Texas Municipal Power Agency
Financial Statements

For the Years Ended September 30, 2020 and 2019

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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 (Agency or TMPA), as of and for the years ended September 30, 2020 and 2019, 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, 2020 and 2019, 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.

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 1, 2020

Texas Municipal Power Agency
Management's Discussion and Analysis ("MD&A")
For the Years Ended September 30, 2020 and 2019
(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, 2020

Over the past decade, the Texas energy market has taken several considerable turns. Until the end of FY 2017, Gibbons Creek operated in a load-following mode, increasing and decreasing generation to follow electrical demand's daily peaks and valleys. More recently, Gibbons Creek's operational status with ERCOT transitioned to: Seasonal Operations, effective September 26, 2017 (operated from May 21, 2018 through September 18, 2018); Reserve Shutdown, effective October 1, 2018; and Indefinite Mothball, effective June 1, 2019. On June 28, 2019, a notification to ERCOT was made to remove Gibbons Creek from the ERCOT system, effective October 23, 2019.

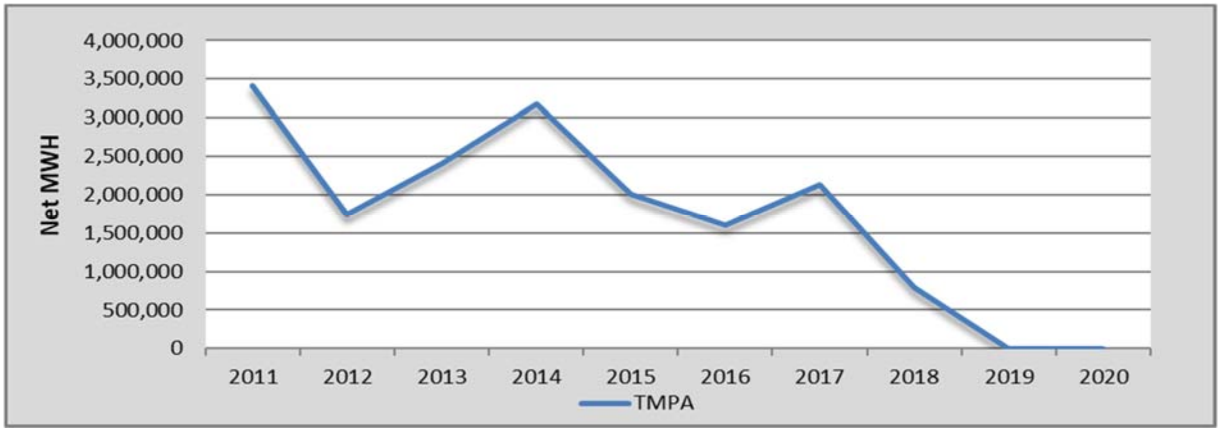
On January 14, 2020, the Railroad Commission of Texas ("RCT") approved full bond release on 4,300 acres in the Gibbons Creek Mine. This represents almost half of the originally bonded area and brings the total of fully released land to 83%. Another 1,100 (12%) are pending RCT review, and TMPA plans to file for release on 350 acres (4%) in spring 2021. The regulatory approval time varies, but TMPA expects that at least 95% of the mine area will have been released by the end of FY 2021.

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 the City of Greenville on September 1, 2018, and expired as to the remaining Cities on September 30, 2018. 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, 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.

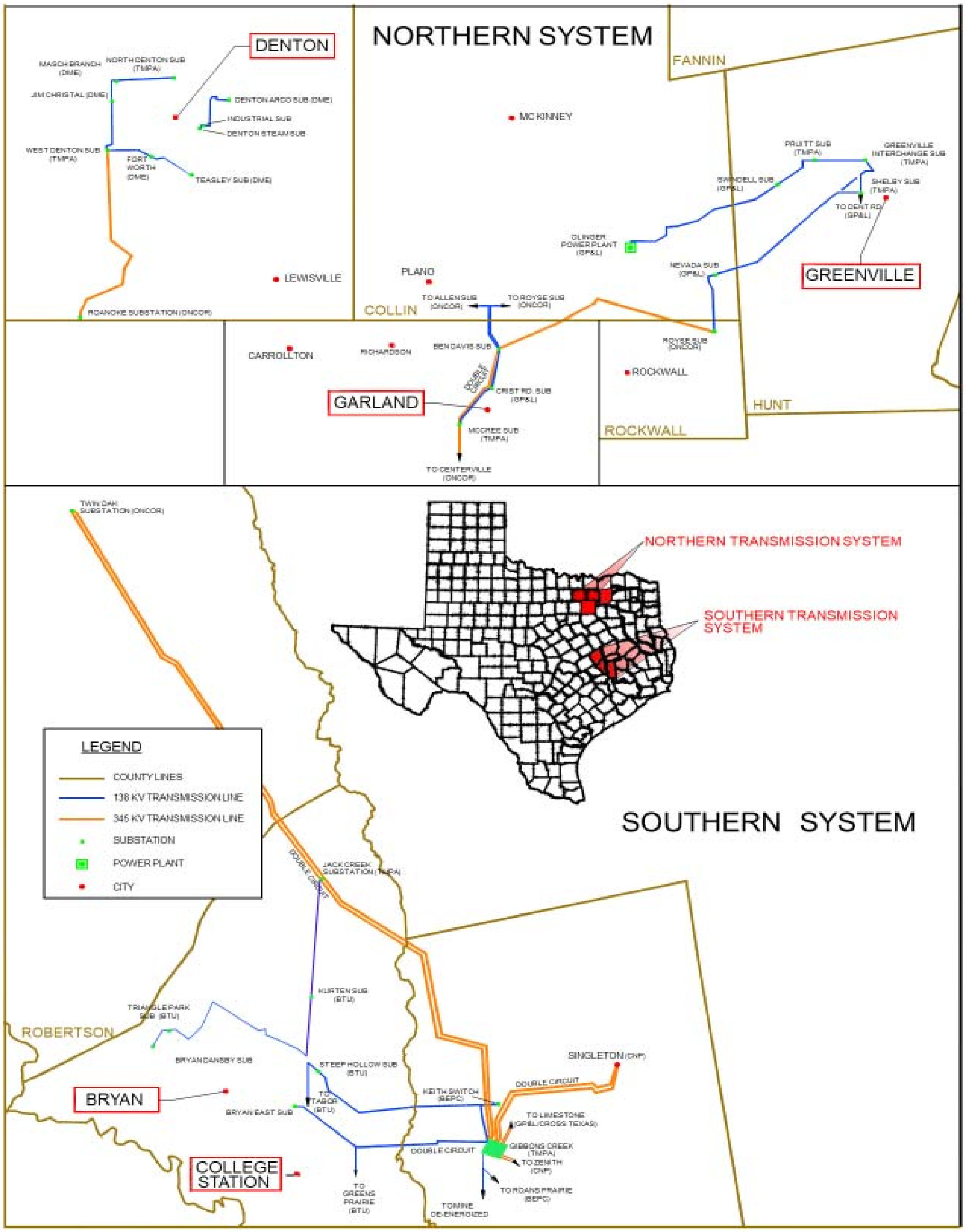
In 2016 and 2017, the Agency issued requests for proposals ("RFPs") regarding the proposed sale of the Agency's generation assets and a portion of the Agency's transmission assets. Certain proposals received in connection with the 2016 and 2017 RFPs were pursued, but negotiations were ultimately discontinued. In 2019, the Agency issued an RFP involving only the sale of generation assets. Proposals were received in August 2019, and TMPA is currently in negotiations with one of the proposers.

The graph below illustrates generation for the 10-year period ending FY 2020.



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 on the following page.

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.


NORTHERN SYSTEM
DENTON
FANNIN
MC KINNEY
LEWISVILLE
PLANO
COLLIN
GREENVILLE
CARROLLTON
RICHARDSON
GARLAND
ROCKWALL
HUNT
NORTHERN TRANSMISSION SYSTEM
SOUTHERN TRANSMISSION SYSTEM
SOUTHERN SYSTEM
LEGEND
COUNTY LINES
138 KV TRANSMISSION LINE
345 KV TRANSMISSION LINE
SUBSTATION
POWER PLANT
CITY
ROBERTSON
BRYAN
COLLEGE STATION
SINGLETON (CNP)
DOUBLE CIRCUIT

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

	September 30,		
	2020	**2019**	**2018**
Assets and Deferred Outflows of Resources			
Assets			
Current Assets			
Current Unrestricted Assets	$ 39,289	$ 47,559	$ 54,506
Current Restricted Assets	26,487	9,661	1,973
Total Current Assets	65,776	57,220	56,479
Noncurrent Assets, Net			
Electric Plant	197,444	192,771	195,785
Other Assets	104,944	116,212	17,159
Total Noncurrent Assets	302,388	308,983	212,944
Total Assets	$ 368,164	$ 366,203	$ 269,423
Liabilities and Net Position			
Liabilities			
Current Liabilities			
Current Liabilities	$ 62,809	$ 48,006	$ 37,991
Total Current Liabilities	62,809	48,006	37,991
Noncurrent Liabilities			
Long Term Debt	215,768	213,298	214,487
Noncurrent Liabilities Other Than Debt	101,785	120,372	2,730
Total Noncurrent Liabilities	317,553	333,670	217,217
Total Liabilities	380,362	381,676	255,208
Net Position (Deficit)			
Net Investment in Capital Assets	(4,220)	(11,271)	(9,716)
Unrestricted	(7,978)	(4,202)	23,931
Total Net Position (Deficit)	(12,198)	(15,473)	14,215
Total Liabilities and Net Position (Deficit)	$ 368,164	$ 366,203	$ 269,423

Statements of Net Position Information
Explanations of Significant Variances Between FY 2019 and FY 2020

Total Current Assets increased $8.6 million (15%) due primarily to the receivable from the Member Cities related to the decommissioning liability discussed below (see Note 10 for further detail).

Electric Plant increased by $4.7 million (2%) as a significant amount of transmission asset additions were made during the year.

Other Assets decreased by $11.3 million (10%) due primarily to the decreasing receivable from the Member Cities related to the decommissioning liability discussed below (see Note 10 for further detail). This decrease was partially offset by the $5.0 million indemnity escrow account that was setup per the JOA.

Current Liabilities increased $14.8 million (31%) due primarily to the decommissioning/environmental remediation liability booked in accordance with GASB 83 (see Note 10 for further detail). Outlays related to decommissioning are expected to increase in FY 2021. This increase was partially offset by lower distribution of revenues to the Member Cities in FY 2020.

Long-Term Debt increased by $2.5 million (1%) due primarily to the issuance of $7.7 million in Series “A” Notes to fund Transmission capital projects. This increase was partially offset by the FY 2020 debt service payments on the Series 2010 and Series 2017 Transmission Bonds.

Non-Current Liabilities Other Than Debt decreased by $18.6 million (15%) due primarily to the movement of a portion of the decommissioning/environmental remediation liability to a current liability as discussed above.

Net Position increased by $3.3 million (21%). Net position is comprised of two components: net investment in capital assets and unrestricted. The increase in net position was impacted by having no postage stamp expense in FY 2020. This expense transferred to the Member Cities beginning in January 2019.

Statements of Net Position Information
Explanations of Significant Variances Between FY 2018 and FY 2019

Current Unrestricted Assets decreased $6.9 million (13%) due primarily to a lower cash balance in the operating account at TexPool at year-end.

Current Restricted Assets increased $7.7 million (390%) due primarily to the Agency booking a receivable from the Member Cities which corresponds to the decommissioning liability discussed below (see Note 10 for further detail).

Electric Plant decreased by $3.0 million (2%) as depreciation exceeded additions.

Other Assets increased by $99.1 million (577%) due primarily to the Agency booking a receivable from the Member Cities which corresponds to the decommissioning liability discussed below (see Note 10 for further detail).

Current Liabilities increased $10.0 million (26%) due primarily to the decommissioning/environmental remediation liability booked (see Note 10 for further detail).

Long-Term Debt decreased by $1.2 million (1%) due to the FY 2019 debt service payments on the Series 2010 and Series 2017 Transmission Bonds offset by 3.9 million in draws on new debt.

Non-Current Liabilities Other Than Debt increased by $117.6 million (4,309%) due primarily to the decommissioning/environmental remediation liability booked (see Note 10 for further detail).

Net Position (Deficit) decreased by $29.7 million (209%). Net position (deficit) is comprised of two components: net investment in capital assets and unrestricted. The decrease in net position was impacted primarily by the decommissioning/environmental remediation liability booked (see Note 10 for further detail) and member refunds.

Texas Municipal Power Agency
Operating Information
(Dollars in Thousands)

	For the Years-Ended September 30, 2020	2019	2018
Operating Revenues			
Power Sales	$ 7,208	$ 7,246	$ 130,072
Transmission Revenues	46,812	45,587	44,384
Other Operating Revenues	217	473	1,015
Total Operating Revenues	54,237	53,306	175,471
Operating Expenses			
Fuel	-	-	19,437
Power Production - Operation and Maintenance	4,048	5,106	9,610
Transmission - Operation and Maintenance	3,213	3,379	3,661
Administrative and General	3,783	3,602	4,582
Transmission System Access Fee	1	5,972	24,011
Decommissioning Cost	-	126,444	-
Depreciation Expense	8,057	7,559	7,468
Total Operating Expenses	19,102	152,062	68,769
Income (Loss) from Operations	35,135	(98,756)	106,702
Other Income (Expense)			
Investment Revenue	421	1,116	666
Member Contributions	1,752	106,402	-
Capital Contributed	3,438	(25)	5,507
Miscellaneous Other Income (Expense)	(1,205)	(55)	612
Total Other Income	4,406	107,438	6,785
Interest Charges			
Interest Expense on Debt	9,628	9,868	9,935
Bond Issuance Cost	-	-	961
Amortization of Debt Premium and Excess Cost on Advance Refunding of Debt	(650)	(729)	(262)
Total Interest Charges	8,978	9,139	10,634
Impact of Regulatory Assets on Change in Net Position	(938)	176	(117,713)
Unearned Revenue Recognized	-	-	32,037
Net Revenues (Expenses) before Refunds	29,625	(281)	17,177
Refunds to Member Cities	(26,350)	(29,407)	(28,983)
Change in Net Position before Impairment of Electric Plant	3,275	(29,688)	(11,806)
Impairment of Electric Plant	-	-	(18,866)
Change in Net Position	3,275	(29,688)	(30,672)
Net Position (Deficit)			
Beginning Balance	(15,473)	14,215	44,887
Ending Balance	$ (12,198)	$ (15,473)	$ 14,215

Operating Information
Explanations of Significant Variances Between FY 2019 and FY 2020

Other Operating Income decreased $0.3 million (54%) due primarily to lower fly ash sales in FY 2020 compared to FY 2019. In FY19, the fly ash bins were emptied out following the summer of 2018 operations, resulting in $0.3 million in revenue. In FY20, the minimal amount of fly ash income is from the reclaimed fly ash coming out of Site F Landfill.

Transmission System Access Fee decreased $6.0 million (100%) due to the expense being directly billed to the Member Cities effective January 1, 2019.

Decommissioning Cost decreased $126.4 million (100%) due to the decommissioning/environmental remediation liability booked in accordance with GASB 83 at the end of FY 2019 (see Note 10 for further detail).

Investment Revenue decreased $0.7 million (62%) due primarily to drastically reduced interest rates resulting from the COVID-19 pandemic.

Member Contributions decreased $104.7 million (98%) due to the Agency booking a receivable from the Member Cities in FY 2019 which corresponds to the decommissioning liability discussed above (see Note 10 for further detail).

Capital Contributions increased $3.5 million (13,797%) due to the receipt of assets from third parties that paid for the construction of and/or improvements to the Agency's Transmission system in FY 2020.

Miscellaneous Other Income (Expense) decreased $1.1 million (2,091%) due to a significant amount of Transmission retirements in FY 2020 that resulted in losses.

Impact of Regulatory Assets on Change in Net Position increased $1.1 million (633%) due primarily to changes in the Mine reclamation liability and recoveries.

Refunds to Member Cities decreased $3.1 million (10%) due to only a distribution of Transmission revenues in FY 2020. In FY 2019, there was also a distribution of excess Agency working capital.

Operating Information
Explanations of Significant Variances Between FY 2018 and FY 2019

Power Sales revenue decreased $122.8 million (94%) due to the plant transitioning to Reserve Shutdown, effective October 1, 2018 and then Indefinite Mothball, effective June 1, 2019. 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. Energy charges were zero in FY 2019 as a result of no generation.

Other Operating Income decreased $0.5 million (53%) due primarily to lower fly ash sales in FY 2019 compared to FY 2018 resulting from no generation in FY 2019. A small amount of fly ash sales was recognized in FY 2019 when the fly ash silos were emptied in preparation for Reserve Shutdown.

Fuel Expense decreased $19.4 million (100%) due to no generation in FY 2019.

Power Production O&M Expense decreased $4.5 million (47%) due to the plant entering into Reserve Shutdown.

Administrative & General O&M Expense decreased $1.0 million (21%) due to several cost reductions related to the plant entering into Reserve Shutdown. These reductions include lower insurance requirements, as well as lower support costs with reduced staff.

Transmission System Access Fee decreased $18.0 million (75%) due to the expense being directly billed to the Member Cities effective January 1, 2019.

Decommissioning Cost increased $126.4 million (100%) due to the decommissioning/environmental remediation liability booked (see Note 10 for further detail).

Investment Revenue increased $0.5 million (68%) due primarily to a higher average balance in the Agency's operating fund. The FY 2018 annual refund to the Member Cities was not disbursed until January 2019.

Member Contributions increased $106.4 million (100%) due to the Agency booking a receivable from the Member Cities which corresponds to the decommissioning liability discussed above (see Note 10 for further detail).

Capital Contributions decreased $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 in FY 2018.

Miscellaneous Other Income (Expense) decreased $0.7 million (109%) due to the receipt of funds from Magellan for a pipeline easement in FY 2018.

Bond Issuance Cost decreased $1.0 million (100%) due to the issuance of the Series 2017 Transmission Bonds in FY 2018.

Amortization of Debt Premium and Excess Cost on Advance Refunding of Debt increased $0.5 million (178%). The loss on advance refunding for the Series 2010 Transmission Bonds was fully amortized as of the end of FY 2018.

Impact of Regulatory Assets on Change in Net Position decreased $117.9 million (100%) due primarily to the pay-off of all generation debt as of September 1, 2018.

Unearned Revenue Recognized decreased $32.0 million (100%). The Member Cities had provided cash to refund the generation portion of the Series 2003, 2004, and 2004A Bonds. That prepayment was amortized over the life of the Power Sales Contract, which expired in September 2018.

BASIC FINANCIAL STATEMENTS

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

Assets

	September 30,	
	2020	**2019**
Assets		
Current Assets		
Current Unrestricted Assets		
Cash and Cash Equivalents	$ 28,672	$ 40,441
Accounts Receivable and Other	10,617	7,118
Total Current Unrestricted Assets	39,289	47,559
Current Restricted Assets		
Cash and Cash Equivalents	9,389	1,135
Member Receivable - Decommission Obligation	16,350	7,901
Prepaids	748	625
Total Current Restricted Assets	26,487	9,661
Total Current Assets	65,776	57,220
Noncurrent Assets		
Electric Plant		
In Service	370,631	364,026
Less Accumulated Depreciation	(180,079)	(178,391)
Total Net Plant	190,552	185,635
Construction Work in Progress	6,892	7,136
Total Electric Plant	197,444	192,771
Other Assets		
Restricted Cash and Cash Equivalents	17,548	12,404
Restricted Member Receivable - Decommission Obligation	83,027	98,501
Regulatory Assets	4,369	5,307
Total Other Assets	104,944	116,212
Total Noncurrent Assets	302,388	308,983
Total Assets	$ 368,164	$ 366,203

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

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

Liabilities and Net Position

	September 30, 2020	September 30, 2019
Liabilities		
Current Liabilities		
Current Maturities of Revenue Bonds	$ 4,580	$ 4,360
Accrued Interest Payable	754	772
Accounts Payable	2,313	1,721
Accrued Distribution to Member Cities	26,350	29,407
Accrued Compensation and Pension Benefits	307	444
Accrued Mine Reclamation Cost	2,551	2,524
Decommissioning Cost	25,954	8,778
Total Current Liabilities	62,809	48,006
Noncurrent Liabilities		
Long-Term Debt		
Revenue Bonds	177,985	182,565
Unamortized Premium	6,683	7,333
Tax Exempt Commercial Paper	31,100	23,400
Total Long-Term Debt	215,768	213,298
Other Employee Retirement Benefits	1,819	1,966
Accrued Mine Reclamation Cost	-	741
Decommissioning Cost	99,966	117,665
Total Other Long-Term Obligations	101,785	120,372
Total Noncurrent Liabilities	317,553	333,670
Total Liabilities	380,362	381,676
Net Position (Deficit)		
Net Investment in Capital Assets	(4,220)	(11,271)
Unrestricted	(7,978)	(4,202)
Total Net Position (Deficit)	(12,198)	(15,473)
Total Liabilities and Net Position (Deficit)	$ 368,164	$ 366,203

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, 2020	2019
Operating Revenues		
Power Sales	$ 7,208	$ 7,246
Transmission Revenues	46,812	45,587
Other Operating Revenues	217	473
Total Operating Revenues	54,237	53,306
Operating Expenses		
Power Production - Operation and Maintenance	4,048	5,106
Transmission - Operation and Maintenance	3,213	3,379
Administrative and General	3,783	3,602
Transmission System Access Fee	1	5,972
Decommissioning Cost	-	126,444
Depreciation Expense	8,057	7,559
Total Operating Expenses	19,102	152,062
Income (Loss) from Operations	35,135	(98,756)
Other Income (Expense)		
Investment Revenue	421	1,116
Member Contributions	1,752	106,402
Contributed Capital	3,438	(25)
Miscellaneous Other Income (Expense), Net	(1,205)	(55)
Total Other Income	4,406	107,438
Interest and Finance Charges		
Interest Expense on Debt	9,628	9,868
Amortization of Debt Premium and Excess Cost on Advance Refunding of Debt	(650)	(729)
Total Interest and Finance Charges	8,978	9,139
Impact of Regulatory Assets on Change in Net Position	(938)	176
Net Revenues (Expenses) before Refunds	29,625	(281)
Refunds to Member Cities	(26,350)	(29,407)
Change in Net Position	3,275	(29,688)
Net Position (Deficit)		
Beginning Balance	(15,473)	14,215
Ending Balance	$ (12,198)	$ (15,473)

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, 2020	2019
Cash Flows from Operating Activities		
Cash Received from Power Sales	$ 7,209	$ 10,279
Cash Received from Transmission Revenues	46,697	39,750
Cash Received from Other Revenues	526	871
Cash Received from TxDOT	-	722
Cash Paid to Suppliers	(9,892)	(14,235)
Cash Paid to Employees	(2,422)	(2,191)
Net Cash Provided by Operating Activities	42,118	35,196
Cash Flows from Non-Capital and Related Financing Activities		
Proceeds from Member Cities	7,026	-
Interest from Member Cities	1,752	
Net Cash Provided for Non-Capital and Related Financing Activities	8,778	-
Cash Flows from Capital and Related Financing Activities		
Proceeds from Issuance of Debt	7,700	3,900
Construction Work in Progress	(13,975)	(4,783)
Payment of Principal on Debt	(4,360)	(4,150)
Interest Paid on Debt	(9,646)	(10,006)
Refunds to Member Cities	(29,407)	(26,335)
Net Cash Used for Capital and Related Financing Activities	(49,688)	(41,374)
Cash Flows from Investing Activities		
Interest and Dividends on Investments	421	1,116
Net Cash Provided by Investing Activities	421	1,116
Net Increase (Decrease) in Cash and Cash Equivalents	1,629	(5,062)
Beginning Cash and Cash Equivalents Balance	53,980	59,042
Ending Cash and Cash Equivalents Balance	$ 55,609	$ 53,980

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

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

	2020	2019
Income (Loss) From Operations	$ 35,135	$ (98,756)
Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities:		
Depreciation Expense	8,057	7,559
Change in Accounts Receivables and Other	(184)	1,718
Change in Accrued Mine Reclamation Cost	(240)	165
Change in Accounts Payable	(294)	(2,164)
Change in Decommissioning Liability	(525)	126,444
Change in Accrued Compensation and Fringe Benefits	(138)	(7)
Miscellaneous Non-Operating Activities	307	237
	6,983	133,952
Total	$ 42,118	$ 35,196

Supplemental Cash Flows Information

Capital invoices totaling $1,873,971 and $1,065,528 are included in accounts payable at September 30, 2020 and 2019, respectively. In FY2020, the Agency was contributed $3.4 million of transmission related capital assets.

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 to adopt concurrent ordinances electing for TMPA to be governed by the Act, which was done by the Member Cities in 2016. 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 were 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 TMPA's debts.

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 was 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.

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 expired as to the City of Greenville, but 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. As of September 30, 2018, the Contract had expired as to all four Cities.

Effective on September 1, 2018, budgets and charges to recover TMPA's costs began to be adopted pursuant to a Joint Operating Agreement between TMPA and the Member Cities, which became effective on September 1, 2016. See Note 7 for a description of the Joint Operating Agreement.

Until September 18, 2018, TMPA operated 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. On June 6, 2019, the TMPA Board of Directors voted to permanently retire GCSES. TMPA is now engaged in the decommissioning of GCSES (see Note 10).

TMPA also owns and operates electric transmission assets in the State of Texas. These assets provide wholesale transmission services to distribution service providers in the Electric Reliability Council of Texas ("ERCOT") system.

Regulation

The Agency's Board of Directors regulates TMPA's decommissioning activities. Transmission activities are regulated by ERCOT, the PUCT, and the Texas Reliability Entity Inc. 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. The reclamation of the mine is regulated by the Railroad Commission of Texas.

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 Implemented in FY 2020

In June 2018, GASB issued 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. The Agency began application of GASB No. 89 at the beginning of FY 2020.

GASB Statement No. 90 ("GASB 90"), Majority Equity Interests, improving the consistency and comparability of reporting of a government's majority interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. Implementation of GASB 90 had no impact on the Agency.

GASB Pronouncements Effective in FY 2019

GASB Statement No. 83 ("GASB 83"), Certain Asset Retirement Obligations, establishing uniform criteria for governments to recognize and measure certain asset retirement obligations (AROs). An ARO is defined as a legally enforceable liability associated with the retirement of a tangible capital asset. 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 required the Agency to record a liability on its financial statements for the decommissioning of the Gibbons Creek unit as of September 30, 2019. Since the Member Cities are obligated to pay the full cost of decommissioning, the Agency has also recorded a receivable. See Note 10 for further detail.

GASB Statement No. 88 ("GASB 88"), Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements, improving the information that is disclosed in the notes to the financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities the Agency should include when disclosing information related to debt. GASB's goal for this statement is to improve financial reporting by providing users of the financial statements with essential information that currently is not consistently provided across the industry. Implementation of GASB 88 had no impact on the financial statements.

GASB Pronouncements Issued but Not Yet Effective

GASB Statement No. 84 ("GASB 84"), Fiduciary Activities, establishing criteria for identifying fiduciary activities. It presents separate criteria for evaluating component units, pension and other postemployment benefit arrangements, and other fiduciary activities. The focus is on a government controlling the assets of the fiduciary activity and identification of the beneficiaries of those assets. Fiduciary activities are reported in one of four types of funds: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, or custodial funds. Custodial funds are used to report fiduciary activities that are not held in a trust. The agency fund designation will no longer be used. GASB 84 also provides guidance on fiduciary fund statements and timing of recognition of a liability to beneficiaries. Implementation of GASB 84 may require inclusion of the employment benefit plan financial information in the annual financial statements.

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 87 is effective for the fiscal period ending September 30, 2022, however implementation will not have a material impact on the Agency.

In May 2019, GASB issued Statement No. 91 (“GASB 91”), Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with: (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB 91 is effective for the fiscal year ending September 30, 2022, however implementation will have no impact on the Agency.

In January 2020, GASB issued Statement No. 92 (“GASB 92”), Omnibus 2020. The primary objectives are to enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. GASB 92 is effective for the fiscal year ended September 30, 2022, but is not anticipated to have a significant impact, if any, on the Agency.

In March 2020, GASB issued Statement No. 93 (“GASB 93”), Replacement of Interbank Offered Rates. The objective of this Statement is to address the accounting and financial reporting implications that result from the replacement of the London Interbank Offered Rate (LIBOR), which is expected to cease to exist in its current form at the end of 2021. GASB 93 is effective for the fiscal year ending September 30, 2022, however implementation will have no impact on the Agency.

In March 2020, GASB issued Statement No. 94 (“GASB 94”), Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting associated with these arrangements. GASB 94 is effective for the fiscal year ending September 30, 2024, however implementation will have no impact on the Agency.

In May 2020, GASB issued Statement No. 95 (“GASB 95”), Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this Statement is to provide temporary relief to governments in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions pronouncements are postponed by one year.

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. 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, 2020 and 2019, are as follows (in thousands):

Summary of Additions, Less Transfers and Retirements to Plant

	Oct. 1, 2019	Additions	Transfers	Retirements / Disposals	Sept. 30, 2020
Electric Plant					
Transmission	$ 304,459	$ -	$ 15,028	$ (7,950)	$ 311,537
Mine-Related	52,632	-	-	-	52,632
Other	6,017	-	-	(473)	5,544
Intangible Assets	918	-	-	-	918
Total Electric Plant	364,026	-	15,028	(8,423)	370,631
Accumulated Depreciation					
Transmission	(147,912)	(8,117)	-	6,369	(149,660)
Mine-Related	(29,858)	-	-	-	(29,858)
Other	(545)	-	-	-	(545)
Intangible Assets	(76)	-	-	-	(76)
Total Accumulated Depreciation	(178,391)	(8,117)	-	6,369	(180,139)
Construction Work in Progress	7,136	14,784	(15,028)	-	6,892
Total Electric Plant, Net of Accumulated Depreciation	$ 192,771	$ 6,667	$ -	$ (2,054)	$ 197,384

	Oct. 1, 2018	Additions	Transfers	Retirements / Disposals	Sept. 30, 2019
Electric Plant					
Transmission	$ 304,944	$ -	$ 1,673	$ (2,158)	$ 304,459
Mine-Related	52,632	-	-	-	52,632
Other	15,417	-	-	(9,400)	6,017
Intangible Assets	918	-	-	-	918
Total Electric Plant	373,911	-	1,673	(11,558)	364,026
Accumulated Depreciation					
Transmission	(143,174)	(7,014)	-	2,276	(147,912)
Mine-Related	(29,858)	-	-	-	(29,858)
Other	(8,988)	(545)	-	8,988	(545)
Intangible Assets	(76)	-	-	-	(76)
Total Accumulated Depreciation	(182,096)	(7,559)	-	11,264	(178,391)
Construction Work in Progress	3,970	4,839	(1,673)	-	7,136
Total Electric Plant, Net of Accumulated Depreciation	$ 195,785	$ (2,720)	$ -	$ (294)	$ 192,771

Capitalized Interest

TMPA capitalized interest costs of $0 and $121,067 during 2020 and 2019, respectively. The Agency adopted GASB 89 effective the beginning of FY 2020.

Depreciation

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

Transmission Assets 40 Years
Other Utility Plant 5 to 20 Years

Annual depreciation provisions expressed as a percentage of average depreciable plant were approximately 2.6% and 2.4% in 2020 and 2019, respectively. During 2020 and 2019, depreciation expense was $8,057,246 and $7,559,005, respectively.

Summary of Additions, Less Transfers and Retirements

As of September 30, 2020, accumulated depreciation activity of $1.7 million includes depreciation expense of $8.1 million, and retirements of $6.4 million. As of September 30, 2019, accumulated depreciation activity of $3.7 million includes depreciation expense of $7.6 million, and retirements of $11.3 million.

Investments

Investments are stated at amortized cost and consist of investments in the Texas Local Government Investment Pool ("TexPool") and a money market account held by a broker.

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.

Charges

TMPA's charges billed to the Cities are designed to cover annual costs as defined in the Resolutions, the Contract, and the Joint Operating Agreement. 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 charges 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 excess funds to the Cities after ensuring that debt service coverage requirements are met, and certain reserves are maintained.

Revenues

Revenues 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 energy component was based on a per unit generation amount and was recognized as generation occurred. As of October 2018, the Agency no longer produces electricity and therefore, there is no longer an energy component. 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. Production operating and maintenance, transmission operating and maintenance, general and administrative, transmission system access fee and depreciation on the Agency's electric plant assets 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, member contributions, and refunds to Member Cities are considered non-operating activity. Although GCSES is no longer operated, the Generation division continues to incur expenses related to maintaining plant equipment in preparation for either the sale or decommissioning of the assets. These expenses are recovered as part of the Generation charge to the Member Cities.

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. Until January 2019, TMPA paid these fees. They are now billed directly to the Member Cities.

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 mine reclamation costs and other postemployment benefits. Estimated mine reclamation costs and other postemployment benefits 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.

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, 2020 and 2019, cash equivalents include amounts held at TexPool.

Reclassifications

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 presentation. The reclassifications had no effect on the changes in net position.

Net Position

Net position is displayed in two components – net investment in capital assets, 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.

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), and Project Construction 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. Project Construction Fund assets are available to pay costs associated with the Series “A” Notes.

Restricted assets also include the Indemnity Reserve Account, held in escrow, as required by Section 6.5 of the JOA. The purpose of these assets is to fund TMPA’s defense and indemnity obligations to the Member Cities under Section 6.3 of the JOA. Additionally, restricted assets include member contributions earmarked for decommissioning activities.

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

Fund Type:	**2020**	**2019**
Subordinate Lien Bond Fund (Series 2010 Bonds)	$ 833	$ 813
Subordinate Lien Reserve Fund (Series 2010 Bonds)	8,226	8,151
Subordinate Lien Bond Fund (Series 2017 Bonds)	544	531
Subordinate Lien Reserve Fund (Series 2017 Bonds)	4,010	3,974
Project Construction Funds (Series “A” Notes)	71	70
Member Contributions - Decommissioning Activities	8,254	-
Indemnity Reserve Account	4,999	-
Total Funds	$ 26,937	$ 13,539

4. Investments

As of September 30, 2020 and 2019, the Agency’s portfolio is invested in the Texas Local Government Investment Pool ("TexPool"), a local government investment pool, and a money market account. These investments are stated at amortized cost. Balances maintained at TexPool as of September 30, 2020 and 2019 were $49,766 and $53,068, respectively. Balances held in money markets as of September 30, 2020 and 2019, were $4,999 and $0, 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, 2020 and 2019, TMPA had recorded cash deposits of $0.84 million and $0.91 million, respectively. Bank statement balances as of September 30, 2020 and 2019, were $1.18 million and $1.06 million, respectively, with the differences being comprised of outstanding checks and deposits in transit.

5. Long-Term Debt

The Agency's long-term debt consists of the following at September 30, 2020 and 2019 (in thousands):

	Outstanding October 1, 2019	Issued / Increased	Redeemed / Decreased	Accretion / Amortization Premium / Discount	Outstanding September 30, 2020	Principal Due Within One Year
Revenue Bonds						
Series						
2010	$ 104,368	$ -	$ (2,925)	$ (226)	$ 101,217	$ 3,070
2017	89,890	-	(1,435)	(424)	88,031	1,510
Total Revenue Bonds	194,258	-	(4,360)	(650)	189,248	4,580
Series "A" Revolving Notes	23,400	7,700	-	-	31,100	-
Total Long-term Debt	$ 217,658	$ 7,700	$ (4,360)	$ (650)	$ 220,348	$ 4,580

	Outstanding October 1, 2018	Issued / Increased	Redeemed / Decreased	Accretion / Amortization Premium / Discount	Outstanding September 30, 2019	Principal Due Within One Year
Revenue Bonds Series						
2010	$ 107,421	$ -	$ (2,785)	$ (268)	$ 104,368	$ 2,925
2017	91,716	-	(1,365)	(461)	89,890	1,435
Total Revenue Bonds	199,137	-	(4,150)	(729)	194,258	4,360
Series "A" Revolving Notes	19,500	3,900	-	-	23,400	-
Total Long-term Debt	$ 218,637	$ 3,900	$ (4,150)	$ (729)	$ 217,658	$ 4,360

Revenue Bonds outstanding, as of September 30, 2020 and 2019, respectively, are (in thousands):

Series	Current Amount Outstanding 2020	Long-Term Amount Outstanding 2020	Maturity From	Maturity To	Range of Interest Rates From	Range of Interest Rates To	Earliest Redemption Date
2010	$ 3,070	$ 97,060	2012	2040	3.000	5.000	2012
2017	1,510	80,925	2019	2047	5.000	5.000	2019
Total	$ 4,580	$ 177,985					

Series	Current Amount Outstanding 2019	Long-Term Amount Outstanding 2019	Maturity From	Maturity To	Range of Interest Rates From	Range of Interest Rates To	Earliest Redemption Date
2010	$ 2,925	$ 100,130	2012	2040	3.000	5.000	2012
2017	1,435	82,435	2019	2047	5.000	5.000	2019
Total	$ 4,360	$ 182,565					

Debt service requirements for the revenue bonds for the next twenty-seven years as of September 30, 2020, are as follows (in thousands):

Year	Principal	Interest	Total
2021	$ 4,580	$ 9,043	$ 13,623
2022	4,810	8,814	13,624
2023	5,045	8,573	13,618
2024	5,300	8,321	13,621
2025	5,565	8,055	13,620
2025 - 2029	30,585	29,461	60,046
2030 - 2034	38,815	29,291	68,106
2035 - 2039	49,440	18,654	68,094
2040 - 2044	28,660	7,473	36,133
2045 - 2047	9,765	1,558	11,323
	182,565	$ 129,243	$ 311,808
Unamortized Premium	6,683		
Total	$ 189,248		

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, August 1, 2019 and August 4, 2020, TMPA issued additional installments of $9,400,000, $3,900,000, and $7,700,000, respectively, 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 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.

6. 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%. Beginning October 1, 2017, the Plan was amended to vest participants at 100% when they voluntarily sever service. Participants are immediately vested in their voluntary contributions plus actual earnings thereon.

Membership in the plan was 54 and 59 participants as of September 30, 2020 and 2019, respectively.

Retirement plan costs for 2020 and 2019 were as follows (in thousands):

	2020	**%**	**2019**	**%**
Agency’s total payroll	$2,191	-	$1,948	-
Agency’s covered payroll	$2,028	100%	$1,657	100%
Agency’s contribution	$203	10%	$166	10%
Employees’ contribution	$16	.80%	$15	.90%

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 $19,500 and $19,000 for calendar years 2020 and 2019, respectively. A "catch-up" provision, which allows an additional contribution of $6,500 and $6,000 for 2020 and 2019, 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, 2020 and 2019, participants numbered 10 and 10 and participant contributions were $238,468 and $228,918, 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). For retiree medical, the Agency contributes a set monthly allowance to the employee and dependent, if elected, through a Retiree Health Reimbursement Account (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 publicly available actuarial report of its plan. There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB 75.

For active and retired employees in 2020 and 2019, the Agency paid 100% of the cost of life insurance. Retiree life insurance coverage is $5,000 at time of retirement reducing to $3,350 once retiree reaches age 70 and $2,500 at age 75. For active employees in 2020, the Agency paid 88% and 77% of the cost of employee medical and dental benefits, respectively. For active employees in 2019, the Agency paid 84% and 76% of the cost of employee medical and dental benefits, respectively. For retired employees in 2020 and 2019, respectively, the Agency paid 75% and 73% of the cost of dental benefits. As discussed above, for retiree medical, the Agency contributes a set monthly allowance to the employee and dependent, if elected, through a Retiree HRA.

A measurement date of May 1, 2020 was used for the September 30, 2020 liability and expense. The information that follows was determined as of a valuation date of May 1, 2020.

Membership in the OPEB by membership class at May 1, 2020 are as follows:

	2020
Active employees	3
Inactive employees or beneficiaries currently receiving benefits	99
Total	102

Contributions: For the years ended September 30, 2020 and 2019, the Agency contributed $121,050 and $127,500, respectively, to retirees' HRA accounts. Contributions are made on a pay as you go basis.

Actuarial Assumptions: The total OPEB liability in the May 1, 2020 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, 2020 was 2.56%. The discount rate used to determine the Total OPEB Liability as of May 1, 2019 was 3.79%.
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: Pri-2012 Total Dataset Employee Table projected from the 2012 base year using the Scale MP-2019 mortality improvement rates Post-Retirement Mortality: Retired Members: Pri-2012 Total Dataset Retiree Table projected from the 2012 base year using the Scale MP-2019 mortality improvement rates Spouses of Retired Members: Pri-2012 Total Dataset Contingent Survivor Table projected from the 2012 base year using the Scale MP-2019 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 OPEB liability through the year ended September 30, 2020 were as follows:

	Increase (Decrease) Total OPEB Liability
Balances as of 9/30/19 (Based on 5/1/19 Measurement Date)	$ 1,966,413
Changes for the year:	
Service Cost	2,738
Interest on Total OPEB Liability	71,862
Change in Benefit Terms	6,597
Difference Between Expected and Actual Experience	(194,424)
Changes in Assumptions	111,600
Employer Contributions	-
Member Contributions	-
Net Investment Income	-
Benefit Payments	(146,108)
Net changes	(147,735)
Balances as of 9/30/20 (Based on 5/1/20 Measurement Date)	$ 1,818,678

Changes in the Total OPEB Liability: Changes in the total OPEB liability through the year ended September 30, 2019 were as follows:

	Increase (Decrease) Total OPEB Liability
Balances as of 9/30/18 (Based on 5/1/18 Measurement Date)	$ 2,005,254
Changes for the year:	
Service cost	2,492
Interest on total OPEB liability	76,714
Difference between expected and actual experience	-
Changes in assumptions	32,760
Employer contributions	-
Member contributions	-
Net investment income	-
Benefit payments	(150,807)
Net changes	(38,841)
Balances as of 9/30/20 (Based on 5/1/20 Measurement Date)	$ 1,966,413

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 2.56%. 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	$ 2,004,238	$ 1,818,678	$ 1,661,565

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	Current Discount	1% Increase
Total OPEB liability	$ 1,787,879	$ 1,818,678	$ 1,855,032

OPEB Expense (Income): For the years ended September 30, 2020 and 2019, the Agency recognized OPEB expense (income), as measured in accordance with GASB Statement No. 75, of ($1,627) and $111,966, respectively.

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 is administered by large insurance companies. For active employees in 2020 and 2019, $197,698 and $222,768 was paid in medical expenses based on an average of 10 and 11 participants, respectively. Active participant medical premiums collected by the Agency in 2020 and 2019 were $30,772 and $36,033 resulting in a total cost to the Agency of $166,926 and $186,735, respectively. For retired employees in 2020 and 2019, $121,050 and $127,500, respectively, was contributed by the Agency to the retired employees and dependents, if elected, through a Retiree HRA. For active employees in 2020 and 2019, $10,664 and $10,394 was paid in dental expenses based on an average of 10 and 11 participants, respectively. Active participant dental premiums collected by the Agency in 2020 and 2019 were $2,459 and $2,487 resulting in a total cost to the Agency of $8,205 and $7,907, respectively. For retired employees in 2020 and 2019, $24,932 and $25,968 was paid in dental expenses based on an average of 31 and 36 participants, respectively. Retiree participant dental premiums collected by the Agency in 2020 and 2019 were $8,917 and $7,087 resulting in a total cost to the Agency of $16,015 and $18,881, 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, 2020 and 2019, is as follows (in thousands):

Fiscal Year	Beginning Liability	Vacation Accrued	Vacation Taken	Ending Liability
2020	$111	$119	($84)	$146
2019	$154	$216	($259)	$111

7. 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 $0 in 2020 and $175,976 in 2019.

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 received coal transportation services pursuant to an agreement, dated March 1, 2013, with BNSF Railway. The agreement expired on 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 irrevocable letters of credit in the aggregate amount of $18,100,000 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, 2020, 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.

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. TMPA expects to submit an application for bond release relating to SP 50 prior to the end of calendar year 2021.

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. Following a period of negotiation 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 2016 and 2017, the Agency issued requests for proposals ("RFPs") regarding the proposed sale of the Agency's generation assets and a portion of the Agency's transmission assets. Certain proposals received in connection with the 2016 and 2017 RFPs were pursued, but negotiations were ultimately discontinued. In 2019, the Agency issued an RFP involving only the sale of generation assets. Proposals were received in August 2019, and TMPA is currently in negotiations with one of the proposers.

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 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.

On June 6, 2019, the TMPA Board of Directors voted to retire Gibbons Creek. However, in September of 2019, TMPA began negotiations with a potential purchaser of Gibbons Creek that expressed interest in TMPA continuing to maintain the federal operating permit in effect. As a consequence of this effort, in July 2020, the TCEQ approved an Agreed Order renewing the Agency's operating permit. The Agreed Order is now pending before the EPA for its approval.

However, the potential purchaser of Gibbons Creek has recently decided that, in the event the sale is consummated, Gibbons Creek will not be operated, but instead will be decommissioned. Because this development will likely render renewal of the federal operating permit moot, it is not expected that 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 ("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 provided 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, for purposes of implementing the automatic transfer of assets upon dissolution of TMPA, 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.

If a majority of the Member Cities request it, 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.

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 7.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 became 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. Effective September 17, 2019, the JOA was amended a third time ("Amendment No. 3"). The purposes of Amendment No. 3 were to: clarify that all Board Members may vote on matters involving the decommissioning and/or sale of GCSES; delete a requirement that TMPA obtain Member City approval of certain budget increases attributable to mine reclamation bonding; and authorize the sale of mine tracts that are under mine bonding provided a lease, easement, or other property right is reserved that would enable TMPA to complete reclamation and obtain bond release.

M. Gibbons Creek's operational status with ERCOT transitioned to: Seasonal Operations, effective September 26, 2017 (operated from May 21, 2018 through September 18, 2018); Reserve Shutdown, effective October 1, 2018; and Indefinite Mothball, effective June 1, 2019. On June 28, 2019, a notification to ERCOT was made to remove Gibbons Creek from the ERCOT system, effective October 23, 2019. The unit was actually removed from the ERCOT system on October 30, 2019. 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. See Note 10 for discussion on related decommissioning liability.

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.

8. Environmental Regulation

General

Electric utilities, in general, 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. However, the decision on June 6, 2019, to permanently close the Gibbons Creek Steam Electric Station ("Gibbons Creek") may change how these rules are applied to Gibbons Creek – some rules may remain in effect, some may no longer be applicable, and some may come into play for the closure of the operation. These potential changes are discussed below.

If TMPA sells Gibbons Creek, the responsibility for environmental compliance will transfer to the buyer.

Clean Power Plan ("CPP")

The intent of these rules is to regulate emissions of carbon dioxide ("CO_2") and their potential to affect climate change. On June 19, 2019, the U.S. Environmental Protection Agency ("EPA") issued the Affordable Clean Energy ("ACE") Rule, which replaces the Clean Power Plan issued in 2015.

Since Gibbons Creek is no longer operating, it is not subject to this new rule.

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. The final rule was issued on August 31, 2020, and will become effective 60 days after publication in the Federal Register.

TMPA is evaluating the implications of this 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 complied with both deadlines.

On December 16, 2016, the Water Infrastructure for the Nation (“WIIN”) Act was signed into law authorizing state CCR programs. 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 and on November 1, 2019, TCEQ proposed rulemaking to create Chapter 352 to implement a new CCR management program for owners and operators of landfills and surface impoundments used to manage or dispose of CCR generated from the combustion of coal by electric utilities and independent power producers. The proposed new Chapter 352 State CCR Program would establish a registration requirement as well as design and operating criteria including compliance monitoring and reporting for regulated facilities. On May 8, 2020 Texas adopted a state CCR program which will become effective after review and approval by the EPA.

On July 29, 2020, EPA issued the final (federal) CCR rule entitled: Hazardous and Solid Waste Management System: Disposal of Coal Combustion Action: Residuals from Electric Utilities; A Holistic Approach to Closure Part A: Deadline to Initiate Closure. This final rule provides various deadlines for compliance depending on site-specific situations. TMPA is evaluating the options for Gibbons Creek.

TMPA is currently in compliance with all requirements of the CCR rule.

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 (NOx) and other compounds in the atmosphere under strong sunlight. It is therefore more prevalent in the summer season.

Since Gibbons Creek is no longer operating, it is not subject to this rule.

Rules for the Regulation of Sulfur Dioxide (“SO2”) and Nitrogen Oxide (“NOx”) Emissions

SO2 and NOx emissions were identified in the 1960s as the main cause of acid rain and, over the years, a variety of rules have been introduced to regulate them.

On September 21, 2017 EPA issued a final Cross-State Air Pollution Rule (“CSAPR”) that consists of a summer season (May through September) NOx program for Texas which became effective in the summer season of 2017.

Since Gibbons Creek is no longer operating, it is not subject to this rule.

Mercury Emissions

EPA issued new standards for the regulation of mercury emissions in February 2012 under the Mercury and Air Toxics Standards ("MATS") rule 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, to obtain sufficient time to adequately investigate and test mercury control technologies under different operating scenarios.

Since Gibbons Creek is no longer operating, it is not subject to this 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 process. Permit-specific provisions are applied at the time of permit renewal. The TPDES permit for Gibbons Creek was renewed on July 2, 2020. The renewed permit notes that Gibbons Creek is in non-operational status and is not currently using water for cooling purposes. The permit specifies the regulatory requirements that would need to be followed before the use of the cooling water system could be restarted.

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 have been ongoing activities 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 2020, TMPA has obtained full bond release on approximately 7,300 acres (83%) and has submitted applications for final bond release on another 640 acres (7%).

TMPA will continue to aggressively pursue bond release. It is projected that by the end of fiscal year 2021, most 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.

9. Related Party Transactions

Through the take-or-pay amendment to the Power Sales Contract as described in Note 1, each of the Member Cities was obligated to take or pay for a specified percentage of electricity from TMPA’s generating facility. The PSC expired as to the City of Greenville on September 1, 2018, and expired as to the remaining Cities on September 30, 2018. Effective September 1, 2016, TMPA and the Member Cities entered into a Joint Operating Agreement (see Note 7.L for further detail). For the years ended September 30, 2020 and 2019, 13% and 14% of total operating revenue, respectively, was attributable to the Member Cities.

The construction and maintenance of certain electric plant transmission assets are outsourced to the Cities of Garland and Denton. For the years ended September 30, 2020 and 2019, $9,861,957 and $2,139,450 of electric plant transmission assets and construction work in progress, respectively, were constructed by the City of Garland. For the years ended September 30, 2020 and 2019, $1,967,715 and $571,161 of accounts payable, respectively, was due to the City of Garland. For the years ended September 30, 2020 and 2019, $3,144,017 and $2,578,671 of electric plant transmission assets and construction work in progress, respectively, were constructed by the City of Denton. For the years ended September 30, 2020 and 2019, $96,020 and $875,568 of accounts payable, respectively, was due to the City of Denton. For the years ended September 30, 2020 and 2019, 74% and 83% of Transmission – Operation and Maintenance expense, respectively, was attributable to the City of Garland. The City of Denton does not incur Operation and Maintenance expenses on TMPA's behalf.

10. Decommissioning / Environmental Remediation Liability

GASB Statement No. 83 ("GASB 83"), Certain Asset Retirement Obligations, establishes uniform criteria for governments to recognize and measure certain asset retirement obligations (AROs). An ARO is defined as a legally enforceable liability associated with the retirement of a tangible capital asset. An ARO is recognized when the liability is incurred, which is manifested by the occurrence of both an external obligating event and an internal obligating event.

On June 6, 2019, the Board of Directors approved the cessation of the production of power and energy from the Gibbons Creek Steam Electric Station ("GCSES"). On June 28, 2019, a notification to ERCOT was made to remove GCSES from the ERCOT system, effective October 23, 2019. The unit was actually removed from the ERCOT system on October 30, 2019. For FY2019, these actions triggered the Agency to record a decommissioning/environmental remediation liability and related expenses of $126,444,000 and a corresponding discounted receivable and related revenues of $106,402,000 from the Member Cities, as they are obligated to pay all associated costs. The receivable has a balance of $99,376,169 as of September 30, 2020, with a discounted amount of $18,289,467. The receivable is discounted using rates that range from 1.80% to 2.57% in 2020.

Due within one year	$ 17,700,000
Due in one to five years	63,565,636
Due in more than five years	36,400,000
	117,665,636
Less unamortized discount	(18,289,467)
	$ 99,376,169

A Decommissioning Assessment Study ("Study") was performed by Amec Foster Wheeler in 2018. The Agency's Plant Manager reviewed this Study in early 2019 and updated a few assumptions as part of the FY 2020 budget process. The major assumption updates were:

- The final cover option for Site A Landfill was changed from a soils cover to the enhanced cover, as this option will minimize leachate production and future treatment/disposal costs.
- Utility separation was reduced as Agency staff plans to move offsite prior to decommissioning of the plant.
- A small amount of labor was added for subject matter experts and legal support.
- Ongoing monitoring and maintenance costs were increased to account for additional consultants/legal support and additional monitoring and maintenance of coal combustion residual enclosures, leachate treatment plant, Gibbons Creek reservoir, and the natural gas pipeline.

As part of the FY 2021 budget process, the Plant Manager adjusted the cash flow of the project as a result of delayed activity as a potential sale of the plant is negotiated.

This Study, with the Plant Manager's updated assumptions, has been used to calculate the decommissioning/environmental remediation liability of $125,919,398 as of September 30, 2020. Decommissioning is estimated to take 5 years and related maintenance will be required for at least 30 years after the decommissioning is complete.

REQUIRED SUPPLEMENTARY INFORMATION

Texas Municipal Power Agency
Supplementary Information
Postretirement Benefits Plan
September 30, 2020

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

	Measurement Year 2020	Measurement Year 2019	Measurement Year 2018
Total OPEB Liability			
Service Cost	$ 2,738	$ 2,492	$ 2,527
Interest Cost	71,862	76,714	77,956
Changes of Benefit Terms	6,597	-	-
Difference Between Expected and Actual Experience of the Total OPEB Liability	(194,424)	-	(6,724)
Changes of Assumptions	111,600	32,760	(28,900)
Benefit Payments	(146,108)	(150,807)	(155,595)
Net Change in Total OPEB Liability	(147,735)	(38,841)	(110,736)
Total OPEB Liability (Beginning)	1,966,413	2,005,254	2,115,990
Total OPEB Liability (Ending)	$ 1,818,678	$ 1,966,413	$ 2,005,254
Covered Payroll	$ 118,331	$ 414,530	$ 6,042,601
Net OPEB Liability as a Percentage of Covered Payroll	1,536.94%	474.37%	33.19%

Note to schedule: The information in this schedule has been determined as of the measurement date (May 31) of the Agency's total OPEB liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provisions of GASB 75, only periods for which such information is available are presented.

TEXAS MUNICIPAL POWER AGENCY

SUPPLEMENTAL SCHEDULE

Texas Municipal Power Agency
Combining Statement of Revenues, Expenses and Changes in Net Position
September 30, 2020

	Generation	Transmission	Mine	Combined
Operating Revenues				
Power Sales	$ 4,118	$ -	$ 3,090	$ 7,208
Transmission Revenues	-	46,812	-	46,812
Other Operating Revenues	156	-	61	217
Total operating revenues	4,274	46,812	3,151	54,237
Operating Expenses				
Power Production - Operation and Maintenance	2,060	-	1,988	4,048
Transmission - Operation and Maintenance	-	3,213	-	3,213
Administrative and General	1,047	1,593	1,143	3,783
Transmission System Access Fee	-	1	-	1
Depreciation Expense	-	8,057	-	8,057
Total Operating Expenses	3,107	12,864	3,131	19,102
Income (Loss) from Operations	1,167	33,948	20	35,135
Other Income				
Investment Revenue	75	264	82	421
Member Contributions	1,752	-	-	1,752
Contributed Capital	-	3,438	-	3,438
Miscellaneous Other Income (Expense)	149	(1,354)	-	(1,205)
Total Other Income	1,976	2,348	82	4,406
Interest Charges				
Interest Expense on Debt	-	9,628	-	9,628
Amortization of Debt Premium and Excess				
Cost of Advance Refunding of Debt	-	(650)	-	(650)
Total Interest Charges	-	8,978	-	8,978
Impact of Regulatory Assets in Change in Net Position	-	-	(938)	(938)
Net Revenues (Expenses) Before Refunds	3,143	27,318	(836)	29,625
Refunds to Member Cities	-	(26,350)	-	(26,350)
Change in Net Position	$ 3,143	$ 968	$ (836)	$ 3,275