paid off in full as of September 1, 2018. Project Construction Fund assets are available to pay costs associated with the Series "A" Notes. Assets in the Risk Management Program Fund were available to pay certain claims and losses and to reimburse the Agency for certain administrative costs of the Risk Management Program. This Program terminated on July 1, 2018 (discussed in further detail in Note 5).

The aggregate amount in each of these funds as of September 30 is as follows (in thousands):

Fund Type:	2018	2017
Subordinate Lien Bond Fund (Series 2010 Bonds)	$ 753	$ 712
Subordinate Lien Reserve Fund (Series 2010 Bonds)	7,965	7,844
Subordinate Lien Bond Fund (Series 2017 Bonds)	493	-
Subordinate Lien Reserve Fund (Series 2017 Bonds)	3,883	-
Junior Subordinate Lien Bond Fund	-	333
Project Construction Funds (Series "A" Notes)	69	-
Risk Management Program	-	2,093
Total Funds	$ 13,163	$ 10,982

4. Investments

As of September 30, 2018 and 2017, the Agency's portfolio is invested entirely in the Texas Local Government Investment Pool ("TexPool"), a local government investment pool, and is stated at amortized cost per share. Balances maintained at TexPool as of September 30, 2018 and 2017 were $58,322 and $50,515, respectively. TexPool is not managed by the Agency and the Agency does not possess securities that exist in either physical or book entry form. Under the Texas Public Funds Investment Act, government investment pools must maintain an AAA or equivalent rating from at least one nationally recognized rating agency. Standard & Poor's currently rates TexPool AAAm.

Interest Rate Risk

The Agency minimizes the risk associated with the decline in market value of securities due to rising interest rates (interest rate risk) by maintaining a "buy and hold" strategy, whereby securities are purchased with the intent to hold the securities in the portfolio until maturity. The Agency does not participate in derivatives to hedge interest rate risk or any other risk.

Credit Risk and Concentration of Credit Risk

The Agency's investment policy limits investments to obligations of the United States of America and its agencies, investment quality obligations of states, agencies, counties, cities, and other political subdivisions of any state, fully insured Certificates of Deposit, and commercial paper that has maturity of 270 days or less and a rating of A-1 or P-1.

Custodial Risk

Custodial risk is the risk that in the event of a bank or counterparty failure, the Agency's deposits or investments may not be returned. The investment policy states that all bank deposits of Agency funds be secured by pledged collateral with a market value equal to no less than 102 percent of the principal plus accrued interest less an amount insured by the Federal Deposit Insurance Corporation ("FDIC"). Investment securities are delivered-versus-payment to the Agency's bank for safekeeping as evidenced by safekeeping receipts issued by the bank.

Deposits

The bond resolutions require that deposits be placed in a bank or trust company organized under the laws of the State of Texas or a national banking association located within the State of Texas. Deposits are insured by the FDIC or collateralized by U.S. Government obligations or its Agencies and Instrumentalities; or direct obligations of Texas or its Agencies or Instrumentalities that have a market value of not less than the principal amount on deposit and rated "A" or better by Moody's or Standard and Poor's. The pledged collateral was held at the Federal Home Loan Bank of Dallas under a joint safekeeping account with the Agency's deposit institution in the Agency's name.

As of September 30, 2018 and 2017, TMPA had recorded cash deposits of $0.72 million and $0.93 million, respectively. Bank statement balances as of September 30, 2018 and 2017 were $1.07 million and $1.07 million, respectively, with the differences being comprised of outstanding checks and deposits in transit.

5. Risk Management Program

The Risk Management Program was established in July 1987 and funded through the sale of $20,480,000 Series 1987A Revenue Bonds. These bonds were refunded by the Series 1993A bonds which matured September 1, 1997. The Risk Management Program was extended through July 1, 2018 by Board Resolution. The initial capitalization requirements were determined on an actuarial basis, and each year prior to 2013, an actuarial study was prepared by a professional actuary to determine, amongst others, funding needed to maintain actuarial soundness.

In 2013, the decision was made to exhaust the Risk Management Program by decreasing annual funding to the program. It was planned for the Risk Management Program to be fully exhausted in 2018. As a result of this decision, the need for an actuarial study to determine appropriate funding was no longer needed. Therefore, beginning in 2013, the Agency chose to discontinue actuarial studies on its Risk Management Program.

In addition to the initial funding, TMPA has purchased commercial insurance to cover certain property and liability risks. The Risk Management Program does not include health and dental care coverage described in Note 8. TMPA is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters.

Under the Board Resolution establishing the Risk Management Program, withdrawals for the payment of claims (exclusive of defense costs which are not covered by any maximum on withdrawals from the fund) may not exceed maximum amounts as follows:

Type of Claim	Maximum Amount
Corporate general liability claims arising from one occurrence	$1 million
Assumed general liability claims arising from one occurrence	$1 million
Aggregate of corporate and assumed general liability claims per fiscal year	$3 million
Property losses arising from one occurrence	$5 million
Aggregate of property losses per fiscal year	$5 million

Any claims or damages above self-insured amounts are covered by commercial insurance. There were no substantial changes in the level of commercial insurance from the previous year. Since inception of the program, no settlements have exceeded insurance coverage.

Effective October 1, 1995, the Agency adopted GASB Statement No. 30, Risk Financing Omnibus ("GASB 30") which amends GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues ("GASB 10"). GASB 10 requires that a liability for claims be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. GASB 30 further requires that claims liabilities include specific, incremental claim adjustment expenditures/expenses. In addition, estimated recoveries of settled and unsettled claims should be evaluated and deducted from the liability for unpaid claims. The Agency had no liabilities included in accounts payable at September 30, 2018 or 2017, based on the requirements of GASB 10 and GASB 30.

The Risk Management Program terminated, as scheduled, on July 1, 2018. At that time, the remaining funds were transferred to the Agency's operating account, as all future insurance costs will be funded through rates to the Member Cities.

6. Long-Term Debt

The Agency's long-term debt consists of the following at September 30, 2018 and 2017 (in thousands):

	Outstanding October 1, 2017	Issued/ Increased	Redeemed/ Decreased	Accretion/ Amortization Premium/ Discount	Outstanding September 30, 2018	Principal Due Within One Year
Revenue Bonds Series						
2008	$ -	$ -	$ -	$ -	$ -	$ -
2010	110,384	-	(2,675)	(288)	107,421	2,785
2013	91,130	-	(91,130)	-	-	-
2017	-	92,093	-	(377)	91,716	1,365
Total Revenue Bonds	201,514	92,093	(93,805)	(665)	199,137	4,150
Non-Taxable Commercial Paper	100,115	-	(100,115)	-	-	-
Series "A" Revolving Notes	-	19,500	-	-	19,500	-
Total Long-term Debt	$ 301,629	$ 111,593	$ (193,920)	$ (665)	$ 218,637	$ 4,150

	Outstanding October 1, 2016	Issued/ Increased	Redeemed/ Decreased	Accretion/ Amortization Premium/ Discount	Outstanding September 30, 2017	Principal Due Within One Year
Revenue Bonds Series						
2008	$ 36,960	$ -	$ (36,835)	$ (125)	$ -	$ -
2010	113,270	-	(2,575)	(311)	110,384	2,675
2013	179,415	-	(88,285)	-	91,130	91,130
Total Revenue Bonds	329,645	-	(127,695)	(436)	201,514	93,805
Non-Taxable Commercial Paper	89,115	11,000	-	-	100,115	-
Total Long-term Debt	$ 418,760	$ 11,000	$ (127,695)	$ (436)	$ 301,629	$ 93,805

Revenue Bonds outstanding, as of September 30, 2018 and 2017, respectively, are (in thousands):

Series	Current Amount Outstanding 2018	Long-Term Amount Outstanding 2018	Maturity From	Maturity To	Range of Interest Rates From	Range of Interest Rates To	Earliest Redemption Date
2010	$ 2,785	$ 103,055	2012	2040	3.000	5.000	2012
2017	1,365	83,870	2019	2047	5.000	5.000	2019
Total	$ 4,150	$ 186,925					

Series	Current Amount Outstanding 2017	Long-Term Amount Outstanding 2017	Maturity From	Maturity To	Range of Interest Rates From	Range of Interest Rates To	Earliest Redemption Date
2010	$ 2,675	$ 105,840	2012	2040	3.000	5.000	2012
2013	91,130	-	2017	2018	1.898	1.898	2017
Total	$ 93,805	$ 105,840					

Debt service requirements for the revenue bonds for the next twenty-eight years as of September 30, 2018, are as follows (in thousands):

Year	Principal	Interest	Total
2019	$ 4,150	$ 9,468	$ 13,618
2020	4,360	9,261	13,621
2021	4,580	9,043	13,623
2022	4,810	8,814	13,624
2023	5,045	8,573	13,618
2024 - 2028	29,165	38,937	68,102
2029 - 2033	37,010	31,093	68,103
2034 - 2038	47,090	21,008	68,098
2039 - 2043	34,905	9,218	44,123
2044 - 2047	19,960	2,556	22,516
	191,075	$ 147,971	$ 339,046
Unamortized Premium	8,062		
Total	$ 199,137		

On December 1, 2017, TMPA issued $85,235,000 of System Net Revenue/Transmission Revenue Converting Security Refunding Bonds, Series 2017. These bonds were issued at a premium of $6,858,130. Proceeds from this issuance were used to pay off the Series 2005 Tax-Exempt Commercial Paper Notes. These obligations are allocable to the outstanding debt of the Agency issued to finance or refinance its transmission facilities. Prior to the debt discharge date (the date of final payment or discharge of all old system debt), the bonds were secured by a pledge of the net revenues of the Agency's system. Effective on and after the discharge date, the bonds became secured by a pledge of net revenues of the Agency's transmission system and by amounts on deposit in the Series 2017 Reserve Fund.

On December 1, 2017, TMPA issued an initial installment of $10,100,000 of Subordinated System Net Revenue/Transmission Revenue Converting Security Direct Purchase Revolving Notes, Series A Notes. Proceeds from this issuance were used to pay for ongoing Transmission projects that had not yet been placed in service. On August 1, 2018, TMPA issued another installment of

$9,400,000 of the Series A Notes to fund new Transmission projects. With capacity of $60,000,000, TMPA will continue to issue the Series A Notes as funds are necessary for future Transmission projects.

Certain Bonds are subject to optional redemption prior to their scheduled maturity date without additional cost and certain bonds can be redeemed subject to stated call premiums.

The Resolutions contain certain restrictions and covenants including TMPA's covenant to establish and maintain rates and other charges to produce revenues sufficient to pay operating and maintenance expenses (exclusive of depreciation and amortization), to produce net revenues sufficient to pay the amounts required to be deposited in the debt service funds, and to produce net revenues equal to at least 1.25 times the annual debt service to be paid for the then outstanding bonds.

7. Tax-Exempt Commercial Paper Program

TMPA was authorized to issue tax-exempt commercial paper in the principal amount not to exceed $125,000,000 (the "Series 2005 Notes"), of which $0 is outstanding at September 30, 2018. The Series 2005 Notes were paid down in full on December 1, 2017 with the issuance of the Series 2017 Revenue Bonds. The Series "A" Revolving Notes were also issued on that date as a means to pay for future Transmission projects.

The Series 2005 Notes were issued in denominations of $100,000 or more with maturities not to exceed 180 days from date of issue. Under the Series 2005 Resolution, the Series 2005 Notes were special obligations of the Agency payable from and secured by a pledge of available revenues and the Note Payment Fund; provided, however, that such pledge was subject and subordinated to first and prior lien of TMPA's outstanding previously issued bonds and any additional bonds. TMPA maintained credit facilities with banks in amounts sufficient to pay principal on the Series 2005 Notes.

The Series 2005 Notes were secured by an Irrevocable Direct-Pay Letter of Credit issued by Barclays Bank PLC, with terms that TMPA may borrow up to $125,000,000 on a revolving basis until August 31, 2018. The Bank extended the credit from $100,000,000 to $125,000,000 effective July 25, 2014. Under this agreement, TMPA paid a commitment fee of 0.44% per annum on the banks' commitment and was obligated to pay interest on any borrowings at the base rate, as defined in the agreement, of 8% at November 30, 2017, with a maximum rate not to exceed that allowed by law.

8. Employee Benefit Plans

Defined Contribution Plan

TMPA has a single employer defined contribution retirement plan covering all full-time employees which requires TMPA to contribute an amount equal to 10% of gross wages to a third party trustee for the benefit of plan participants ("the Plan"). Chapter 810, Government Code, and other state laws relating to political subdivisions such as the Agency, authorize the establishment and amendment of a pension plan by the Agency's Board of Directors. The Plan is administered by the TMPA Employees Pension Plan Administrative Committee. Employees may contribute, on a voluntary basis, an additional amount up to 50% of earnings. Employees direct both their employer and employee investments based on investment options available to them in the Plan. Vesting, with respect to employer contributions, is based on years of continuous service where participants become vested at 20% per year of credited service up to 100%. Participants are immediately vested in their voluntary contributions plus actual earnings thereon.

Membership in the plan was 72 and 119 participants as of September 30, 2018 and 2017, respectively.

Retirement plan costs for 2018 and 2017 were as follows (in thousands):

	2018	%	2017	%
Agency's total payroll	$7,378	-	$9,282	-
Agency's covered payroll	$6,043	100%	$8,996	100%
Agency's contribution	$604	10%	$899	10%
Employees' contribution	$36	.60%	$32	.36%

Loan provisions, which were established in 1999, provide that employee loans from the employee's employer-contribution account ("Account") may not exceed the lesser of $50,000 or 50% of the present value of the employee's vested Account. Loan repayment is generally within a 1-5 year timeframe with specific use qualifications for payback periods up to fifteen years. Loan interest rates are established according to loan provision guidelines.

Deferred Compensation Plan

In November 1997, the Board of Directors adopted an Internal Revenue Code Section 457 deferred compensation plan for Agency employees. This plan is in the form of the ICMA Retirement Corporation Deferred Compensation Plan and Trust and is administered by the ICMA Retirement Corporation. The funds held under this plan are invested in the ICMA Retirement Trust; a trust established by public employers for the collective investment of funds held under their retirement and deferred compensation plans. Employees may contribute up to 100% of pre-deferral taxable income to a maximum of $18,500 and $18,000 for calendar years 2018 and 2017, respectively. A "catch-up" provision, which allows an additional contribution of $6,000 and $6,000 for 2018 and 2017, respectively, is available for employees over 50 years of age. Employees direct the investment allocation, contributions and payout option of their individual plans. For the years ended September 30, 2018 and 2017, participants numbered 52 and 50 and participant contributions were $872,468 and $380,199, respectively.

Other Postemployment Benefits

Texas Municipal Power Agency Postemployment Benefits Plan is a single employer plan that covers all full-time, regular employees. The plan is a defined benefit plan and the cost for each employee is paid on a pay-as-you-go basis. Benefits for retirees consist of medical, dental, and life insurance coverage and are referred to as Other Postemployment Benefits (OPEB). The coverage for medical is provided through the Affordable Care Act (ACA) Exchange and managed by a third party broker. TMPA contributes a monthly allowance to the employee and spouse, if elected, through a Retiree Health Reimbursement Account (HRA). The Agency's health insurance for retirees and their spouse 65 years or older will be secondary to Medicare's coverage. A Medicare Supplement coverage is provided and managed through a third party broker. TMPA contributes a monthly allowance to the employee and spouse, if elected, through an HRA. Employees are eligible for normal retirement at age 65 or early retirement at age 55 with 20 years of service or age 60 with 10 years of service. The Agency does not issue a publically available actuarial report of its plan.

For active and retired employees in 2018, the Agency paid 100% of the cost of life insurance, and 86% and 74% of the cost of employee medical and dental benefits, respectively. For active and retired employees in 2017, the Agency paid 100% of the cost of life insurance, and 79% and 73% of the cost of employee medical and dental benefits, respectively. For retirements prior to January 1, 2002, life insurance coverage is reduced to 65% of the covered amount once retiree reaches age 65. Upon retiree reaching age 70, life insurance coverage is reduced to $2,000. For retirements effective after January 1, 2002, life insurance coverage is $5,000 at time of retirement reducing to $2,000 once retiree reaches age 70. At age 65, Medicare becomes the primary medical carrier for the retiree and the Agency's plan becomes secondary.

GASB 45

Prior to 2018, the Agency's OPEB cost was calculated in accordance with GASB No. 45. GASB No. 45 did not require the entire present value of plan benefits to be reflected in the balance sheet liability. Instead, GASB No. 45 introduced the concept of the Net OPEB Obligation. The Net OPEB Obligation was the cumulative difference, since the effective date of GASB No. 45, between Annual OPEB Cost and the employer's contributions to the plan. In general, the Annual OPEB Cost under GASB No. 45 was equal to: (i) the plan's Annual Required Contribution (ARC), (ii) one year's interest charge on the Net OPEB Obligation existing at the beginning of the fiscal year, and (iii) an adjustment to the ARC to offset the effect of actuarial amortization of past under or over contributions relative to prior ARC determinations. The ARC was determined as the actuarially-required funding amount for each year using the Aggregate Cost method. All of the unfunded projected liability for future OPEBs for active and retired employees, whether attributable to past service or future service, was recognized pro rata through each year's Normal Cost determination. The Normal Cost was calculated each year to be a level dollar amount per year per active participant.

Prior to the adoption of GASB No. 45, most plans were accounted for on a cash basis. In this situation, the Net OPEB Obligation at transition was zero and the first Annual OPEB Cost under GASB No. 45 was the ARC for that year. To the extent that accumulated Annual OPEB Cost determinations in subsequent fiscal years were more than (or less than) accumulated employer net cash costs, a Net OPEB Obligation (or Asset) was recorded as a liability (or as a prepaid amount).

Over the first ten years or so of accounting under GASB No. 45, the Agency's Net OPEB Obligation steadily climbed as the relatively sizable positive Annual OPEB Costs (due to the ARC exceeding the amortization of the prior year Net OPEB Obligation) exceeded the employer net cash costs. In FY16, significant reductions in plan benefits were made causing a significant drop in the plan's present value of benefits. In turn, the Annual OPEB Cost became negative due to the amortization of the prior year Net OPEB Obligation now exceeding the smaller ARC resulting from the benefit reduction. The negative Annual OPEB Costs led to a steady annual reduction in the Net OPEB Obligation. If GASB No. 75 had not taken effect in FY18, this steady reduction in the Net OPEB Obligation would have continued over the next several years until the balance sheet liability moved closer to the plan's present value of benefits.

The Agency is required to obtain a complete actuarial valuation every two years as long as it has less than 200 employees and provided significant changes have not occurred that would affect the result of the last valuation. In 2016, several plan design changes were made, including reducing eligibility for newer employees and capping and reducing annual contributions to retiree benefits costs. Because these plan design changes were considered significant, resulting in a reduction to the Agency's net OPEB obligation, the Agency obtained a complete valuation prepared as of May 1, 2015. A complete valuation was also prepared in 2018 due to the significant changes under GASB No. 45 vs. GASB No. 75.

The following table shows the components of the Agency's FY17 annual OPEB cost, the amount actually contributed to the plan, and changes in the Agency's net OPEB obligation:

Annual Required Contribution	$	1,013,544
Interest on net OPEB obligation		566,688
Adjustment to annual required contribution		(4,320,119)
Annual OPEB expense		(2,739,887)
Contributions made		(157,919)
Decrease in net OPEB obligation		(2,897,806)
Net OPEB obligation - beginning of year		16,259,799
Net unfunded OPEB obligation - end of year	$	13,361,993

To reflect historical data, below is the Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation:

Fiscal Year End		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2013	$	2,445,889	16.2%	$ 13,804,053
9/30/2014	$	3,160,096	7.9%	$ 16,715,192
9/30/2015	$	2,750,578	12.4%	$ 19,125,611
9/30/2016	$	(2,584,512)	10.9%	$ 16,259,799
9/30/2017	$	(2,739,887)	5.8%	$ 13,361,993

GASB 75

GASB Statement No. 75 was used to account for the September 30, 2018 Total OPEB liability. GASB No. 75 eliminated the concept of the Net OPEB Obligation and instead required the entire present value of plan benefits (termed the Total OPEB Liability) to be reflected on the balance sheet. Since the plan's present value of benefits is smaller (due to the benefit reductions) than the accumulated Net OPEB Obligation (which had grown substantially over the years prior to the benefit reductions), the impact of GASB No. 75 was to immediately and significantly reduce the plan's balance sheet liability. This could be thought of as an acceleration of the steady annual reductions in the Net OPEB Obligation that would have occurred over the next several years had GASB No. 45 remained in effect. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

A measurement date of May 1, 2018 was used for the September 30, 2018 liability and expense. The information that follows was determined as of a valuation date of May 1, 2018.

Membership in the OPEB by membership class at May 1, 2018 are as follows:

	2018
Active employees	6
Inactive employees or beneficiaries currently receiving benefits	97
Total	103

Contributions: For the year ended September 30, 2018, the Agency contributed $154,570 to retirees' HRA accounts. Contributions are made on a pay as you go basis.

Actuarial Assumptions: The total OPEB liability in the May 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Projected salary increase	3.40%
Discount Rate	The discount rate used to measure the Total OPEB Liability as of May 1, 2018 was 3.97%. The discount rate used to determine the Total OPEB Liability as of May 1, 2017 was 3.82%.
Actuarial cost method	The actuarial funding method has been changed from Aggregate to Entry Age Normal in order to comport with the requirements of GASB No. 75.
Eligibility	a. Full-time regular employees who were hired prior to October 1, 1993 and are age 55 or older with at least 20 years of service at retirement. b. Full-time regular employees who are both age 60 or older and have at least 10 years of service as of October 1, 2016. c. Employees not meeting a. or b. are not eligible for retiree benefits (medical, dental, or life insurance).
Mortality	Pre-Retirement Mortality: RP-2014 Total Employee Table (adjusted from the 2006 base year using Scale MP-2017) and projected beyond 2014 using the Scale MP-2017 mortality improvement rates Post-Retirement Mortality: RP-2014 Total Healthy Annuitant Table (adjusted from the 2006 base year using Scale MP-2017) and projected beyond 2014 using the Scale MP-2017 mortality improvement rates

Discount Rate: The discount rate was based on the municipal bond rate in the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality.

Changes in the Total OPEB Liability: Changes in the total OBEP liability through the year ended September 30, 2018 were as follows:

	Increase (Decrease) Total OPEB Liability
Balances as of 9/30/17 (Based on 5/1/17 Measurement Date)	$ 2,115,990
Changes for the year:	
Service cost	2,527
Interest on total OPEB liability	77,956
Difference between expected and actual experience	(6,724)
Changes in assumptions	(28,900)
Benefit payments	(155,595)
Net changes	(110,736)
Balances as of 9/30/18 (Based on 5/1/18 Measurement Date)	$ 2,005,254

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates: The total OPEB liability of the Agency has been calculated using a discount rate of 3.97%. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower than the current discount rate.

	1% Decrease	Current Discount	1% Increase
Total OPEB liability	$ 2,212,787	$ 2,005,254	$ 1,829,935

The total OPEB liability of the Agency has been calculated using health care cost trend rates of 5%. The following presents the total OPEB liability using health care cost trend rates 1% higher and 1% lower than the current health care cost trend rates.

	1% Decrease	Trend Rate	1% Increase
Total OPEB liability	$ 1,959,506	$ 2,005,254	$ 2,059,858

OPEB Expense: For the year ended September 30, 2018, the Agency recognized OPEB expense, as measured in accordance with GASB Statement No. 75, of $44,859.

In accordance with rate making methodology, the cost of this Program is unfunded until benefits are needed. Thus, unfunded expenses are treated as regulatory assets similar to other long-term obligations.

Medical and Dental Benefits

The Agency's medical and dental plan, which is not a component of the Agency's Risk Management Program, is administered by large insurance companies. Effective October 1, 2008, the Agency began a fully insured program where costs are based on fixed monthly premiums and fluctuate only when participant numbers change. In 2018 and 2017, $551,382 and $1,421,820 was paid in medical expenses based on an average of 67 and 134 participants, respectively. Participant medical premiums collected by the Agency in 2018 and 2017 were $78,828 and $296,119 resulting in a total cost to the Agency of $472,554 and $1,125,701, respectively. Dental expenses paid in 2018 and 2017 totaled $48,041 and $106,155 based on an average of 68 and 136 participants, respectively. Participant dental premiums collected in 2018 and 2017 were $12,689 and $28,608, resulting in a total cost to the Agency of $35,352 and $77,547, respectively.

Vision Benefit

Beginning in 2014, the Agency offered a vision plan to its employees and retirees, which the costs of the premiums are 100% paid by employees and retirees electing such coverage.

Compensated Absences

TMPA accumulates PTO and vacation time for all full-time employees, of which only earned vacation leave is recorded as a liability and reported as part of accrued compensation and pension benefits along with certain salary-related expenses.

TMPA pays accumulated vacation upon termination, but since TMPA does not pay employees for unused accumulated PTO upon termination, no related liability is recorded. A summary of changes in accrued vacation for the years ended September 30, 2018 and 2017 is as follows (in thousands):

Fiscal Year	**Beginning Liability**	**Vacation Accrued**	**Vacation Taken**	**Ending Liability**
2018	$486	$291	($638)	$139
2017	$509	$1,177	($1,200)	$486

Incentive Plan

In 2000, TMPA adopted an incentive-based compensation plan for which participants may receive additional income based upon the achievement of certain performance goals. Recorded costs were $113,407 and $913,854 for the years ended September 30, 2018 and 2017, respectively.

9. Commitments and Contingencies

A. In connection with a court settlement entered into on July 19, 1978, TMPA is obligated to make certain payments to Grimes County and three school districts in Grimes County as long as the Gibbons Creek Steam Electric Station is in operation. The aggregate amount of these payments was $456,170 in 2018 and $463,717 in 2017.

B. During 1995, TMPA authorized the conversion of its fuel source from locally-mined lignite to sub-bituminous coal from the Powder River Basin ("PRB"). TMPA commenced construction of the necessary rail loop and receiving operation in 1995 and converted to PRB coal in 1996. In connection with this conversion, some of TMPA's plant and mine-related assets were impaired. Impaired assets have been written-down to their net realizable value. In addition, TMPA recorded an accrual for reclamation costs related to the lignite mine operations and updates this accrual for changes in estimates of the expected ultimate liability.

C. TMPA received PRB coal pursuant to a coal supply agreement with Arch Coal Sales Company. The agreement with Arch Coal Sales Company covered the period commencing on January 1, 2013, and ended on August 31, 2018, and provided for a supply of coal from the Coal Creek and Black Thunder mines in Wyoming.

D. TMPA receives coal transportation services pursuant to an agreement, dated March 1, 2013, with BNSF Railway. The agreement will remain in effect until August 31, 2019.

E. In connection with the Gibbons Creek Lignite Mine, TMPA is required to submit to the Texas Railroad Commission reclamation bonds to ensure that TMPA will reclaim all lands disturbed by mining operations in accordance with all applicable Federal and State laws. For this purpose, TMPA has on file with the Railroad Commission a self-bond in the amount of $8,900,000 and irrevocable letters of credit in the aggregate amount of $20,600,000 outstanding.

F. During 1999, the Texas Legislature enacted legislation, SB 7, implementing retail competition in the electric utility industry commencing on January 1, 2002. Although participation by investor owned utilities in retail competition is required, participation by municipally owned utilities ("MOUS") is on a voluntary basis. Utilities which participate in retail competition, including MOUS which decide to participate in retail competition, are authorized to recover stranded costs, and may utilize securitization provisions contained in the legislation. Unlike investor-owned utilities, MOUS and electric cooperatives are not required to unbundle their generation functions from transmission and distribution functions into separate companies. However, same as investor-owned utilities, rates for wholesale transmission services provided by MOUS and electric cooperatives are determined by the PUCT. Rates for the use of the distribution systems of MOUS and electric cooperatives are determined by such entities. As of September 30, 2018, none of the Member Cities have elected to open their service territory to retail competition, but the respective Member Cities could determine to make such election in the future.

   SB 7 also contains provisions which provide assurance that the legislation will not "interfere with or abrogate the rights or obligation of parties...to a contract with a municipally owned utility". In light of such assurance in the legislation, relevant provisions of TMPA's enabling legislation, the judicial validation of the Power Sales Contract in 1997, and other pertinent considerations, TMPA is of the view that SB 7 will have no adverse impact on the Member Cities' obligations to TMPA under the Contract, or under the Joint Operating Agreement, and therefore is not expected to have a material impact on TMPA's financial position, results of operations, or cash flows.

G. The Energy Policy Act of 2005 authorized the North American Reliability Corporation ("NERC") to promulgate transmission reliability standards which, once approved by the Federal Energy Regulatory Commission ("FERC"), are enforceable by FERC, NERC, and, in Texas, by the Texas Reliability Entity, Inc. ("TRE"). NERC has promulgated reliability standards pursuant to this law and new standards are anticipated. NERC and TRE have enforcement powers to ensure compliance with these standards, including powers to impose administrative penalties. TMPA has implemented measures to comply with the existing standards and expects to remain in compliance as standards are promulgated in the future.

H. In the mid 1990's, TMPA anticipated moving its mining operations to an area east of FM 244 in Grimes County, Texas. In preparing for this "East Move", the Agency constructed an embankment for Sedimentation Pond 50 ("SP 50"). After the SP 50 embankment was constructed, TMPA decided to switch fuels from locally mined lignite to Powder River Basin coal. As a result of this fuel switch, the East Move did not occur, and SP 50 was never filled with water up to its design capacity.

   Following construction of the SP 50 embankment, some construction waste piles were placed in the footprint of SP 50. Because the construction waste piles include coal and pyrites, the Texas Railroad Commission requires that the waste piles be removed and disposed of, submerged in the pond, or otherwise remediated.

   In 2016, TMPA, in consultation with the Railroad Commission Staff, determined that it could comply with the applicable regulatory requirements by separating the waste piles from the banks of SP 50 and by vegetating the remaining islands. In 2017, TMPA obtained approval of this alternative plan and commenced the construction activities necessary for implementation of the alternative plan. The construction activities were completed in 2018.

I. The Houston Import Project is a transmission project designed to enhance the capacity of the ERCOT electric grid to transport electric power into the Houston area. The Project involves the construction of a double circuit 345 kV transmission line by Cross Texas Transmission, LLC from the Limestone Substation to TMPA's Gibbons Creek Substation, and the construction of a double circuit 345 kV line by CenterPoint Energy Houston Electric, LLC from the Zenith Substation to the Gibbons Creek Substation. Since both lines traverse portions of the Gibbons Creek Steam Electric Station before terminating in the Gibbons Creek Substation, each transmission provider, which has the power of eminent domain, sought a transmission line easement from TMPA. Pursuant to settlement agreements with each transmission provider, TMPA conveyed the necessary transmission easements in 2016 and 2018, avoiding the filing of any proceedings in eminent domain. The Project was completed in 2018.

J. In January 2016 and again in June 2017, the Agency issued requests for proposals ("RFPs") regarding the proposed sale of the Agency's generation and transmission assets. Certain proposals received in connection with the 2016 RFP were pursued in 2016 and into 2017, but negotiations were ultimately discontinued. The Agency received additional proposals in the summer and fall of 2017, and at present, the Agency is in negotiations in relation to a proposal it received in September 2017 (the "Sale Proposal").

   The Sale Proposal involves two potential sales, one involving the conveyance of Gibbons Creek (the "Generation Proposal") and the other (the "Transmission Proposal") involving the sale of a portion of the Agency's Transmission Facilities.

   Agency management anticipates that, if an agreement is reached with the proposer, none of the Agency's transmission assets would be transferred pursuant to the Transmission Proposal prior to the first date, September 1, 2020, when all Transmission Debt is subject to optional or mandatory redemption or could otherwise be prepaid.

K. In 2016, TMPA applied to the Texas Commission on Environmental Quality ("TCEQ") for renewal of its federal operating permit under the Clean Air Act. On August 17, 2016, during the public comment period, comments were jointly filed in the TCEQ by the Environmental Integrity Project and Sierra Club (the "Sierra Club and EIP Comments"). The Sierra Club and EIP Comments argue for more stringent opacity and particulate matter emission requirements in TMPA's draft permit, to be applied during planned maintenance, startup, and shutdown events. The TCEQ is expected to file a response to the Sierra Club and EIP Comments.

   The positions advanced by the EIP Comments are not unique to TMPA's permit renewal proceeding. The Sierra Club and Environmental Integrity Project have advanced similar arguments in proceedings involving other coal-fired electric generating units.

   Because TMPA has operating scrubber and electrostatic precipitator systems, it is not expected that any permit changes that could result from the Sierra Club and EIP Comments will have a material impact on TMPA's financial position, results of operations, or cash flows.

L. Effective September 1, 2016, TMPA and the Member Cities entered into a Joint Operating Agreement (the "JOA"). In general, the purposes of the JOA include: (i) funding TMPA operations such as mine reclamation, transmission service, and plant decommissioning following expiration of the Power Sales Contract ("PSC") (ii) subject to certain exceptions, requiring Member City approval for the issuance of new debt, the execution of certain significant contracts, and the sale of property exceeding $10 million in value (iii) specifying provisions for determining how costs of TMPA and proceeds from the sale of assets are to be allocated among the Member Cities (iv) providing for the establishment by TMPA of reserve funds for the decommissioning of the plant and the indemnification of TMPA Board Members and Member City officials, employees, contractors, and agents and (v) dividing the operations of TMPA into three business functions-mine, generation, and transmission-and requiring separate budgets and books for each business function.

   The PSC provides that upon dissolution of TMPA, the assets of TMPA will automatically be transferred to the Member Cities, with each Member City receiving an undivided interest in the assets of TMPA in proportion to the amount paid by the Member City to TMPA. The JOA requires TMPA to periodically make this calculation for each business unit, and sets out formulas for making these calculations. Under the JOA, these ownership calculations are relevant not only to the allocation of assets upon dissolution of TMPA, but also to the allocation of certain proceeds from the sale of assets, and in some cases, the allocation of TMPA costs.

   At the request of a majority of the Member Cities, TMPA is required by the JOA to transfer a divided interest in the transmission system to each Member City. Under this partition process, the objective is for each City to receive ownership of transmission facilities in the vicinity of the Member City, and in proportion to the Member City's ownership interest in the transmission business. Any such transfer of transmission assets must be in compliance with relevant bond covenants, including those requiring defeasance of all or a portion of transmission debt.

   The JOA includes a reclamation plan for the mine, requires the development of a decommissioning plan, and sets out standards for environmental remediation. TMPA is required to comply with these plans and standards.

   Under the JOA, in discharging its contractual obligations, including mine reclamation, decommissioning, transmission service, environmental remediation, indemnification, and other obligations, TMPA is rendering services to the Member Cities. The JOA obligates each Member City to pay the cost of these services, and to collect rates and charges for electric service sufficient to enable it to pay to TMPA all amounts due under the JOA for these services. A Member City's payment obligations under the JOA are payable exclusively from such electric utility revenues, and constitute an operating expense of its electric system.

Unless terminated earlier through the mutual consent of all parties, the JOA remains in effect until the dissolution of TMPA and the winding up of its affairs.

Effective September 1, 2016, the JOA was amended ("Amendment No. 1"). The primary purposes of the amendment were to authorize the sale of Gibbons Creek and the sale of the Southern 345 kV Transmission System, as described in Note 9.I, and to authorize the issuance of refunding bonds in connection with such sales. Since the sale contemplated by Amendment No. 1 did not occur, Amendment No. 1, by its own terms, ceased to have any force or effect. Effective September 22, 2017, the JOA was amended a second time ("Amendment No. 2"). The purposes of Amendment No. 2 were to: continue TMPA's authority to issue Mine Reclamation Bonds as had been contemplated in Amendment No. 1; revise the dates on which the separate budgets of the JOA become effective; authorize the Agency to sell certain mining and transmission assets, provided the sales do not exceed in value certain financial thresholds, and provided the sales comply with bond covenants; and allow for an extension to the term of the PSC, applicable only to the Cities notifying TMPA of the extension, in order to complete a period of seasonal operation in 2018, or such other period of time as desired by the notifying Cities. Pursuant to the immediately foregoing provision, the cities of Bryan, Denton, and Garland extended the PSC from September 1, 2018, to September 30, 2018, in order to complete the period of 2018 seasonal operation. The PSC expired as to the City of Greenville on September 1, 2018, and expired as to the remaining Cities on September 30, 2018.

M. Effective September 26, 2017, Gibbons Creek entered into a seasonal operations mode, operating during the summer months only (June-September). This change was authorized by ERCOT through an NSO Initial and Final Determination, dated August 2017. Due to the significant decline in the service utility of the generation assets, such assets were largely impaired as of September 30, 2017, with a final impairment on September 30, 2018.

N. Effective September 1, 2018, the "Debt Discharge Date" occurred, i.e. the date on which all TMPA Generation Debt was paid off. The only debt remaining after September 1, 2018, is Transmission Debt.

10. Environmental Regulation

General

Electric utilities are subject to numerous environmental statutes, regulations, and other rules administered at the federal, state, and local level. These environmental rules are subject to change and tend to increase and become more stringent over time. These changes may arise from continuing legislative, regulatory, and judicial action regarding the promulgation and implementation of such standards and procedures. Consequently, there is no assurance that Gibbons Creek will remain subject to the regulations currently in effect, will always be in compliance with present or future regulations, or will always be able to obtain all required operating permits. In addition, more stringent environmental regulations may require significant upgrades in environmental controls, reduced operating levels, or where the necessary upgrades are not economical, the complete shutdown of individual electric generating units.

In recent years, rule-making has been further complicated by the change from the Obama Administration to the Trump Administration. This has resulted in the reconsideration of some environmental rules. On March 28, 2017, President Trump signed Energy Independence Executive Order 13783 and, in response, the US Environmental Protection Agency ("EPA") has established priorities for this purpose in a report dated October 25, 2017. The rules under reconsideration that are of most relevance to TMPA include: the Clean Power Plan ("CPP") and its proposed replacement – the Affordable Clean Energy ("ACE") rule, the Steam Electric Effluent Limitations Guidelines ("ELG") rule, the Coal Combustion Residuals ("CCR") rule, and the National Ambient Air Quality Standards ("NAAQS") rule.

These, and other existing rules that are currently not under reconsideration, are discussed below.

Clean Power Plan ("CPP") / Affordable Clean Energy ("ACE")

The intent of these rules is to regulate emissions of carbon dioxide ("CO_2") and their potential to affect climate change.

To this end, EPA published the CPP in the *Federal Register* on October 23, 2015. The rule called for every state to submit a State Implementation Plan ("SIP") by September 6, 2016. However, the U.S. Supreme Court stayed the CPP on February 9, 2016, and EPA formally withdrew it on April 3, 2017. EPA published a proposed replacement rule – ACE – on August 31, 2018. This is currently going through the public hearing process.

Steam Electric Effluent Limitations Guidelines ("ELG")

The intent of this rule is to regulate the composition of wastewaters (liquid component) associated with "wet scrubbing" of flue gases while the CCR rule (discussed below) regulates the solid components (coal ash and gypsum).

EPA published the ELG rule on November 3, 2015. On September 13, 2017, EPA postponed compliance dates for scrubber wastewater and bottom ash transport water from November 2018 to November 2020 pending reconsideration of the rule.

Coal Combustion Residuals ("CCR")

This rule regulates the solid component associated with coal ash as opposed to the ELG rule (discussed above) which regulates the liquid component.

On April 17, 2015, EPA published the CCR rule to regulate the combustion solids generated at coal-fired power plants including the various types of coal ash and gypsum (a product from the wet scrubber). The rule went into effect on October 19, 2015. TMPA performed work to comply with this rule including installation and monitoring of additional groundwater wells. The deadline for completion of the first phase of groundwater monitoring was October 17, 2017 and the deadline for completion of engineering analyses and certifications on CCR-related facilities was October 17, 2018. TMPA is currently in compliance with all requirements of this rule. The CCR rule is under reconsideration by EPA, and federal compliance requirements may therefore change.

However, the federal rule may be replaced in Texas by a state CCR program. Such programs became authorized by the Water Infrastructure for the Nation ("WIIN") Act signed into law on December 16, 2016. On April 6, 2017, the Texas legislature allocated funding to the Texas Commission on Environmental Quality ("TCEQ") for the development of a state CCR program. As of September 2018, the TCEQ is in the process of drafting a proposed rule for Texas.

National Ambient Air Quality Standards ("NAAQS")

The primary intent of this rule is to regulate the concentration of ozone in the atmosphere. Ozone is formed through the interaction of nitrogen oxides and other compounds in the atmosphere under strong sunlight. It is therefore more prevalent in the summer season.

The Clean Air Act ("CAA") Amendments of 1990 implemented more stringent rules designed to achieve compliance with the national ambient air quality standard for ozone. The TCEQ concluded that emissions from electric utilities located in central and east Texas were contributing to ozone formation in three ozone non-attainment areas located in Texas: the Dallas-Fort Worth area, the Houston-Galveston-Brazoria area, and the Beaumont-Port Arthur area. As a result, on April 19, 2000, the TCEQ issued rules that required the reduction of nitrogen oxides ("NOx") emissions at large electric utilities located in 31 east and central Texas counties, including Grimes County.

For coal-fired electric utilities, including Gibbons Creek, the combustion unit was required to achieve an emission rate of 0.165 pounds of NOx per million Btu of heat generated. Compliance with this standard was mandatory by May 1, 2005. To achieve this standard, Gibbons Creek used a phased approach. The initial two phases involved changes to the fuel and air supply systems to control the combustion process and to limit the formation of NOx in the boiler. These phases were completed following the spring 2002 outage. Completion of the third phase, the fine-tuning of the system, occurred in early 2003. No additional post-combustion controls have been necessary.

On October 1, 2015, EPA published a final rule on the 8-Hour Ozone NAAQS reducing the standard from 75 parts per billion to a more stringent 70 parts per billion. States are required to designate which counties are in attainment with this standard and to submit SIPs by 2020 for those which are not. TCEQ is in the process of preparing a SIP in response to this rule. On April 30, 2018, the Dallas-Fort Worth area and the Houston-Galveston-Brazoria area were designated as marginal nonattainment. All non-attainment designations were due to EPA by October 1, 2018.

If TCEQ elects to impose additional nitrogen oxide rules on electric generation sources in counties adjacent to the Houston-Galveston nonattainment area, it is possible that these controls could require operational or mechanical changes at Gibbons Creek.

Rules for the Regulation of Sulfur Dioxide (“SO_2”) and Nitrogen Oxide (“NOx”) Emissions

SO_2 and NOx emissions were identified in the 1960s as the main cause of acid rain and a variety of rules have been introduced to regulate them.

The CAA, originating in 1967 with the Air Quality Act, has imposed increasingly stringent controls on air emissions from industrial facilities, including electric power generation facilities like Gibbons Creek. Significant changes to the CAA were made with the 1990 Amendments. The Gibbons Creek facility became subject to the SO_2 emission requirements but, based on the switch from lignite to Powder River Basin coal as a fuel, was able to reduce its SO_2 emissions.

In March 2005, EPA issued new air emission regulations. These were to provide more stringent standards for SO_2 and NOx under the Clean Air Interstate Rule (“CAIR”) and for mercury (“Hg”) under the Clean Air Mercury Rule (“CAMR”). However, CAIR was vacated by the U.S. Court of Appeals for the Washington D.C. Circuit on July 11, 2008. It was reinstated as an interim measure by the same court on December 28, 2008 while the EPA worked on a replacement rule. In keeping with its proactive strategy, TMPA completed the refurbishment of the scrubber at Gibbons Creek in April 2011 to further reduce its SO_2 emissions.

In August 2011, EPA released the replacement rule, known as the Cross-State Air Pollution Rule ("CSAPR") which also included cap-and-trade programs for annual SO_2 and annual NOx emissions. These programs came into effect on January 1, 2012. However, on August 21, 2012, the Washington D.C. Circuit Court of Appeals vacated CSAPR and remanded rule-making to EPA. In the meantime, CAIR was reinstated until October 23, 2014 when the D.C. Circuit Court of Appeals lifted the stay on CSAPR. Then, on July 28, 2015, the D.C. Circuit Court decided that CSAPR emissions budgets for Texas and other states were invalid and remanded the rule to EPA for reconsideration. On September 21, 2017, EPA issued a final CSAPR rule that retains only the summer season (May through September) NOx program for Texas (which had become effective in the summer season of 2017).

Gibbons Creek has sufficient emission credits under currently applicable CSAPR requirements for the expected nitrogen oxide emissions. TMPA hopes to comply with nitrogen oxide limits through the continued use of combustion controls. In the future, Gibbons Creek may need to purchase nitrogen oxide credits or install additional nitrogen oxide emission controls depending upon operating rates and the final allocation of emission credits whether under CSAPR or the ozone NAAQS.

Mercury Emissions

On February 2, 2008, the U.S. Court of Appeals for the Washington D.C. Circuit vacated CAMR. The court charged EPA with writing a replacement rule that would require the use of a fixed Maximum Achievable Control Technology (“MACT”) standard instead of the more flexible cap-and-trade credit program previously envisioned under CAMR. The MACT standard is defined as the average emission limit attained by the best-performing 12% of electrical generating units. In order to determine this limit, EPA required nationwide stack emissions testing in the summer of 2010. The new standards were issued in February 2012 under the new name of Mercury and Air Toxics Standards ("MATS") with a compliance deadline of April 16, 2015. Provision was made under the rule for a one-year extension, if warranted. TMPA requested and obtained the extension to April 15, 2016 in order to obtain sufficient time to adequately investigate and test mercury control technologies under different operating scenarios. The testing was successfully completed, and TMPA is in compliance with the MATS rule.

Cooling Water Intakes

On August 15, 2014, EPA published a final rule on power plant cooling water intakes (known as the 316[b] Rule). This rule is being implemented by the state through the wastewater (Texas Pollutant Discharge Elimination System – "TPDES") permitting program. Permit-specific provisions will be applied at the time of permit renewal. The current TPDES permit for Gibbons Creek is due for renewal on May 1, 2020, and TMPA has started preliminary discussions with TCEQ, the main regulatory authority for this permit in Texas.

Other Environmental Matters

The Gibbons Creek Lignite Mine, which was the original source of fuel for the Gibbons Creek Steam Electric Station, was closed in 1996. The reclamation of the mine site and the release of reclamation obligations has been an ongoing activity since that time. Currently, field reclamation activities are essentially complete, and TMPA is in the process of applying for bond release with the Railroad Commission of Texas, the main regulatory authority.

TMPA originally had approximately 8,810 acres under mine reclamation bond. As of the end of fiscal year 2018, TMPA has obtained full bond release on approximately 2,040 acres (23%), and has submitted applications for final bond release on another 5,270 acres (60%). TMPA will continue to aggressively pursue bond release. It is projected that by the end of fiscal year 2019, much of the area will have been released from all reclamation obligations. In the meantime, land maintenance and mandatory long-term monitoring programs will continue to meet all permitting and regulatory requirements.

11. Related Party Transactions

Through the take-or-pay amendment to the Power Sales Contract as described in Note 1, each of the Member Cities is obligated to take or pay for a specified percentage of electricity from TMPA's generating facility. The Power Sales Contract was scheduled to expire on September 1, 2018, the "Debt Discharge Date". However, effective, September 22, 2017, the Joint Operating Agreement was amended to allow one or more of the Member Cities to extend the Power Sales Contract by providing a notice to the Agency, specifying the duration of the extension. Pursuant to this amendment, the cities of Bryan, Denton, and Garland extended the Power Sales Contract, as to them, to September 30, 2018. For the years ended September 30, 2018 and 2017, 74% and 83% of total operating revenue, respectively, was attributable to the Member Cities. For the years ended September 30, 2018 and 2017, $3,032,530 and $2,364,080 of accounts receivable, respectively, was due from the Member Cities.

The construction and maintenance of certain electric plant transmission assets are outsourced to the City of Garland. For the years ended September 30, 2018 and 2017, $3,736,873 and $9,776,220 of electric plant transmission assets and construction work in progress were constructed by the City of Garland. For the years ended September 30, 2018 and 2017, 71% and 77% of Transmission – Operation and Maintenance expense, respectively, was attributable to the City of Garland. For the years ended September 30, 2018 and 2017, $1,921,819 and $1,076,057 of Accounts Payable, respectively, was due to the City of Garland.

REQUIRED SUPPLEMENTARY INFORMATION

Texas Municipal Power Agency
Postretirement Benefits Plan
September 30, 2018

Schedule of Funding Progress - Employer Contributing

GASB 45

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liabilities (AAL) (b)	Unfunded Actuarial Accrued Liablilities (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2017	May 1, 2015	$ -	$13,361,993	$13,361,993	0.00%	$ 8,996,381	148.53%
2016	May 1, 2015	$ -	$16,259,799	$16,259,799	0.00%	$ 9,565,755	169.98%
2015	May 1, 2014	$ -	$19,125,611	$19,125,611	0.00%	$ 9,266,000	206.41%
2014	May 1, 2014	$ -	$16,715,192	$16,715,192	0.00%	$ 8,817,000	189.58%
2013	May 1, 2013	$ -	$13,804,053	$13,804,053	0.00%	$10,345,000	133.44%

Texas Municipal Power Agency
Supplementary Information
Postretirement Benefits Plan
September 30, 2018

Schedule of Changes in Net OPEB Liability and Related Ratios
Last 10 Fiscal Years

GASB 75

	2018
Total OPEB Liability	
Sevice Cost	$ 2,527
Interest Cost	77,956
Differences Between Expected and Actual Experience	(6,724)
Changes of Assumptions or Other Inputs	(28,900)
Benefit Payments	(155,595)
Net Change in Total OPEB Liability	(110,736)
Total OPEB Liability (Beginning)	2,115,990
Total OPEB Liability (Ending)	$ 2,005,254
Covered Payroll	$ 6,042,601
Net OPEB Liability as a percentage of Covered Payroll	33.19%

Note to schedule: This schedule is intended to display the most recent 10 years of data for annual OPEB contributions. Until such time has elapsed after implementing GASB Statement No. 75, this schedule will only present information from those years that are available.

TEXAS MUNICIPAL POWER AGENCY

SUPPLEMENTAL SCHEDULE

Texas Municipal Power Agency
Combining Statement of Revenues, Expenses and Changes in Net Position
September 30, 2018

	Generation	Transmission	Mine	Combined
Operating Revenues				
Power Sales	$ 129,882	$ 19	$ 171	$ 130,072
Transmission Revenues	-	44,384	-	44,384
Other Operating Revenues	969	-	46	1,015
Total operating revenues	130,851	44,403	217	175,471
Operating Expenses				
Fuel	19,437	-	-	19,437
Power Production - Operation and Maintenance	7,331	-	2,279	9,610
Transmission - Operation and Maintenance	-	3,661	-	3,661
Administrative and General	2,569	1,236	777	4,582
Transmission System Access Fee	-	24,011	-	24,011
Depreciation Expense	600	6,868	-	7,468
Total operating expenses	29,937	35,776	3,056	68,769
Income (Loss) from Operations	100,914	8,627	(2,839)	106,702
Other Income				
Investment Revenue	246	352	68	666
Contributed Capital	-	5,507	-	5,507
Miscellaneous Other Income (Expense)	29	(44)	627	612
Total Other Income	275	5,815	695	6,785
Interest Charges				
Interest Expense on Debt	880	9,055	-	9,935
Bond Issuance Cost	-	961	-	961
Amortization of Debt Premium and Excess Cost of Advance Refunding of Debt	-	(262)	-	(262)
Total Interest Charges	880	9,754	-	10,634
Impact of Regulatory Assets in Change in Net Position	(122,630)	4,879	38	(117,713)
Unearned Revenue Recognized	32,037	-	-	32,037
Net Revenues Before Refunds	9,716	9,567	(2,106)	17,177
Refunds to Member Cities*	(26,094)	(2,889)	-	(28,983)
Change in Net Position before Impairment of Electric Plant	(16,378)	6,678	(2,106)	(11,806)
Impairment of Electric Plant	(18,866)	-	-	(18,866)
Change in Net Position	$ (35,244)	$ 6,678	$ (2,106)	$ (30,672)

*The Agency billed the Member Cities based on a system budget for eleven months of FY 2018. Therefore, it was deemed appropriate for the annual refund to be based on the system budget. The full amount of the annual refund is being placed under generation.