Texas Municipal Power Agency
Financial Statements

For the Years Ended September 30, 2022 and 2021

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FINANCIAL SECTION

FORVIS

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Texas Municipal Power Agency (Agency or TMPA), as of and for the years ended September 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise TMPA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of TMPA, as of September 30, 2022 and 2021, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about TMPA's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TMPA's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about TMPA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other postemployment benefit information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise TMPA's basic financial statements. The combining statement of revenues, expenses and changes in net position is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The 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 of revenues, expenses and changes in net position is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

FORVIS, LLP

Dallas, Texas
November 29, 2022

Texas Municipal Power Agency
Management's Discussion and Analysis ("MD&A")
For the Years Ended September 30, 2022 and 2021
(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, 2022

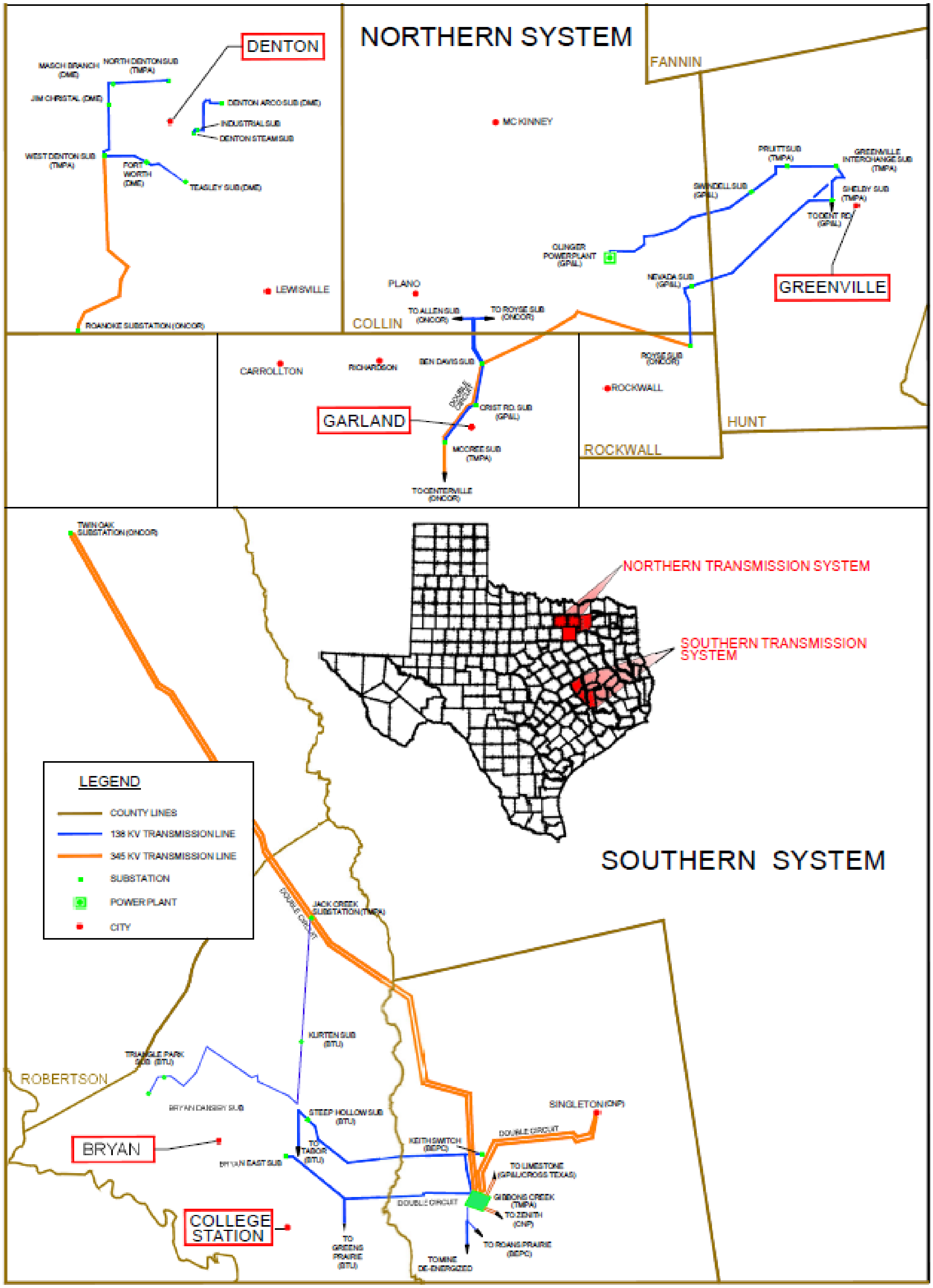
Gibbons Creek's operational status with ERCOT transitioned to: Seasonal Operations, effective September 26, 2017 (operated from May 21, 2018 through September 18, 2018); Reserve Shutdown, effective October 1, 2018; and Indefinite Mothball, effective June 1, 2019. On June 28, 2019, a notification to ERCOT was made to remove Gibbons Creek from the ERCOT system, effective October 23, 2019. On February 10, 2021, Gibbons Creek was sold, and all decommissioning/environmental remediation liability transferred to the new owner. Since that time, TMPA and an appointed Environmental Designee have monitored the progress of the buyer's remediation activities pursuant to the Asset Purchase Agreement ("APA").

On September 20, 2022, the Railroad Commission of Texas ("RCT") approved full bond release on 198 acres in the Gibbons Creek Mine. This brings the total of fully released land, as of the end of FY 2022, to 97.5%. Another 146 acres (1.7%) are pending RCT review. TMPA plans to file for release on the last 73 acres (0.8%) in 2023-2024. On December 21, 2021, approximately 11,000 acres of the mine property was sold.

TMPA has approximately 319 circuit miles of transmission lines (both 345kV and 138kV), 1 mile of 69kV transmission line, 12 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.

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.



NORTHERN SYSTEM
DENTON
GREENVILLE
GARLAND
FANNIN
COLLIN
HUNT
ROCKWALL
MC KINNEY
PLANO
LEWISVILLE
CARROLLTON
RICHARDSON
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,		
	2022	**2021**	**2020**
Assets			
Assets			
Current Assets			
Current Unrestricted Assets	$ 24,063	$ 47,509	$ 40,037
Current Restricted Assets	980	981	25,739
Total Current Assets	25,043	48,490	65,776
Noncurrent Assets, Net			
Electric Plant	182,066	176,137	197,444
Other Assets	7,230	8,286	104,944
Total Noncurrent Assets	189,296	184,423	302,388
Total Assets	$ 214,339	$ 232,913	$ 368,164
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Current Liabilities			
Current Liabilities	$ 25,019	$ 32,212	$ 62,809
Total Current Liabilities	25,019	32,212	62,809
Noncurrent Liabilities			
Long Term Debt	205,963	200,318	215,768
Noncurrent Liabilities Other Than Debt	1,497	1,608	101,785
Total Noncurrent Liabilities	207,460	201,926	317,553
Total Liabilities	232,479	234,138	380,362
Deferred Inflows of Resources			
Deferred Gain on Refunding	5,842	6,168	-
Total Deferred Inflows of Resources	5,842	6,168	-
Net Position (Deficit)			
Net Investment in Capital Assets	(30,201)	(30,691)	(4,220)
Unrestricted	6,219	23,298	(7,978)
Total Net Position (Deficit)	(23,982)	(7,393)	(12,198)
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 214,339	$ 232,913	$ 368,164

Statements of Net Position Information
Explanations of Significant Variances Between FY 2021 and FY 2022

Current Unrestricted Assets decreased $23.4 million (49%) due primarily to the reduction of mine assets held for sale resulting from the sale of the majority of the mine in December 2021.

Electric Plant increased by $5.9 million (3%) due primarily to a significant amount of transmission asset additions during the year.

Other Assets decreased by $1.1 million (13%) due primarily to lower deferrals of Other Post-Employment Benefits and mine reclamation costs.

Current Liabilities decreased $7.2 million (22%) due primarily to lower accrued distributions to the Member Cities. In addition to a Transmission distribution, there was also a distribution payable for other excess TMPA funds in FY 2021. There was no payable for a distribution of other excess TMPA funds at the end of FY 2022.

Net Position (Deficit) decreased by $16.6 million (224%). Net position is comprised of two components: net investment in capital assets and unrestricted. The decrease is primarily related to the sale of the majority of the mine that occurred in December 2021. Although the transaction resulted in a gain of $58 million, the proceeds of $70.8 million were immediately distributed to the Member Cities.

Statements of Net Position Information
Explanations of Significant Variances Between FY 2020 and FY 2021

Current Unrestricted Assets increased $7.5 million (19%) due primarily to lower Transmission Cost of Service ("TCOS") receivables as the Agency's interim rate filing was approved by the Public Utility Commission of Texas ("PUCT") in December 2020 offset by a $15.2 million increase in assets held for sale. The Agency entered into a contract to sell the mine in FY 2021 and the carrying value of the mine was reclassified to a current asset.

Current Restricted Assets decreased $24.8 million (96%) due primarily to the removal of the receivable from the Member Cities related to the decommissioning liability discussed below (see Note 9 for further detail).

Electric Plant decreased by $21.3 million (11%) as depreciation of transmission assets exceeded current year capital outlays and $15.2 million was reclassified to an asset held for sale as discussed above.

Other Assets decreased by $96.7 million (92%) due primarily to the removal of the receivable from the Member Cities related to the decommissioning liability discussed below (see Note 9 for further detail).

Current Liabilities decreased $30.6 million (49%) due primarily to the settlement of the decommissioning/environmental remediation liability. During FY 2021, the generation plant was sold and new owners assumed the decommission liability. The net effect of the sale, including eliminating the previously recorded decommissioning liability and related receivables from the Agency's Member Cities was to recognize a gain of $18.3 million. (see Note 9 for further detail).

Long-Term Debt decreased by $15.5 million (7%) due primarily to savings resulting from the refunding of the Series 2010 and Series 2017 Transmission bonds. This refunding also fixed out $30M of the Series A Notes (see Note 5 for further detail).

Non-Current Liabilities Other Than Debt decreased by $100.2 million (98%) due primarily to the removal of the decommissioning/environmental remediation liability discussed above (see Note 9 for further detail).

Deferred Gain on Refunding increased by $6.2 million (100%) due to the issuance of the Series 2021 Transmission bonds (see Note 5 for further details).

Net Position (Deficit) improved by $4.8 million (39%). Net position is comprised of two components: net investment in capital assets and unrestricted. The increase is primarily related to the gain on the sale of the plant that occurred in February 2021.

Texas Municipal Power Agency
Operating Information
(Dollars in Thousands)

	For the Years-Ended September 30, 2022	2021	2020
Operating Revenues			
Member City Billings	$ 2,845	$ 5,549	$ 7,208
Transmission Revenues	31,397	34,428	46,812
Other Operating Revenues	39	85	217
Total Operating Revenues	34,281	40,062	54,237
Operating Expenses			
Production - Operation and Maintenance	1,145	2,402	4,048
Transmission - Operation and Maintenance	5,248	4,196	3,213
Administrative and General	2,276	2,392	3,783
Transmission System Access Fee	-	-	1
Depreciation Expense	8,186	8,089	8,057
Total Operating Expenses	16,855	17,079	19,102
Income (Loss) from Operations	17,426	22,983	35,135
Other Income (Expense)			
Investment Revenue	134	21	421
Member Contributions	-	-	1,752
Capital Contributions	-	103	3,438
Miscellaneous Other Income (Expense)	(242)	(2,091)	(1,205)
Total Other Income (Expense)	(108)	(1,967)	4,406
Interest Charges			
Interest Expense	3,797	8,061	8,978
Bond Issuance Cost	-	1,998	-
Total Interest Charges	3,797	10,059	8,978
Impact of Regulatory Assets on Change in Net Position	(1,117)	(1,644)	(938)
Net Revenues before Refunds	12,404	9,313	29,625
Refunds to Member Cities	(87,032)	(22,812)	(26,350)
Change in Net Position before Gain on Sale of Plant and Mine	(74,628)	(13,499)	3,275
Gain on Sale of Plant	-	18,304	-
Gain on Sale of Mine	58,039	-	-
Change in Net Position (Deficit)	(16,589)	4,805	3,275
Net Position (Deficit)			
Beginning Balance	(7,393)	(12,198)	(15,473)
Ending Balance	$ (23,982)	$ (7,393)	$ (12,198)

Operating Information
Explanations of Significant Variances Between FY 2021 and FY 2022

Member City Billings decreased $2.7 million (49%) due primarily to lower demand charges as a result of the sale of the plant in February 2021 and the sale of the majority of the mine in December 2021, which reduced the overall operating costs of TMPA.

Transmission Revenues decreased $3.0 million (9%) due to a full year of a lower rate for transmission services approved by the PUCT in December 2020.

Production – Operations and Maintenance decreased $1.3 million (52%) due to the sale of the plant in February 2021 and the sale of the majority of the mine in December 2021.

Transmission – Operations and Maintenance increased $1.1 million (25%) due primarily to increased material purchases, rental fees, and contractor maintenance associated with transformer repairs. Also, a planned capital project was deemed to be O&M in nature and was therefore expensed.

Investment Revenue increased $0.1 million (538%) due to rising interest rates following the drastically reduced interest rates resulting from the COVID-19 pandemic.

Capital Contributions decreased $0.1 million (100%) due to having no receipt of assets from third parties that paid for the construction of and/or improvements to the Agency's Transmission system in FY 2022.

Miscellaneous Other Income (Expense) decreased $1.8 million (88%) due to fewer asset retirements in FY 2022.

Interest Expense decreased $4.3 million (53%) due to the Series 2021 refunding bonds issued in July 2021, which lowered interest rates. Additionally, the amortization of bond premiums reduce interest expense.

Impact of Regulatory Assets on Change in Net Position decreased $0.5 million (32%) due primarily to changes in the Mine reclamation liability and recoveries and Other Post-Employment Benefits.

Refunds to Member Cities increased $64.2 million (282%) due primarily to the sale of the majority of the mine in December 2021.

Gain on Sale of Plant decreased $18.3 million (100%) due to the sale of the plant in February 2021.

Gain on Sale of Mine increased $58.0 million (100%) due to the sale of the majority of the mine in December 2021.

Operating Information
Explanations of Significant Variances Between FY 2020 and FY 2021

Member City Billings decreased $1.7 million (23%) due primarily to lower demand charges as a result of the sale of the plant in February 2021.

Transmission Revenues decreased $12.4 million (26%) due to the Agency's interim rate filing that was approved by the PUCT in December 2020 which effectively reduced TMPA's rate of return.

Other Operating Revenues decreased $0.1 million (61%) due to the cessation of lake revenues following the sale of the plant in February 2021.

Production Operation and Maintenance decreased $1.6 million (41%) due to the sale of the plant in February 2021.

Transmission Operation and Maintenance increased $1.0 million (31%) because beginning in FY 2021, transmission property insurance premiums were charged directly to the Transmission business unit as opposed to being allocated from administration and general like in past years. This was somewhat offset by less than anticipated O&M repair due to substation experiencing fewer equipment failures.

Administrative and General decreased $1.4 million (37%) due to numerous reasons including property insurance premiums being directly charged to the respective business units beginning in FY 2021 and the sale of the plant in February 2021.

Investment Revenue decreased $0.4 million (95%) due primarily to drastically reduced interest rates resulting from the COVID-19 pandemic.

Member Contributions decreased $1.8 million (100%) due to the sale of the plant in February 2021, which eliminated the Agency's decommissioning liability and receivable from the Member Cities (see Note 9 for further detail).

Capital Contributions decreased $3.3 million (97%) 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 that did not repeat in FY 2021.

Miscellaneous Other Income (Expense) increased $0.9 million (74%) due to a significant amount of Transmission retirements in FY 2021 that resulted in losses.

Impact of Regulatory Assets on Change in Net Position increased $0.7 million (75%) due primarily to changes in the Mine reclamation liability and recoveries.

Refunds to Member Cities decreased $3.5 million (13%) due to the Agency's interim rate filing that was approved by the PUCT in December 2020 which resulted in a lower distribution of transmission revenues to the Member Cities. This decrease is partially offset by a distribution of excess Agency working capital in FY 2021 that did not occur in FY 2020.

Gain on Sale of Plant increased $18.3 million (100%) due to the sale of the plant in February 2021.

TEXAS MUNICIPAL POWER AGENCY

BASIC FINANCIAL STATEMENTS

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

Assets

	September 30, 2022	September 30, 2021
Assets		
Current Assets		
Current Unrestricted Assets		
Cash and Cash Equivalents	$ 16,375	$ 24,026
Accounts Receivable and Other	4,701	7,972
Asset Held for Sale	935	15,189
Mine Escrow Holdback	1,711	-
Prepaids	341	322
Total Current Unrestricted Assets	24,063	47,509
Current Restricted Assets		
Cash and Cash Equivalents	980	981
Total Current Restricted Assets	980	981
Total Current Assets	25,043	48,490
Noncurrent Assets		
Electric Plant		
In Service	323,444	313,704
Less Accumulated Depreciation	(145,077)	(143,062)
Total Net Plant	178,367	170,642
Construction Work in Progress	3,699	5,495
Total Electric Plant	182,066	176,137
Other Assets		
Restricted Cash and Cash Equivalents	5,133	5,072
Regulatory Assets	2,097	3,214
Total Other Assets	7,230	8,286
Total Noncurrent Assets	189,296	184,423
Total Assets	$ 214,339	$ 232,913

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, 2022	September 30, 2021
Liabilities		
Current Liabilities		
Current Maturities of Revenue Bonds	$ 6,575	$ 6,395
Accrued Interest Payable	432	448
Accounts Payable	838	735
Accrued Distribution to Member Cities	16,246	22,812
Accrued Compensation and Pension Benefits	123	216
Accrued Mine Reclamation Cost	805	1,606
Total Current Liabilities	25,019	32,212
Noncurrent Liabilities		
Long-Term Debt		
Revenue Bonds	174,765	181,340
Unamortized Premium	8,098	9,578
Tax Exempt Commercial Paper	23,100	9,400
Total Long-Term Debt	205,963	200,318
Other Employee Retirement Benefits	1,293	1,608
Accrued Mine Escrow	204	-
Total Other Long-Term Obligations	1,497	1,608
Total Noncurrent Liabilities	207,460	201,926
Total Liabilities	232,479	234,138
Deferred Inflows of Resources		
Deferred Gain on Refunding	5,842	6,168
Total Deferred Inflows of Resources	5,842	6,168
Net Position (Deficit)		
Net Investment in Capital Assets	(30,201)	(30,691)
Unrestricted	6,219	23,298
Total Net Position (Deficit)	(23,982)	(7,393)
Total Liabilities, Deferred Inflows of Resources and Net Position (Deficit)	$ 214,339	$ 232,913

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, 2022	2021
Operating Revenues		
Member City Billings	$ 2,845	$ 5,549
Transmission Revenues	31,397	34,428
Other Operating Revenues	39	85
Total Operating Revenues	34,281	40,062
Operating Expenses		
Production - Operation and Maintenance	1,145	2,402
Transmission - Operation and Maintenance	5,248	4,196
Administrative and General	2,276	2,392
Depreciation Expense	8,186	8,089
Total Operating Expenses	16,855	17,079
Income from Operations	17,426	22,983
Other Income (Expense)		
Investment Revenue	134	21
Capital Contributions	-	103
Miscellaneous Other Income (Expense), Net	(242)	(2,091)
Total Other Income (Expense)	(108)	(1,967)
Interest and Finance Charges		
Interest Expense	3,797	8,061
Bond Issuance Cost	-	1,998
Total Interest and Finance Charges	3,797	10,059
Impact of Regulatory Assets on Change in Net Position	(1,117)	(1,644)
Net Revenues before Refunds	12,404	9,313
Refunds to Member Cities	(87,032)	(22,812)
Change in Net Position (Deficit) before Gain on Sale of Plant and Mine	(74,628)	(13,499)
Gain on Sale of Plant	-	18,304
Gain on Sale of Mine	58,039	-
Change in Net Position (Deficit)	(16,589)	4,805
Net Position (Deficit)		
Beginning Balance	(7,393)	(12,198)
Ending Balance	$ (23,982)	$ (7,393)

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, 2022	For Years Ended September 30, 2021
Cash Flows from Operating Activities		
Cash Received from Member City Billings	$ 2,845	$ 5,549
Cash Received from Transmission Revenues	31,132	37,122
Cash Received from Other Revenues	446	316
Cash Received from TxDOT	3,536	55
Cash Paid to Suppliers	(7,600)	(7,800)
Cash Paid to Employees	(1,722)	(2,271)
Net Cash Provided by Operating Activities	28,637	32,971
Cash Flows from Non-Capital and Related Financing Activities		
Proceeds from Member Cities	-	28,146
Proceeds from Sale of Mine (assets held for sale)	70,786	-
Distribution to Member Cities for Sale of Mine	(70,786)	
Escrow Provided to Purchaser of Generation Plant	-	(36,385)
Net Cash Provided by (Used for) Non-Capital and Related Financing Activities	-	(8,239)
Cash Flows from Capital and Related Financing Activities		
Proceeds from Issuance of Debt	13,700	200,810
Construction Work in Progress	(15,235)	(6,102)
Payment of Principal on Debt	(6,395)	(217,340)
Debt Issuance Costs	-	(1,998)
Premiums/Discounts	-	9,846
Interest Paid on Debt	(5,618)	(9,150)
Refunds to Member Cities	(22,813)	(26,350)
Net Cash Used for Capital and Related Financing Activities	(36,361)	(50,284)
Cash Flows from Investing Activities		
Interest and Dividends on Investments	133	22
Net Cash Provided by Investing Activities	133	22
Net Decrease in Cash and Cash Equivalents	(7,591)	(25,530)
Beginning Cash and Cash Equivalents Balance	30,079	55,609
Ending Cash and Cash Equivalents Balance	$ 22,488	$ 30,079

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

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

		2022		2021
Income From Operations	$	17,426	$	22,983
Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities:				
Depreciation Expense		8,186		8,089
Change in Accounts Receivables and Other		3,252		3,192
Change in Accrued Mine Reclamation Cost		(802)		(1,433)
Change in Accounts Payable		260		16
Change in Accrued Compensation and Fringe Benefits		(92)		(107)
Miscellaneous Non-Operating Activities		407		231
		11,211		9,988
Total	$	28,637	$	32,971

Supplemental Cash Flows Information

Capital invoices totaling $93,783 and $173,539 are included in accounts payable at September 30, 2022 and 2021, respectively.

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 was September 1, 2040. Two additional series of Transmission Debt, one of which is a revolving note program, were issued on December 1, 2017. On July 29, 2021, TMPA issued an additional series of Transmission Debt. Proceeds from this series were used to refund the two previously issued series of long-term Transmission Debt and a portion of the Revolving Note Program.

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. On February 10, 2021, pursuant to an Asset Purchase Agreement ("APA"), TMPA sold GCSES to Gibbons Creek Environmental Redevelopment Group ("GCERG"). Under the APA, GCERG is responsible for the decommissioning and environmental remediation of GCSES.

The initial fuel source for GCSES was an adjacent lignite mine owned by TMPA. Production of lignite from the mine ceased in 1996 when TMPA switched fuels to Powder River Basin coal. Since then, the mine has been undergoing reclamation operations. On December 21, 2021, approximately 11,000 acres of the mine property were sold. In order to continue reclamation operations following such sale, TMPA reserved from the conveyance necessary reclamation and access easements.

TMPA continues to own and operate electric transmission assets in the State of Texas. These assets provide wholesale transmission services to the Member Cities and other distribution service providers in the Electric Reliability Council of Texas ("ERCOT") system.

Regulation

The Agency's Board of Directors monitors the decommissioning activities required of GCERG. Transmission activities are regulated by ERCOT and the PUCT. Each transmission service provider in ERCOT is required to provide non-discriminatory access to the electric grid in ERCOT. As compensation for this service, each transmission service provider annually receives its Transmission Cost of Service ("TCOS"), which is set by the PUCT. 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 inflows of resources, and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Measurement Focus, Basis of Accounting, and Basis of Presentation

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

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

Accounting and Financial Reporting

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

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

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

GASB Pronouncements Effective in FY 2022

GASB Statement No. 87 ("GASB 87"), Leases, 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. The Agency began application of GASB No. 87 at the beginning of FY 2022. Implementation of GASB 87 had no material impact on the Agency.

GASB Pronouncements Effective in FY 2021

GASB Statement No. 84 ("GASB 84"), Fiduciary Activities, establishes 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. The Agency began application of GASB No. 84 at the beginning of FY 2021. Implementation of GASB 84 had no impact on the Agency.

GASB Statement No. 97 ("GASB 97), Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. This Statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The Agency began application of GASB No. 97 at the beginning of FY 2021. Implementation of GASB 97 had no impact on the Agency.

GASB Pronouncements Issued but Not Yet Effective

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, 2023, however it is anticipated that implementation will have no impact on the Agency.

In May 2020, GASB issued Statement No. 96 ("GASB 96"), Subscription-Based Information Technology Arrangements (SBITAs) will be effective for the Agency's September 30, 2023 year end. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset and corresponding liability; (3) provides the capitalization criteria for outlays other than subscription payments; and (4) requires note disclosures regarding a SBITA. Implementation is not expected to have a material impact on the Agency.

In June 2022, GASB issued Statement No. 101 ("GASB 101"), Compensated Absences, which will be effective for the Agency's September 30, 2025 year end. The statement was issued to meet the needs of financial statement users by updating the recognition and measurement guidance for compensated absences. Implementation is not expected to have a material impact on the Agency.

Accounts Receivable

TMPA reports transmission accounts receivable for services rendered at net realizable amounts from third-party payors. TMPA provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. For the years ended September 30, 2022 and 2021, no allowance was deemed necessary.

Transmission Electric Plant

Transmission electric plant is stated at historical cost. Donated capital assets are recorded at acquisition value. Upon retirement of the transmission 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, 2022 and 2021 are as follows (in thousands):

Summary of Additions, Less Transfers and Retirements to Plant

	Oct. 1, 2021	Additions	Transfers	Retirements /Disposals	Sept. 30, 2022
Electric Plant					
Transmission	$ 310,138	$ -	$ 16,488	$ (6,819)	$ 319,807
Other	2,725	-	-	-	2,725
Intangible Assets	841	-	71	-	912
Total Electric Plant	313,704	-	16,559	(6,819)	323,444
Accumulated Depreciation					
Transmission	(141,427)	(7,640)	-	6,170	(142,897)
Other	(1,635)	(545)	-	-	(2,180)
Total Accumulated Depreciation	(143,062)	(8,185)	-	6,170	(145,077)
Construction Work in Progress	5,495	15,154	(16,559)	(391)	3,699
Total Electric Plant, Net of Accumulated Depreciation	$ 176,137	$ 6,969	$ -	$ (1,040)	$ 182,066

	Oct. 1, 2020	Additions	Transfers	Retirements /Disposals	Sept. 30, 2021
Electric Plant					
Transmission	$ 311,537	$ -	$ 5,692	$ (7,091)	$ 310,138
Mine-Related (1)	52,632	-	(52,489)	(143)	-
Other	5,544	-	-	(2,819)	2,725
Intangible Assets	918	-	-	(77)	841
Total Electric Plant	370,631	-	(46,797)	(10,130)	313,704
Accumulated Depreciation					
Transmission	(138,762)	(7,544)	(33)	4,912	(141,427)
Mine-Related (1)	(37,332)	-	37,332	-	-
Other	(3,909)	(545)	-	2,819	(1,635)
Intangible Assets	(76)	-	-	76	-
Total Accumulated Depreciation	(180,079)	(8,089)	37,299	7,807	(143,062)
Construction Work in Progress	6,892	4,402	(5,691)	(108)	5,495
Total Electric Plant, Net of Accumulated Depreciation	$ 197,444	$ (3,687)	$ (15,189)	$ (2,431)	$ 176,137

(1) During FY 2021, the Board of Directors entered into a contract to sale the majority of the mine. As required by accounting standards, the net book value of the mine ($15,189) was recorded as an asset held for sale at September 30, 2021 in the accompanying statement of net position.

Depreciation

Depreciation is calculated using the straight-line method over the estimated useful lives of the transmission assets (40 years).

Annual depreciation provisions expressed as a percentage of average depreciable plant were approximately 2.8% and 2.6% in 2022 and 2021, respectively. During 2022 and 2021, depreciation expense was $8,185,511 and $8,089,331, respectively.

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 on 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. 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 transmission usage along with ancillary services as operating revenues. Production operating and maintenance, transmission operating and maintenance, general and administrative, and depreciation on the Agency’s transmission electric plant assets are classified as operating expenses. All other income and expenses, including investment revenues, interest expense, amortization of debt premiums and deferred gain on refunding, regulatory assets recovered in the current year, contributions, and refunds to Member Cities are considered non-operating activity. Although GCSES has been sold, the Generation division continues to incur expenses related to overseeing the decommissioning of the assets as completed by the new owner (as required by the Asset Purchase Agreement). These expenses are recovered as part of the charges to the Member Cities. Although the majority of the mine land has been sold, the Mine division continues to incur expenses related to maintaining the land that is still under bonding with the Railroad Commission of Texas (“RCT”).

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 at acquisition value in the year in which they are received, as the assets have been fully conveyed to the Agency.

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 other postemployment benefits. Estimated mine reclamation costs will be recovered through fiscal budget components.

Debt-Related Costs

Bond premiums and discounts are amortized over the terms of related bond issues under the effective interest method. Excess cost on advance refunding of debt is amortized using the straight-line method over the term through when the last of the refunding bonds would have matured.

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, 2022 and 2021, cash equivalents include amounts held at TexPool.

Net Position

Net position is displayed in two components – net investment in capital assets and unrestricted. Components of net investment in capital assets include transmission 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.

Revision

Certain revisions have been made to the 2021 financial statements which included an increase in total electric plant (accumulated depreciation was reduced) and a corresponding decrease in asset held for sale of $7.5 million. Additionally, net investment in capital assets increased and unrestricted net position decreased by $7.5 million. These revisions did not have a significant impact on the financial statement line items impacted. In addition, there was no impact on total assets, net position or change in net position.

3. Restricted Assets

Restricted assets include those assets comprising the Subordinate Lien Bond (Series 2021 Bonds) and Project Construction funds, which are principally established and maintained pursuant to the Resolutions. Substantially all assets in the Bond Funds are available only to meet the principal and interest payments on the Revenue Bonds.

Subordinate Lien Bond Fund (Series 2021 Bonds) assets are for use in paying the interest and principal of outstanding Series 2021 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.

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

Fund Type:	2022	2021
Subordinate Lien Bond Fund (Series 2021 Bonds)	$ 1,021	$ 981
Project Construction Funds (Series "A" Notes)	71	72
Indemnity Reserve Account	5,021	5,000
Total Funds	$ 6,113	$ 6,053

4. Investments

As of September 30, 2022 and 2021, 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, 2022 and 2021 were $16,536 and $24,212, respectively. Balances held in money markets as of September 30, 2022 and 2021, were $5,021 and $5,000, 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, 2022 and 2021, TMPA had recorded cash deposits of $0.93 million and $0.87 million, respectively. Bank statement balances as of September 30, 2022 and 2021, were $1.07 million and $1.10 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, 2022 and 2021 (in thousands):

	Outstanding October 1, 2021	Issued/ Increased	Redeemed/ Decreased	Accretion/ Amortization Premium/ Discount	Outstanding September 30, 2022	Principal Due Within One Year
Revenue Bonds Series						
2021	197,313	-	(6,395)	(1,480)	189,438	6,575
Total Revenue Bonds	197,313	-	(6,395)	(1,480)	189,438	6,575
Series "A" Revolving Notes	9,400	13,700	-	-	23,100	-
Total Long-term Debt	$ 206,713	$ 13,700	$ (6,395)	$ (1,480)	$ 212,538	$ 6,575

	Outstanding October 1, 2020	Issued/ Increased	Redeemed/ Decreased	Accretion/ Amortization Premium/ Discount	Outstanding September 30, 2021	Principal Due Within One Year
Revenue Bonds Series						
2010	$ 101,217	$ -	$ (100,130)	$ (1,087)	$ -	$ -
2017	88,031	-	(82,435)	(5,596)	-	-
2021	-	202,356	(4,775)	(268)	197,313	6,395
Total Revenue Bonds	189,248	202,356	(187,340)	(6,951)	197,313	6,395
Series "A" Revolving Notes	31,100	8,300	(30,000)	-	9,400	-
Total Long-term Debt	$ 220,348	$ 210,656	$ (217,340)	$ (6,951)	$ 206,713	$ 6,395

Revenue Bonds outstanding, as of September 30, 2022 and 2021, respectively, are (in thousands):

Series	Current Amount Outstanding 2022	Long-Term Amount Outstanding 2022	Maturity From	Maturity To	Range of Interest Rates From	Range of Interest Rates To	Earliest Redemption Date
2021	6,575	174,765	2021	2051	2.000	3.000	2023
Total	$ 6,575	$ 174,765					

Series	Current Amount Outstanding 2021	Long-Term Amount Outstanding 2021	Maturity From	Maturity To	Range of Interest Rates From	Range of Interest Rates To	Earliest Redemption Date
2021	$ 6,395	$ 181,340	2021	2051	2.000	3.000	2023
Total	$ 6,395	$ 181,340					

Debt service requirements for the revenue bonds for the next thirty years as of September 30, 2022, are as follows (in thousands):

Year	Principal	Interest	Total
2023	$ 6,575	$ 5,186	$ 11,761
2024	6,780	4,988	11,768
2025	6,980	4,785	11,765
2026	7,190	4,576	11,766
2027	7,405	4,360	11,765
2028 - 2032	40,500	18,331	58,831
2033 - 2037	46,595	12,249	58,844
2038 - 2042	37,130	5,715	42,845
2043 - 2047	16,745	2,128	18,873
2048 - 2051	5,440	344	5,784
	181,340	$ 62,662	$ 244,002
Unamortized Premium	8,098		
Total	$ 189,438		

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. As part of the issuance of the Series 2021 Bonds, discussed below, $30 million of the Series A Notes were refunded on July 29, 2021. On August 10, 2021, November 24, 2021 and August 25, 2022, TMPA issued additional installments of $8,300,000, $5,000,000 and $8,700,000, respectively. With capacity of $60,000,000, TMPA will continue to issue the Series A Notes as funds are necessary for future Transmission projects. Since the current Note Program expires in November 2022, TMPA is currently in the process of entering into a similar agreement with a different bank. All currently outstanding Notes would remain outstanding, and capacity would remain at $60,000,000.

On July 29, 2021, TMPA issued $192,510,000 of Transmission Refunding Bonds, Series 2021. These bonds were issued at a premium of $9,846,294. Proceeds from this issuance were used to refund the Series 2010 and 2017 Bonds and $30 million of the Series A Notes. The Series 2021 Bonds are secured by a pledge of net revenues of the Agency's transmission system.

As a result of the refunding, the Agency reduced its total debt services requirements by $85,928,364, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately $67,292,000 and a net present benefit of approximately $51,255,000 after factoring in the use of existing debt service funds.

2021 Bonds are subject to optional redemption prior to their scheduled maturity date 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 and Charles Schwab serves as the trustee. 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 38 and 44 participants as of September 30, 2022 and 2021, respectively.

Retirement plan costs for 2022 and 2021 were as follows (in thousands):

	2022	%	2021	%
Agency's Total Payroll	$ 1,487	-	$ 1,901	-
Agency's Covered Payroll	$ 1,381	100%	$ 1,679	100%
Agency's Contribution	$ 138	10%	$ 168	10%
Employee's Contribution	$ 23	1.7%	$ 21	1.3%

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 $20,500 and $19,500 for calendar years 2022 and 2021, respectively. A "catch-up" provision, which allows an additional contribution of $6,500 and $6,500 for 2022 and 2021, 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, 2022 and 2021, participants numbered 7 and 9 and participant contributions were $81,163 and $162,467, 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 and dental 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, the Agency paid 100% of the cost of life insurance. Retiree life insurance coverage was $5,000 at time of retirement reducing to $3,350 once retiree reached age 70 and $2,500 at age 75. Effective the beginning of FY 2021, TMPA no longer offers life insurance coverage for retirees. For active employees in 2022, the Agency paid 89% and 78% of the cost of employee medical and dental benefits, respectively. For active employees in 2021, the Agency paid 89% and 77% of the cost of employee medical and dental benefits, respectively. For retired employees in 2022 and 2021, respectively, the Agency paid 69% 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, 2022 was used for the September 30, 2022 liability and expense. The information that follows was determined as of a valuation date of May 1, 2022.

Membership in the OPEB by membership class at May 1, 2022 are as follows:

	Medical and/or Dental
Active employees	3
Inactive employees or beneficiaries currently receiving benefits	63
Total	66

Contributions: For the years ended September 30, 2022 and 2021, the Agency contributed $112,800 and $117,300, 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, 2022 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, 2022 was 3.21%. The discount rate used to measure the Total OPEB Liability as of May 1, 2021 was 2.27%.
Actuarial cost method	Entry Age Normal
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-2021 mortality improvement rates Post-Retirement Mortality: Retired Members: Pri-2012 Total Dataset Retiree Table projected from the 2012 base year using the Scale MP-2021 mortality improvement rates Spouses of Retired Members: Pri-2012 Total Dataset Retiree Table prior to Retired Member death and Total Dataset Contingent Survivor Table after Retired Member death projected from the 2012 base year using the Scale MP-2021 mortality improvement rates

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

Changes in the Total OPEB Liability: Changes in the total OBEP liability through the year ended September 30, 2022 were as follows:

	Increase (Decrease) Total OPEB Liability
Balances as of 9/30/21 (Based on 5/1/21 Measurement Date)	$ 1,607,976
Changes for the year:	
Service Cost	1,568
Interest on Total OPEB Liability	35,006
Difference Between Expected and Actual Experience	(118,581)
Changes in Assumptions	(98,463)
Benefit Payments	(134,892)
Net changes	(315,362)
Balances as of 9/30/22 (Based on 5/1/22 Measurement Date)	$ 1,292,614

Changes in the Total OPEB Liability: Changes in the total OBEP liability through the year ended September 30, 2021 were as follows:

	Increase (Decrease) Total OPEB Liability
Balances as of 9/30/20 (Based on 5/1/20 Measurement Date)	$ 1,818,678
Changes for the year:	
Service cost	1,431
Interest on total OPEB liability	44,803
Changes of benefit terms	(157,996)
Changes in assumptions	41,060
Benefit payments	(140,000)
Net changes	(210,702)
Balances as of 9/30/21 (Based on 5/1/21 Measurement Date)	$ 1,607,976

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates: The total OPEB liability of the Agency has been calculated using a discount rate of 3.21%. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower than the current discount rate for the year ended September 30, 2022, based on May 1, 2022 measurement date.

	1% Decrease	Current Discount	1% Increase
Total OPEB liability	$ 1,407,556	$ 1,292,614	$ 1,193,373

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	$ 1,270,870	$ 1,292,614	$ 1,317,608

OPEB Expense: For the years ended September 30, 2022 and 2021, the Agency recognized OPEB expense, as measured in accordance with GASB Statement No. 75, of ($180,470) and ($70,702), 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 2022 and 2021, $164,567 and $190,477 was paid in medical expenses based on an average of 6 and 7 participants, respectively. Active participant medical premiums collected by the Agency in 2022 and 2021 were $17,533 and $21,156 resulting in a total cost to the Agency of $147,034 and $169,321, respectively. For retired employees in 2022 and 2021, $112,800 and $117,300, respectively, was contributed by the Agency to the retired employees and dependents, if elected, through a Retiree HRA. For active employees in 2022 and 2021, $8,516 and $9,653 was paid in dental expenses based on an average of 7 and 8 participants, respectively. Active participant dental premiums collected by the Agency in 2022 and 2021 were $1,904 and $2,186 resulting in a total cost to the Agency of $6,612 and $7,467, respectively. For retired employees in 2022 and 2021, $25,677 and $25,679 was paid in dental expenses based on an average of 28 participants for each year. Retiree participant dental premiums collected by the Agency in 2022 and 2021 were $7,929 and $6,837 resulting in a total cost to the Agency of $17,748 and $18,842, 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, 2022 and 2021, is as follows (in thousands):

Fiscal Year	Beginning Liability	Vacation Accrued	Vacation Taken	Ending Liability
2022	$ 115	$ 65	$ (96)	$ 84
2021	$ 146	$ 84	$ (115)	$ 115

7. Commitments and Contingencies

A. 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 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.

B. 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 $5,500,000 outstanding.

C. 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, 2022, 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.

D. 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 and NERC. NERC has promulgated reliability standards pursuant to this law and new standards are anticipated. FERC and NERC have enforcement powers to ensure compliance with these standards.

TMPA has implemented measures to comply with the existing standards and expects to remain in compliance as standards are promulgated in the future.

SB 3, enacted by the Texas Legislature and effective June 8, 2021, adds Section 38.075 to the Utilities Code. This new section (i) applies to MOU's, such as TMPA, that provide transmission service in the ERCOT power region (ii) requires the PUCT to adopt reliability standards to prepare for weather emergencies (iii) requires ERCOT to inspect the covered entities for compliance (iv) requires ERCOT to inform the PUCT of violations and (v) authorizes the PUCT to impose an administrative penalty for each violation, not to exceed $1M for each day of noncompliance. SB 3 required the PUCT to adopt the reliability standards within 6 months after the effective date of SB 3. On October 21, 2021, the PUCT complied with SB 3 by adopting a rule on weatherization, Substantive Rule 25.55. Substantive Rule 25.55 requires a transmission service provider among other things to: utilize best efforts to implement weather emergency preparation measures; confirm the ability of cold weather critical components to ensure the operation of substations during cold weather events; utilize best efforts to address any critical component failures that occurred due to winter weather conditions between November 30, 2020 and March 1, 2021; and provide training on winter weather preparations to relevant operational personnel. Under the Rule, each transmission service provider was required to file with the PUCT a compliance report by December 1, 2021. TMPA's transmission service operator routinely carries out the measures required by the Rule and consequently TMPA does not anticipate any issues with compliance.

E. 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 PRB 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 submitted the application for bond release relating to SP 50 on October 12, 2021. The bond release application was granted by the Railroad Commission of Texas on September 20, 2022.

F. 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, on February 10, 2021, TMPA sold the GCSES to one of the proposers, GCERG. The sale was pursuant to an Asset Purchase Agreement with GCERG, dated February 10, 2021 (the "APA"). Pursuant to the APA, (i) GCERG is obligated to remediate and close all Coal Combustion Residuals (CCR) units within a period of 34 months pursuant to a work schedule included in the APA and, following such closure, to perform any required post-closure monitoring and care, (ii) a $28.546 million escrow fund has been established to fund in part GCERG's environmental remediation obligations ($10.1 million remains available as of September 30, 2022), (iii) a performance bond, in the amount of $36.5 million has been provided by GCERG to TMPA, to secure GCERG's performance of its remediation obligations, and (iv) a $25 million pollution legal liability insurance policy has been provided by GCERG, naming TMPA and the Member Cities as additional insureds. Under the APA, TMPA is permitted to appoint an Environmental Designee. The Environmental Designee monitors the progress of GCERG's remediation activities, and is authorized, among other things, to direct the suspension of payments to GCERG from the escrow fund if GCERG falls behind schedule. Equal monthly disbursements from the escrow fund are to be made to the purchaser to fund the purchaser's environmental remediation obligations. Monthly disbursements are to be suspended if the remediation project falls behind the project schedule. If payments are suspended for 60 consecutive days, TMPA or the Member Cities may complete the project and receive reimbursement from the escrow fund.

One of the remediation activities addressed in the APA is preliminary regulatory closure of the Site F Landfill. The APA recites an estimated cost of $13.6 million to achieve preliminary regulatory closure of the Site F Landfill and requires that (i) in the event actual costs are greater than the $13.6 million estimate, then GCERG must absorb the additional cost and (ii) in the event actual costs are less than the $13.6 million estimate, then GCERG must refund the difference to TMPA. The Site F Landfill remediation is in progress but not yet complete. TMPA and GCERG are engaged in a dispute concerning how to determine the actual costs of the Site F Landfill remediation. This dispute has resulted in the filing of a lawsuit by TMPA against GCERG on September 9, 2022. The lawsuit is pending in Travis County District Court.

G. 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 argued 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 were 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 2019, TMPA began negotiations for the sale of GCSES with GCERG. At that time, GCERG 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.

On February 10, 2021, GCSES was sold by TMPA to GCERG. As part of this transaction, the federal operating permit was transferred to GCERG on April 15, 2021 and subsequently voided. Pursuant to the APA, GCERG, in 2021, decommissioned and demolished GCSES. On August 23, 2021, TMPA submitted a letter to the TCEQ requesting that it remove TMPA from or revoke the Agreed Order. The TCEQ Staff acknowledged receipt of this letter on September 9, 2021, and indicated that the request was being processed by TCEQ Staff for submittal to the TCEQ at a regular meeting. The foregoing developments have rendered renewal of the federal operating permit moot, and 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.

H. 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, 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. Effective June 28, 2021, the JOA was amended a fourth time ("Amendment No. 4"). Prior to Amendment No. 4, the JOA provided that a Member City exiting the Mine Business would remain responsible for its share of the costs of the Mine Business until all mining assets were sold. Amendment No. 4 extended the duration of this obligation until a time when all obligations are discharged with respect to the Agency's mine reclamation bonds and other financial commitments providing financial security in relation to the Agency's mine reclamation responsibilities. Amendment No. 4 also permits the sale of the Mine as a whole. Prior to the Amendment, no sale of an individual Mine tract could exceed $250,000, and multiple sales in a Fiscal Year could not exceed $500,000. Amendment No. 4 eliminates these caps.

I. 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 9 for discussion on related decommissioning liability.

J. On July 15, 2021, the Board of Directors authorized the Gibbons Creek Lignite Mine to be sold to 3S Real Estate Investments, LLC ("3S"). On August 26, 2021, TMPA and 3S entered into a Farm and Ranch Contract to effect the sale. The sale, involving the conveyance of approximately 11,000 acres, closed on December 21, 2021, which resulted in a gain of $58 million. Following the closing, TMPA has continued to conduct mine reclamation activities pursuant to reserved access and reclamation easements, which easements will remain in effect until all bonded areas are released from bonding. As part of this transaction, TMPA entered into an Escrow Holdback Agreement under which $1.7 million was retained in escrow to account for the acreage that remained under reclamation bonding. The Agreement permits TMPA to request the release of escrow funds as acreages are released from bond by the Railroad Commission of Texas.

8. Related Party Transactions

Effective September 1, 2016, TMPA and the Member Cities entered into a Joint Operating Agreement (see Note 7.H for further detail). For the years ended September 30, 2022 and 2021, 8% 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, 2022 and 2021, $12,209,946 and $4,292,488 of electric plant transmission assets and construction work in progress, respectively, were constructed by the City of Garland. For the years ended September 30, 2022 and 2021, $511,607 and $345,583 of accounts payable, respectively, was due to the City of Garland. For the years ended September 30, 2022 and 2021, $2,945,103 and $109,227 of electric plant transmission assets and construction work in progress, respectively, were constructed by the City of Denton. For the years ended September 30, 2022 and 2021, $0 was due to the City of Denton. For the years ended September 30, 2022 and 2021, 75% and 79% of Transmission – Operation and Maintenance expense, respectively, was attributable to the City of Garland. For the years ended September 30, 2022 and 2021, 1% and 0% of Transmission – Operation and Maintenance expense, respectively, was attributable to the City of Denton. The City of Denton is only permitted to charge TMPA for third party O&M costs.

9. 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 FY 2019, 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. For FY 2020, the abovementioned liability and receivable reduced to $125,919,000 and $99,376,000, respectively. On February 10, 2021, TMPA sold GCSES and all decommissioning/environmental remediation liability was transferred to the new owner. The net effect of the transaction (eliminating remaining decommissioning liability, member receivable, establishing an escrow on behalf of the buyer, etc.) resulted in TMPA recording a gain of $18.3 million.

REQUIRED SUPPLEMENTARY INFORMATION

Texas Municipal Power Agency
Supplementary Information
Postretirement Benefits Plan
September 30, 2022

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

	Measurement Year 2022	Measurement Year 2021	Measurement Year 2020	Measurement Year 2019	Measurement Year 2018
Total OPEB Liability					
Service Cost	$ 1,568	$ 1,431	$ 2,738	$ 2,492	$ 2,527
Interest Cost	35,006	44,803	71,862	76,714	77,956
Changes of Benefit Terms	-	(157,996)	6,597	-	-
Difference Between Expected and Actual Experience of the Total OPEB Liability	(118,581)	-	(194,424)	-	(6,724)
Changes of Assumptions	(98,463)	41,060	111,600	32,760	(28,900)
Benefit Payments	(134,892)	(140,000)	(146,108)	(150,807)	(155,595)
Net Change in Total OPEB Liability	(315,362)	(210,702)	(147,735)	(38,841)	(110,736)
Total OPEB Liability (Beginning)	1,607,976	1,818,678	1,966,413	2,005,254	2,115,990
Total OPEB Liability (Ending)	$ 1,292,614	$ 1,607,976	$ 1,818,678	$ 1,966,413	$ 2,005,254
Covered Payroll	$ 234,624	$ 122,354	$ 118,331	$ 414,530	$ 400,899
Total OPEB Liability as a Percentage of Covered Payroll	550.93%	1,314.20%	1,536.94%	474.37%	500.19%

Note to schedule:

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2018	3.97
2019	3.79
2020	2.56
2021	2.27
2022	3.21

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, 2022

	Generation	Transmission	Mine	Combined
Operating Revenues				
Member City Billings	$ 749	$ -	$ 2,096	$ 2,845
Transmission Revenues	-	31,397	-	31,397
Other Operating Revenues	-	-	39	39
Total Operating Revenues	749	31,397	2,135	34,281
Operating Expenses				
Production - Operation and Maintenance	443	-	702	1,145
Transmission - Operation and Maintenance	-	5,248	-	5,248
Administrative and General	112	1,848	316	2,276
Depreciation Expense	-	8,186	-	8,186
Total Operating Expenses	555	15,282	1,018	16,855
Income from Operations	194	16,115	1,117	17,426
Other Income				
Investment Revenue	5	115	14	134
Miscellaneous Other Income (Expense)	-	(242)	-	(242)
Total Other Income (Expense)	5	(127)	14	(108)
Interest Charges				
Interest Expense on Debt	-	3,797	-	3,797
Total Interest and Finance Charges	-	3,797	-	3,797
Impact of Regulatory Assets in Change in Net Position	(82)	-	(1,035)	(1,117)
Net Revenues Before Refunds	117	12,191	96	12,404
Refunds to Member Cities	-	(16,246)	(70,786)	(87,032)
Change in Net Position (Deficit) before Gain on Sale of Mine	117	(4,055)	(70,690)	(74,628)
Gain on Sale of Mine	-	-	58,039	58,039
Change in Net Position (Deficit)	$ 117	$ (4,055)	$ (12,651)	$ (16,589)