TEXAS MUNICIPAL POWER AGENCY

AUDIT & BUDGET COMMITTEE MEETING

VIA VIDEO CONFERENCE CALL

THE PRESIDING OFFICER WILL BE IN ATTENDANCE AT, AND MEMBERS OF THE PUBLIC MAY ATTEND, THE FOLLOWING LOCATION:

CITY OF GREENVILLE CITY HALL
THE COUNCIL CHAMBER
2821 WASHINGTON STREET
GREENVILLE, TX 75401

Wednesday, May 29, 2024
10:00 AM

AGENDA

Preliminary matters:

- Call to order
- Public comments

The following matters are scheduled for discussion and for possible action:

1. Consider approval of the minutes of the December 14, 2023 Audit and Budget Committee meeting.

2. Discuss the Agency's proposed FY25 Budget Package.

3. Review new accounting standards and their impact on the Agency.

4. Consider approval of the engagement letters with FORVIS, LLP for Fiscal Year 2024.

5. Receive status report on Request for Proposal (RFP) for external audit services for FY25-29.

6. Discuss future meeting dates and topics.

7. Adjourn

IN REGARD TO ITEMS SCHEDULED ON THIS AGENDA FOR DISCUSSION AND/OR ACTION IN THE OPEN PORTION OF THE MEETING, THE COMMITTEE MAY, IN ITS DISCRETION, ADDRESS ONE OR MORE OF SUCH ITEMS IN EXECUTIVE SESSION IF AND TO THE EXTENT PERMITTED BY THE TEXAS OPEN MEETINGS ACT.

THIS COMMITTEE MEETING MAY BE ATTENDED BY ONE OR MORE BOARD MEMBERS WHO ARE NOT MEMBERS OF THE COMMITTEE, IN WHICH CASE A QUORUM OF THE BOARD OF DIRECTORS MAY BE IN ATTENDANCE AT THIS COMMITTEE MEETING.

May 29, 2024

AGENDA ITEM NO. 1

SUBJECT: Consider approval of the minutes of the December 14, 2023 Audit and Budget Committee meeting.

BACKUP MATERIAL: Minutes of the December 14, 2023 Audit and Budget Committee meeting.

ACTION REQUESTED: Consideration and approval of minutes.

Lyndi Birkhead
5/22/24

TEXAS MUNICIPAL POWER AGENCY

AUDIT AND BUDGET COMMITTEE MEETING MINUTES

VIA VIDEO CONFERENCE CALL
THE PRESIDING OFFICER WAS IN ATTENDANCE AT, AND MEMBERS OF THE PUBLIC COULD ATTEND, THE FOLLOWING LOCATION:

CITY OF GREENVILLE CITY HALL
THE COUNCIL CHAMBER
2821 WASHINGTON STREET
GREENVILLE, TX 75401

THURSDAY – DECEMBER 14, 2023
9:00 AM

Ms. Spurlock called the meeting to order at 9:00 AM.

The following people were present at the meeting:

Committee Members:
Summer Spurlock – City of Greenville (Chairperson)
Bill Cheek – City of Denton
Jamie Ratliff – City of Garland
Kean Register – City of Bryan

Staff:
Lyndi Birkhead
Jan Horbaczewski
Susie Johnson
Daniel Meadows

Others:
Kevin Kemp – FORVIS, LLP

Public Comments - Ms. Spurlock called for public comments. There were none.

1. **Consider approval of the minutes of the May 24, 2023 Audit and Budget Committee meeting.**

   A motion was made by Mr. Ratliff and seconded by Mr. Cheek to approve the minutes. The motion passed with voting as follows:

Cheek - Aye	Ratliff - Aye
Register - Aye	Spurlock - Aye

2. Consider appointment of a Vice-Chair for the Committee.

Ms. Spurlock called for nominations for the Vice-Chair. Mr. Ratliff nominated Mr. Cheek, and Mr. Register seconded. No further nominations were made. The motion passed with voting as follows:

Cheek - Aye	Ratliff - Aye
Register - Aye	Spurlock - Aye

3. Review the Agency's Financial Statements.

Ms. Birkhead explained that the FY23 financial audit went very smoothly. She recognized the hard work of Gwen Conlee, TMPA's Accountant, and the FORVIS staff.

Mr. Kemp stated that FORVIS issued a clean, unmodified opinion. He explained that the financial statements were very consistent year over year from fiscal year 2022 to fiscal year 2023. He also explained that there were no significant issues with TMPA's accounting estimates, adoption of GASB standards, or internal controls.

Mr. Ratliff inquired about the discount rates used in the Other Post-Employment Benefits (OPEB) report. Ms. Birkhead and Mr. Kemp explained that Rudd & Wisdom produces TMPA's OPEB report each year, and they use estimates (based on bond rates) for TMPA's unfunded plan since we have no investments in place.

Mr. Cheek asked if the mine escrow was in restricted assets. Ms. Birkhead clarified that it is in current, unrestricted assets.

Mr. Cheek moved, seconded by Mr. Ratliff, to approve the financial statements and directed Staff to present them in the Board meeting immediately following this Committee meeting. The motion passed with voting as follows:

Cheek - Aye	Ratliff - Aye
Register - Aye	Spurlock - Aye

4. Receive report on the Cities of Garland and Denton transmission expense billing audit.

Ms. Birkhead explained that audits were performed for both Garland and Denton invoices (O&M and capital) this year. All four audits were clean, and the results were communicated to the respective Cities' staff.

5. Consider approval of the external auditors for the audit relating to the 2024 Fiscal Year.

Ms. Birkhead explained that staff is recommending continuing with FORVIS as auditors for the 2024 fiscal year. Fiscal year 2024 would be the fifth year of their five-year contract. She also mentioned that at the May Audit & Budget Committee meeting, she will bring an agenda item to discuss a request for proposals (RFP) for auditors starting with fiscal year 2025.

Mr. Cheek asked how much FORVIS charged TMPA for the fiscal year 2023 financial audit. Ms. Birkhead stated that it was $52,000.

A motion was made by Mr. Ratliff and seconded by Mr. Register to approve FORVIS as auditors for the 2024 fiscal year. The motion passed with voting as follows:

Cheek - Aye	Ratliff - Aye
Register - Aye	Spurlock - Aye

6. Receive update on the Annual Audit Plan.

Ms. Birkhead stated that no changes will be made to the Annual Audit Plan.

A motion was made by Mr. Ratliff and seconded by Mr. Cheek to approve the Annual Audit Plan. The motion passed with voting as follows:

Cheek - Aye	Ratliff - Aye
Register - Aye	Spurlock - Aye

7. Receive Annual Ethics Program update.

Ms. Birkhead reported that there were no cases reported through any channel this past year. She reminded the Committee that the decision was made to discontinue the ethics hotline effective June 2023. She also stated that the annual conflict of interest survey revealed no significant conflicts.

8. Receive report relating to the distribution of certain excess funds to the Member Cities.

Ms. Birkhead stated that three Member City distributions will be presented for approval to the Board at the meeting immediately following this one: the FY23 transmission distribution, the acid seep project reimbursement, and the distribution of proceeds from the sale of environmental credits.

9. Discuss future meeting dates and topics.

Ms. Birkhead explained that the next Audit & Budget Committee meeting will be held in May primarily to discuss the FY25 Budget Package and the external auditor RFP. All members agreed.

10. Adjourn

Ms. Spurlock adjourned the meeting at 9:27 AM.

Lyndi Birkhead, Director of Finance

May 29, 2024

AGENDA ITEM NO. 2

SUBJECT: Discuss the Agency's proposed FY25 Budget Package

DISCUSSION: Staff has prepared the FY25 Budget Package for the Committee's review and comment. Please refer to the attached FY25 Budget Package for further information. The package was reviewed with the Financial Working Group on 4/17 and the P&O Committee on 5/15. Their comments/changes have been incorporated.

BACKUP MATERIAL: FY25 Budget Package

ACTION REQUESTED: Review and approval to take the FY25 Budget forward to the Board.

Lyndi Birkhead
5/22/24

TEXAS MUNICIPAL POWER AGENCY

FY25 BUDGET PACKAGE

For Years FY25-34

Prepared by

TMPA Staff

May 2024

TEXAS MUNICIPAL POWER AGENCY
FY25 BUDGET PACKAGE

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TEXAS MUNICIPAL POWER AGENCY
FY25 BUDGET PACKAGE

EXECUTIVE SUMMARY & KEY BUDGET ASSUMPTIONS

The primary goals of the TMPA budget process continue to be reducing costs in accordance with the business plans of our Member Cities, while maintaining the reliability of the transmission system, wrapping up matters related to the mine land, and overseeing the demolition and remediation activities in accordance with the Asset Purchase Agreement (APA) with Gibbons Creek Environmental Redevelopment Group (GCERG), all while achieving a compliant and safe working environment.

Staff prepared the attached budgets based on discussions at the February 2024 P&O and Board meetings. Below is more detail on each business unit of TMPA:

- Generation – The remaining Generation function, after the sale of the plant in February 2021, is overseeing the demolition and remediation activities in accordance with the APA with GCERG. The Agency's General Manager oversees this activity as well any additional environmental and compliance issues related to the prior plant site.

- Transmission – It is assumed that the transmission business will remain with TMPA for the foreseeable future, being managed as it is currently with Garland Power & Light (GP&L) and Denton Municipal Electric (DME) under Transmission Operation, Maintenance, and Construction Services Agreements. Operating agreements with Bryan and Greenville are also under consideration. The Transmission business continues to be a profitable division for TMPA.

- Mine – The majority of the mine land was sold in December 2021. All mine areas, with the exception of the acid seeps and the mine reclamation shop area (72 acres), have received full bond release from the Railroad Commission of Texas. Continued work on the acid seep area is handled by the Agency's General Manager, in coordination with consulting by Jan Horbaczewski as needed.

- A&G – The AP/Document Control Specialist plans to retire by the end of FY25. At that time, her duties will shift to the Executive Administrator. Remaining A&G employees will be retained until TMPA "dissolves" (CFO/Director of Finance & Support Services, Senior Accountant, Executive Administrator, and IT Specialist).

Below is the TMPA headcount chart:

	TMPA Headcount		
RA	**Department**	**FY25**	**FY26-33**
1B	General Manager	1	1
2C	Finance & Document Control	3	2
3B	IT	1	1
3E	Executive Administrator	1	1
		6	**5**

Included in the budgets are estimates for employee retention bonuses and severance packages, as applicable. Retiree medical/dental benefits are assumed to remain in effect until TMPA "dissolves".

GENERATION

GENERATION STRATEGY & KEY BUDGET ASSUMPTIONS

The primary function of the Generation business is to oversee matters related to the regulatory closure of Gibbons Creek Steam Electric Station (GCSES) in accordance with the Asset Purchase Agreement (APA) with GCERG and the subsequent post-closure requirements from the Texas Commission on Environmental Quality (TCEQ).

Key Budget Assumptions

1) This function includes ensuring GCERG's performance of the remediation. In accordance with the APA, a professional engineer was contracted in FY21 to serve as the Environmental Designee to monitor and oversee the remediation by GCERG.

   The completion date of the physical remediation of Gibbons Creek is projected to be in the summer of 2024. However, the final Regulatory Closure will likely not be obtained until sometime in FY25. After closure is obtained, TMPA and the Environmental Designee will continue to oversee the post-closure care and maintenance requirements established by the TCEQ. The post-closure period is expected to be 30 years.

2) The APA contains a provision pertaining to the cost of the Preliminary Regulatory Closure of Site F Landfill. It states that if the actual costs incurred by GCERG to close Site F Landfill are less than the $13.6 million estimate, TMPA will receive the difference at the end of the remediation project. At the time of the FY25 budget development, TMPA has filed suit against GCERG over this matter. Legal expenses were budgeted for this purpose in FY23 and retained by TMPA thereafter. TMPA will utilize these funds to pay for these litigation costs. No additional legal expenses related to this matter will be budgeted in FY25.

   The amount or timeline related to the return of funds to TMPA for Site F Closure Costs under $13.6 million are not known at this time. Due to the uncertainty of resolution, no revenue projection is included in the FY25 budget.

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY24's Approved Budget - Generation

	FY24 Approved Budget	FY25 Projection	(Under) Over Budget	% Change	Explanation Reference*
FIXED COSTS					
L01 Labor & Benefits	193,671	-	(193,671)	-100.0%	1
S02 Consulting Services	85,000	85,000	-	0.0%	
S04 Legal Services	60,000	60,000	-	0.0%	
Other Fixed Costs	8,803	2,500	(6,303)	-71.6%	
Allocation of A&G	158,743	56,791	(101,952)	-64.2%	2
TOTAL FIXED COSTS	**$ 506,217**	**$ 204,291**	**$ (301,926)**	**-59.6%**	
OTHER REVENUES					
Interest Income	(14,595)	(7,152)	7,443	51.0%	
TOTAL OTHER REVENUES	**$ (14,595)**	**$ (7,152)**	**$ 7,443**	**51.0%**	
TOTAL COSTS	**$ 491,622**	**$ 197,139**	**$ (294,483)**	**-59.9%**	

* Explanations are provided for changes over $25K AND 5%.

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY24's Approved Budget – Generation

Fixed Costs

1) Labor & Benefits reduced to zero as the budget for Daniel Meadows, General Manager, is now charged to A&G, which in turn is allocated among the three divisions.

2) Allocation of A&G decreased because (a) overall A&G decreased as staff continues to decrease support costs, and (b) Generation activities continue to wrap-up post sale.

TEXAS MUNICIPAL POWER AGENCY
FY25-34 Generation Budget Pro Forma

	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY25-34 Total
FIXED COSTS											
S02 Consulting Services	85,000	46,125	26,266	26,922	27,595	28,285	28,992	29,717	30,460	31,221	360,583
S04 Legal Services	60,000	25,625	26,266	26,922	27,595	28,285	28,992	29,717	30,460	31,221	315,083
Other Fixed Costs	2,500	2,564	2,626	2,691	2,760	2,829	2,900	2,971	3,046	3,122	28,009
Allocation of A&G	56,791	27,976	21,007	22,663	23,084	24,695	25,049	25,968	26,343	27,309	280,884
TOTAL FIXED COSTS	**$ 204,291**	**$ 102,290**	**$ 76,165**	**$ 79,198**	**$ 81,034**	**$ 84,094**	**$ 85,933**	**$ 88,373**	**$ 90,309**	**$ 92,873**	**$ 984,559**
OTHER REVENUES											
Interest Income	(7,152)	(3,267)	(2,533)	(2,741)	(2,864)	(3,147)	(3,258)	(3,455)	(3,561)	(3,761)	(35,740)
TOTAL OTHER REVENUES	**$ (7,152)**	**$ (3,267)**	**$ (2,533)**	**$ (2,741)**	**$ (2,864)**	**$ (3,147)**	**$ (3,258)**	**$ (3,455)**	**$ (3,561)**	**$ (3,761)**	**$ (35,740)**
TOTAL COSTS	**$ 197,139**	**$ 99,023**	**$ 73,632**	**$ 76,458**	**$ 78,170**	**$ 80,947**	**$ 82,675**	**$ 84,918**	**$ 86,748**	**$ 89,112**	**$ 948,820**
Monthly Charge	**$ 16,428**	**$ 8,252**	**$ 6,136**	**$ 6,371**	**$ 6,514**	**$ 6,746**	**$ 6,890**	**$ 7,077**	**$ 7,229**	**$ 7,426**	

TRANSMISSION

TRANSMISSION STRATEGY & KEY BUDGET ASSUMPTIONS

TMPA's transmission system will continue to be maintained for safety, reliability, and operational compliance requirements.

GP&L and DME, in collaboration with the other Member Cities, and TMPA staff will continue to monitor for new projects required for system reliability. These will be assessed project-by-project to determine if it is better for the project to be pursued by TMPA or a Member City.

GP&L and DME will continue to provide transmission operator, maintenance, compliance, and construction services under their agreements with TMPA. Currently, Denton only charges incremental, third-party costs under its contract. However, this contract is in the process of being amended to include direct DME labor. Operating agreements with Bryan and Greenville are also under consideration.

The Transmission business continues to be a profitable division for TMPA. The Member Cities can decide to acquire the transmission assets at any time. The Cities currently wish to have the assets remain with TMPA for the foreseeable future.

Key Budget Assumptions

1) Identified the Transmission Capital Plan needed for safe, compliant, and reliable operations.
2) TMPA currently has a Note Program with PNC Bank for $60M in capacity ($27.9M currently outstanding) with the purpose of funding the Transmission Capital Plan. This Program expires in November 2024, and Staff is currently working on a renewal or similar Program with another bank.
3) For budgeting purposes, a fix-out of a portion of the Notes into long-term bonds is assumed in FY25 and again in FY27. Fix-outs become necessary when a significant amount of short-term, Note-funded assets are placed in service and/or when the Agency is nearing capacity of the Notes.

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY24's Approved Budget - Transmission

	FY24 Approved Budget	FY25 Projection	(Under) Over Budget	% Change	Explanation Reference*
FIXED COSTS					
L01 Labor & Benefits	674,300	706,574	32,274	4.8%	
R06 Bank Charges	120,500	159,500	39,000	32.4%	1
R41 Insurance Premiums	597,609	685,660	88,051	14.7%	2
R51 Contractor Maintenance	1,534,000	2,014,100	480,100	31.3%	3
S04 Legal Services	190,000	190,000	-	0.0%	
Other Fixed Costs	1,408,451	2,148,197	739,746	52.5%	4
Allocation of A&G	2,310,537	2,273,199	(37,338)	-1.6%	
Subtotal Fixed Costs - Non-Debt	**$ 6,835,397**	**$ 8,177,230**	**$ 1,341,833**	19.6%	
R57-R58 Debt Service - Bonds	13,439,108	13,183,807	(255,301)	-1.9%	
R55 Interest on Short-term Notes	1,290,707	1,503,463	212,756	16.5%	5
I62 Debt Coverage Payment (DCP)	3,494,168	3,427,790	(66,378)	-1.9%	
Subtotal Fixed Costs - Debt	**$ 18,223,983**	**$ 18,115,060**	**$ (108,924)**	-0.6%	
TOTAL FIXED COSTS	**$ 25,059,380**	**$ 26,292,289**	**$ 1,232,909**	**4.9%**	
OTHER REVENUES					
I50 Transmission System Revenue	(33,907,736)	$ (34,925,265)	(1,017,529)	-3.0%	
Interest Income	(646,608)	$ (714,289)	(67,681)	-10.5%	6
Other Revenue	(94,318)	(102,750)	(8,432)	-8.9%	
TOTAL OTHER REVENUES	**$ (34,648,662)**	**$ (35,742,304)**	**$ (1,093,642)**	**-3.2%**	
TOTAL COSTS / (REVENUE)	**$ (9,589,282)**	**$ (9,450,015)**	**$ 139,267**	**1.5%**	

* Explanations are provided for changes over $25K AND 5%.

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY24's Approved Budget – Transmission

<u>Fixed Costs – Non-Debt</u>

1) Bank Charges increased as an issuance of bonds is expected in FY25.

2) Insurance Premiums increased as the property premium is expected to increase slightly in August 2024.

3) Contractor Maintenance increased because of (a) the institution of an equipment painting program and (b) increased maintenance costs in the Denton area.

4) Other Fixed Costs increased because of (a) planned purchases of materials needed for timely maintenance and repair of equipment versus waiting to order materials on demand and facing long lead and outage times, (b) the purchase of a skid steer tractor for use at the TMPA warehouse, and (c) increased overhead costs.

<u>Fixed Costs – Debt</u>

5) Interest on Short-term Notes increased as the balance of Notes outstanding continues to increase. An issuance of bonds is budgeted in mid-FY25 which will reduce the Notes outstanding balance, thus reducing interest costs on the Notes thereafter.

<u>Other Revenues</u>

6) Interest Income increased as interest rates have continued to rise.

TEXAS MUNICIPAL POWER AGENCY
FY25-34 Transmission Budget Pro Forma

	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY25-34 Total
FIXED COSTS											
L01 Labor & Benefits	706,574	734,536	763,611	793,840	825,270	857,950	891,929	927,258	963,991	1,002,185	8,467,143
R06 Bank Charges	159,500	132,738	167,575	139,457	176,058	146,516	184,972	153,934	194,335	161,728	1,616,813
R41 Insurance Premiums	685,660	702,802	720,372	738,381	756,841	775,761	795,156	815,034	835,411	856,296	7,681,714
R51 Contractor Maintenance	2,014,100	2,064,453	2,116,063	2,168,966	2,223,190	2,278,768	2,335,739	2,394,131	2,453,985	2,515,335	22,564,729
S04 Legal Services	190,000	143,500	199,617	150,765	209,725	158,396	220,342	166,415	231,496	174,841	1,845,097
Other Fixed Costs	2,148,197	2,201,902	2,256,949	2,108,374	2,161,083	2,215,109	2,270,488	2,327,249	2,385,431	2,445,066	22,519,848
Allocation of A&G	2,273,199	2,251,162	2,370,493	2,445,236	2,530,294	2,674,258	2,755,959	2,823,022	2,909,384	2,980,383	26,013,391
Subtotal Fixed Costs - Non-Debt	**$ 8,177,230**	**$ 8,231,093**	**$ 8,594,681**	**$ 8,545,018**	**$ 8,882,461**	**$ 9,106,758**	**$ 9,454,584**	**$ 9,607,044**	**$ 9,974,033**	**$ 10,135,835**	**$ 90,708,736**
R57-R58 Debt Service - Bonds	13,183,807	14,299,006	15,514,647	16,631,642	16,628,012	16,627,609	16,630,129	16,634,859	16,636,384	16,630,335	159,416,430
R55 Interest on Short-term Notes	1,503,463	1,508,527	1,445,358	1,365,904	1,744,350	2,146,597	2,408,306	2,541,294	2,674,281	2,807,269	20,145,346
I62 Debt Coverage Payment (DCP)	3,427,790	3,717,742	4,033,808	4,324,227	4,323,283	4,323,178	4,323,834	4,325,063	4,325,460	4,323,887	41,448,272
Subtotal Fixed Costs - Debt	**$ 18,115,060**	**$ 19,525,275**	**$ 20,993,813**	**$ 22,321,773**	**$ 22,695,645**	**$ 23,097,384**	**$ 23,362,269**	**$ 23,501,216**	**$ 23,636,125**	**$ 23,761,491**	**$ 221,010,048**
TOTAL FIXED COSTS	**$ 26,292,289**	**$ 27,756,368**	**$ 29,588,493**	**$ 30,866,791**	**$ 31,578,105**	**$ 32,204,142**	**$ 32,816,853**	**$ 33,108,260**	**$ 33,610,158**	**$ 33,897,325**	**$ 311,718,784**
OTHER REVENUES											
Transmission System Revenue	(34,925,265)	(35,449,144)	(35,980,881)	(36,520,594)	(37,068,403)	(37,624,429)	(38,188,796)	(38,761,628)	(39,343,052)	(39,933,198)	(373,795,390)
Interest Income	(714,289)	(656,490)	(704,693)	(749,672)	(793,561)	(846,689)	(889,922)	(933,069)	(976,308)	(1,019,452)	(8,284,145)
Other Revenue	(102,750)	(105,319)	(107,952)	(110,650)	(113,417)	(116,253)	(119,159)	(122,137)	(125,191)	(128,321)	(1,151,149)
TOTAL OTHER REVENUES	**$ (35,742,304)**	**$ (36,210,953)**	**$ (36,793,526)**	**$ (37,380,916)**	**$ (37,975,382)**	**$ (38,587,371)**	**$ (39,197,877)**	**$ (39,816,834)**	**$ (40,444,551)**	**$ (41,080,971)**	**$ (383,230,685)**
TOTAL COSTS / (REVENUE)	**$ (9,450,015)**	**$ (8,454,585)**	**$ (7,205,033)**	**$ (6,514,125)**	**$ (6,397,277)**	**$ (6,383,230)**	**$ (6,381,024)**	**$ (6,708,574)**	**$ (6,834,392)**	**$ (7,183,646)**	**$ (71,511,900)**
Monthly Charge	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	

TEXAS MUNICIPAL POWER AGENCY
FY25-34 Transmission Capital Plan

NEW DEBT FUNDED TRANSMISSION PROJECTS	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	10-YEAR TOTALS
DME											
T24001 Brazos Interconnection at Denton West Interchange	2,280,400										2,280,400
Industrial Substation Bypass	**160,000**										**160,000**
Spencer Interchange to Pockrus T-line Reconstruction				**5,690,000**	**1,600,000**						**7,290,000**
Denton West Auto Transformer					**6,000,000**	**6,200,000**					**12,200,000**
Denton West Panel 8090 Replacement	**96,800**										**96,800**
West Loop 288 - West Denton to Fort Worth T-line relocation for New ROW	**1,200,000**	**2,100,000**									**3,300,000**
West Loop 288 - Masch Branch to North Denton T-line Relocation for New ROW	**1,200,000**	**2,100,000**									**3,300,000**
East Loop 288 and Hwy 380 TML Reroute		**1,500,000**	**800,000**								**2,300,000**
GP&L											
T21005 Pruitt 138kV Terminal Addition (Pink Solar Termination & Line)	1,000,000	2,000,000	250,000								3,250,000
T22003 Steep Hollow to Dansby - Rebuild Transmission Leaning Structures	19,381,000										19,381,000
T22004 GNIN to Pruitt New Line & Station (Makalu Solar)	2,000,000	2,000,000	8,100,000								12,100,000
T22005 Rayburn Country 138kV POI	75,000										75,000
T24003 Shelby to Nevada Transmission Line Extension	2,000,000										2,000,000
Buffalo Prairie Storage (150 MW)	**2,000,000**	**4,000,000**	**4,200,000**								**10,200,000**
Lavon Storage (250 MW)			**8,500,000**	**1,000,000**							**9,500,000**
Dansby - Upgrade Carrier Equipment	**285,000**										**285,000**
Transformer Dissolved Gas Monitor	**108,750**										**108,750**
Yellow Creek Cut-in to Gibbons Creek-Limestone	**100,000**										**100,000**
Misc. capital projects, failed equipment, modifications, instrument transformer replacements	**1,000,000**	**1,000,000**	**1,000,000**								**3,000,000**
TOTAL DEBT FUNDING REQUIREMENT	**$32,886,950**	**$14,700,000**	**$22,850,000**	**$ 6,690,000**	**$ 7,600,000**	**$ 6,200,000**	**$ -**	**$ -**	**$ -**	**$ -**	**$90,926,950**

***Does not yet have Board approval**
*Projects to be reimbursed by TXDOT

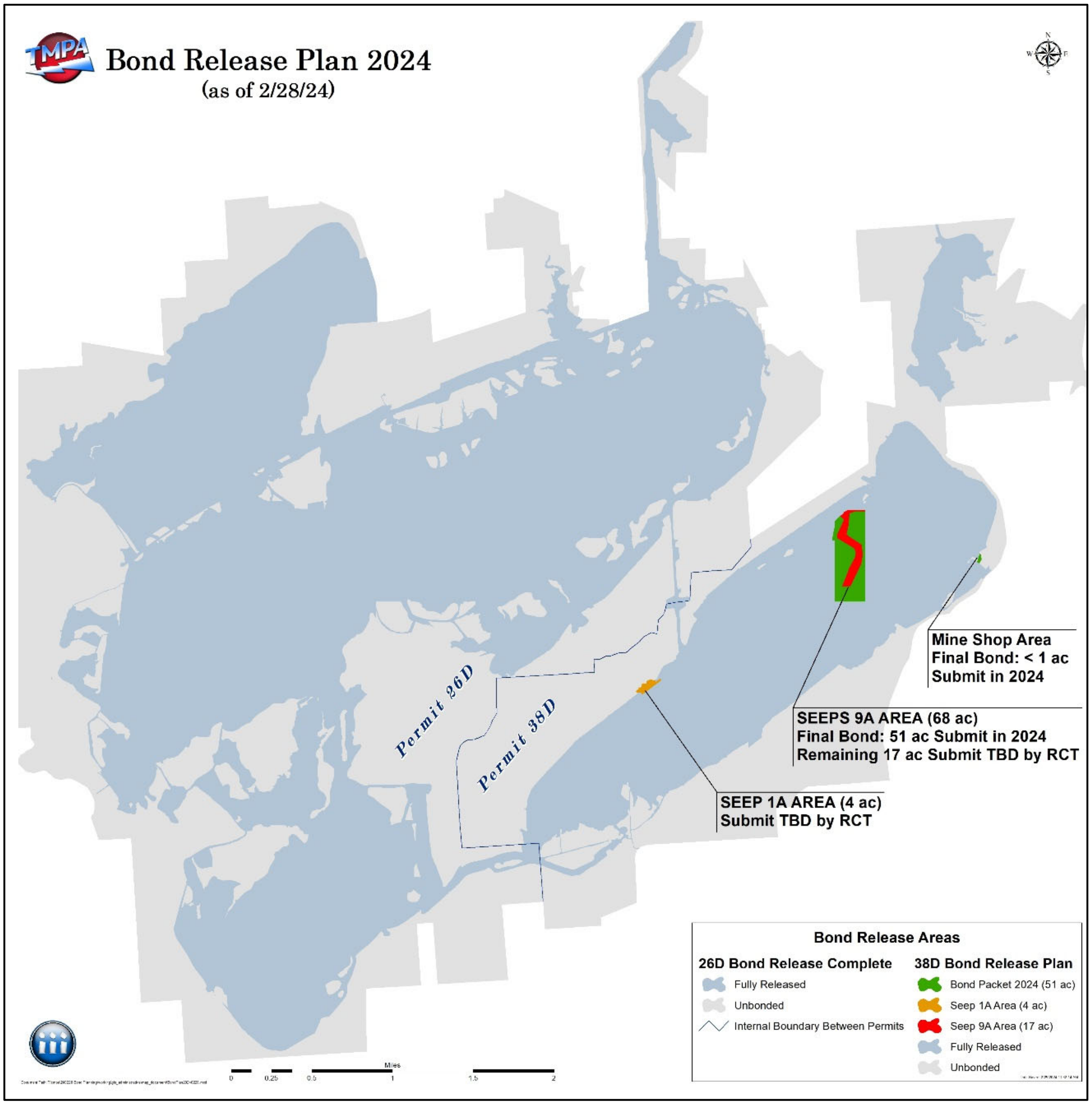
MINE

MINE STRATEGY & KEY BUDGET ASSUMPTIONS

Bond Release

TMPA's plan for the release of reclamation bonds on the Gibbons Creek Lignite Mine property is depicted in Figure 1. A bond release application for the areas depicted in green is being prepared for submittal in the spring of 2024. The areas depicted in red (Seep 9A), and orange (Seep 1A) are being monitored, and a date for submittal remains to be determined with the Railroad Commission.

Figure 1 – Plan for Final Bond Release (as of 02/28/24)



The status of bond release is summarized in Table 1. Items shown in the table in green have been completed; items in red remain to be submitted. All areas in Permit 26D have been released, and the Railroad Commission formally closed the permit on 11/15/23. There are 72 acres remaining to be released in the Permit 38D area consisting of the Seep 1A Area (4 acres), Seep 9A Area (68 acres), and the Mine Reclamation Shop Area (less than 1 acre).

Table 1 – Plan and Status of Final Bond Release (as of 2/28/24)

Bond Release applications	TMPA property (acres)	Leased property (acres)	Total (acres)	Status
Total Released in Permits 26D and 38D	7,132 acres (99.0% of former TMPA property)	1,608 acres (100% of leased property)	8,740 acres (99.2% of total)	Released
38D – Seep 9A sides slopes (51 acres) + Mine Reclamation Shop (< 1 acre)	51	0	51	Submit 2024
38D – Seep 9A bottom (17 acres) + Seep 1A (4 acres)	21	0	21	Submit – TBD
TOTAL (both permits)	**7,204 (TMPA property)**	**1,608 (Leased property)**	**8,812 (Total bonded)**	

Seep 9A and Mine Reclamation Shop Bond Release

TMPA completed construction work at Seep 9A in the summer of 2023 and will complete the planting of permanent vegetation in the spring of 2024.

The next step is bond release. Preliminary discussions with Railroad Commission Staff have indicated that the side slopes at Seep 9A (51 acres), much of which has already been released from Phase I (a release of 60% of the bonding money), are eligible for final bond release (the remaining 40%). The bond release application is being prepared for submittal in the spring of 2024. It will also include the Mine Reclamation Shop area (less than 1 acre). If the Railroad Commission approves this application before 10/1/26, TMPA will be able to recover $347K (51 acres x $6,802 per acre) from the escrow account established when the mine was sold in 2021.

This will leave 17 acres of the flat bottom of the Seep 9A drainage still under full bond. TMPA will continue monitoring the quality of the seep water, which is now underground, and discuss the results with Railroad Commission Staff in the summer of 2024 to determine a suitable time to apply for final bond release on this area.

Seep 1A Bond Release

TMPA completed construction work at Seep 1A in the summer of 2023 and will complete the planting of permanent vegetation in the spring of 2024. TMPA will continue monitoring the quality of the seep water, which is being discharged from the wetland that is in the last of three stages of mitigation. TMPA will discuss the results with Railroad Commission Staff in the summer of 2024 to determine a suitable time to apply for final bond release of the 4 acres on this area.

Land Ownership

The Pond SP-50 property (723 acres) is still owned by TMPA. It was not part of the mine sale on 12/22/21 because it is physically separate from the rest of the mine and because Pond SP-50 is classified by TCEQ as a “High Hazard” structure owing to its potential to cause damage downstream if breached. This area was released from the mine reclamation bond on 9/20/22. It is therefore now completely unencumbered by any reclamation liabilities.

TMPA received authorization from the Board to hire a real-estate broker to sell this property in June 2022 (Resolution No. 2022-6-1). For a while, the market was soft, but it is firming up (spring of 2024), and TMPA has relisted the property.

Budget for the Mine Business Unit

With the closure of Permit 26D in November 2023, TMPA is only concerned with the remaining bonded land in Permit 38D. Parts of this area consist of Seeps 1A and 9A, which may be subject to monitoring for an extended period. The FY25 Mine budget pro forma provides a budget out to FY29 assuming all regulatory requirements have been satisfied and all bonding has been released. This covers potential expenses associated with sampling of seeps, groundwater monitoring wells, and wastewater discharges from Pond SP-20, monthly Railroad Commission inspections, annual mine reclamation bonding renewals, annual mine permit fees, and associated reporting.

The budget continues to reflect the reduced workload for the mine reclamation contractor. The mine reclamation contractor will be working with a reduced labor force to manage essential activities such as erosion repair and vegetation maintenance in the remaining bonded areas.

Since the area that requires mine reclamation bonding has been significantly reduced, TMPA decided to start collateralizing the bonds with cash instead of Letters of Credit in FY23. This has resulted in much lower expenses. A cash bond of $1.6 million was filed with the Commission on 2/7/23 and will be reduced as mine reclamation bonds are released.

Following the sale of the mine property in December 2021, the mine business unit has reduced its scope, staffing, and budget. It has no full-time employees; Daniel Meadows provides partial support as the General Manager, and Jan Horbaczewski provides partial support as a consultant.

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY24's Approved Budget - Mine

	FY24 Approved Budget	FY25 Projection	(Under) Over Budget	% Change	Explanation Reference*
FIXED COSTS					
L01 Labor & Benefits	36,248	-	(36,248)	-100.0%	1
M44 Mine Maintenance	165,000	180,000	15,000	9.1%	
R51 Contractor Maintenance	35,000	35,000	-	0.0%	
S02 Consulting Services	165,000	165,000	-	0.0%	
S04 Legal Services	65,000	60,000	(5,000)	-7.7%	
Other Fixed Costs	20,295	20,630	335	1.7%	
Allocation of A&G	248,444	177,354	(71,090)	-28.6%	2
TOTAL FIXED COSTS	**$ 734,987**	**$ 637,984**	**$ (97,003)**	**-13.2%**	
OTHER REVENUES					
Interest Income	(22,842)	(22,335)	507	2.2%	
TOTAL OTHER REVENUES	**$ (22,842)**	**$ (22,335)**	**$ 507**	**2.2%**	
TOTAL COSTS	**$ 712,145**	**$ 615,649**	**$ (96,496)**	**-13.6%**	

* Explanations are provided for changes over $25K AND 5%.

Fixed Costs

1) Labor & Benefits reduced to zero as the budget for Daniel Meadows, General Manager, is now charged to A&G, which in turn is allocated among the three divisions.

2) Allocation of A&G decreased because (a) overall A&G decreased as staff continues to decrease support costs, and (b) more A&G was allocated to Transmission.

TEXAS MUNICIPAL POWER AGENCY
FY25-34 Mine Budget Pro Forma

	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY25-34 Total
FIXED COSTS											
M44 Mine Maintenance	180,000	123,000	63,038	64,612	66,228	-	-	-	-	-	496,878
R51 Contractor Maintenance	35,000	35,875	36,772	37,691	38,633	-	-	-	-	-	183,971
S02 Consulting Services	165,000	138,375	110,314	53,842	55,190	-	-	-	-	-	522,721
S04 Legal Services	60,000	61,500	42,026	43,076	22,076	-	-	-	-	-	228,678
Other Fixed Costs	20,630	21,146	21,675	22,216	21,558	-	-	-	-	-	107,225
Allocation of A&G	177,354	143,013	104,287	88,768	81,135	-	-	-	-	-	594,557
TOTAL FIXED COSTS	**$ 637,984**	**$ 522,909**	**$ 378,112**	**$ 310,205**	**$ 284,820**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 2,134,030**
OTHER REVENUES*											
Interest Income	(22,335)	(16,702)	(12,577)	(10,735)	(10,066)	-	-	-	-	-	(72,415)
TOTAL OTHER REVENUES*	**$ (22,335)**	**$ (16,702)**	**$ (12,577)**	**$ (10,735)**	**$ (10,066)**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ (72,415)**
TOTAL COSTS	**$ 615,649**	**$ 506,207**	**$ 365,535**	**$ 299,470**	**$ 274,754**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 2,061,614**
Monthly Charge	**$ 51,304**	**$ 42,184**	**$ 30,461**	**$ 24,956**	**$ 22,896**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	

SUPPLEMENTAL INFORMATION

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY24's Approved Budget - A&G

	FY24 Approved Budget	FY25 Projection	(Under) Over Budget	% Change	Explanation Reference*
FIXED COSTS					
L01 Labor & Benefits	1,286,420	1,277,006	(9,414)	-0.7%	
R06 Bank Charges	5,500	500	(5,000)	-90.9%	
R27 Maintenance Agreements	25,650	25,650	-	0.0%	
R41 Insurance Premiums	764,439	595,486	(168,953)	-22.1%	1
S02 Consulting Services	222,145	230,705	8,560	3.9%	
S04 Legal Services	32,375	39,375	7,000	21.6%	
Other Fixed Costs	381,196	338,623	(42,573)	-11.2%	2
TOTAL FIXED COSTS	**$ 2,717,725**	**$ 2,507,344**	**$ (210,381)**	**-7.7%**	
TOTAL COSTS	**$ 2,717,725**	**$ 2,507,344**	**$ (210,381)**	**-7.7%**	

* Explanations are provided for changes over $25K AND 5%.

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY24's Approved Budget – A&G

Fixed Costs

1) Insurance Premiums decreased primarily due to cyber coverage coming in less than budgeted in FY24.

2) Other Fixed Costs decreased as staff continues to reduce support costs where possible.

TEXAS MUNICIPAL POWER AGENCY
FY25-34 A&G Budget Pro Forma

	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY25-34 Total
FIXED COSTS											
L01 Labor & Benefits	1,277,006	1,169,041	1,204,112	1,240,235	1,277,443	1,315,766	1,355,239	1,395,896	1,437,773	1,480,906	13,153,416
R06 Bank Charges	500	513	525	538	552	566	580	594	609	624	5,601
R27 Maintenance Agreements	25,650	26,291	26,948	27,623	28,313	29,020	29,746	30,490	31,252	32,034	287,367
R41 Insurance Premiums	595,486	610,374	625,634	641,273	657,304	673,737	690,580	707,846	725,542	743,681	6,671,457
S02 Consulting Services	230,705	229,299	242,384	240,906	254,654	253,102	267,547	265,915	281,091	279,377	2,544,980
S04 Legal Services	39,375	40,359	41,368	42,403	43,463	44,549	45,662	46,804	47,975	49,174	441,132
Other Fixed Costs	338,623	346,274	354,816	363,689	372,784	382,213	391,654	401,446	411,485	421,896	3,784,880
TOTAL FIXED COSTS	**$ 2,507,344**	**$ 2,422,151**	**$ 2,495,787**	**$ 2,556,667**	**$ 2,634,513**	**$ 2,698,953**	**$ 2,781,008**	**$ 2,848,991**	**$ 2,935,727**	**$ 3,007,692**	**$ 26,888,832**
TOTAL COSTS	**$ 2,507,344**	**$ 2,422,151**	**$ 2,495,787**	**$ 2,556,667**	**$ 2,634,513**	**$ 2,698,953**	**$ 2,781,008**	**$ 2,848,991**	**$ 2,935,727**	**$ 3,007,692**	**$ 26,888,832**

May 29, 2024

AGENDA ITEM NO. 3

SUBJECT: Review new accounting standards and their impact on the Agency

DISCUSSION: This agenda item is provided each year to keep the Committee advised of new accounting standards issued by the Governmental Accounting Standards Board (GASB) and their impact on the Agency, if any.

The GASB Update memo, which is provided as backup material, lists and summarizes the new accountings standards issued by GASB which are effective in the current fiscal year. Additionally, the memo highlights future significant standards.

BACKUP MATERIAL: GASB Update Memo

ACTION REQUESTED: None. This item is presented for the Committee's information.

Lyndi Birkhead
5/22/24

TEXAS MUNICIPAL POWER AGENCY

M E M O R A N D U M

To: Audit and Budget Committee — Date: April 1, 2024

From: Lyndi Birkhead, Director of Finance & Support Services

Subject: GASB Update

Staff prepares this memo annually to provide the Committee with information on new accounting standards and their impact on the Agency. Currently, the Governmental Accounting Standards Board (GASB), which is the independent organization that establishes and improves standards of accounting and financial reporting for state and local governmental entities like the Agency, has the following standards that will be adopted in the current fiscal year:

- **Statement No. 99** *"Omnibus 2022"*
- **Statement No. 100** *"Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62"*

Current Standards

In April 2022, GASB issued Statement No. 99, "*Omnibus 2022*." The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 99 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The effective date for the Agency would be for the fiscal year ended September 30, 2024, but it is not expected to have any impact on the Agency.

In June 2022, GASB issued Statement No. 100, "*Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62.*" The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The effective date for the Agency would be for the fiscal year ended September 30, 2024, but it is not expected to have any impact on the Agency.

Future Standards

In June 2022, GASB issued Statement No. 101, "*Compensated Absences.*" The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The Agency will assess the impact of this statement in fiscal year 2025.

In December 2023, GASB issued Statement No. 102, "*Certain Risk Disclosures.*" This statement requires governments to disclose information about certain concentrations or constraints that could affect services provided or the ability to meet obligations as they come due. The statement includes four nonauthoritative examples of concentrations and constraints, including a financial resource provider, collective bargaining, mandated spending, and an employer concentration. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The Agency will assess the impact of this statement in fiscal year 2025.

May 29, 2024

AGENDA ITEM NO. 4

SUBJECT: Consider approval of the engagement letters with FORVIS, LLP for Fiscal Year 2024

DISCUSSION: The current agreement with FORVIS, LLP requires that annual engagement letters be prepared outlining the scope of services to be provided. Attached are the engagement letters for FY24.

BACKUP MATERIAL: FORVIS, LLP Draft Engagement Letters

ACTION REQUESTED: Direct Staff to execute the engagement letters.

Lyndi Birkhead
5/22/24

FORV/S

14241 Dallas Parkway, Suite 1100 / Dallas, TX 75254
P 972.702.8262 / F 972.702.0673
forvis.com

April 3, 2024

Members of the Board
Mr. Daniel Meadows, General Manager
Ms. Lyndi Birkhead, Director of Finance and Support Services
Texas Municipal Power Agency
P.O. Box 7000
Bryan, Texas 77805

We appreciate your selection of **FORVIS, LLP** as your service provider and are pleased to confirm the arrangements of our engagement in this contract. Within the requirements of our professional standards and any duties owed to the public, regulatory, or other authorities, our goal is to provide you an **Unmatched Client Experience.**

In addition to the terms set forth in this contract, including the detailed **Scope of Services,** our engagement is governed by the following, incorporated fully by this reference:

- Terms and Conditions Addendum

Summary Scope of Services

As described in the attached **Scope of Services,** our services will include the following:

Texas Municipal Power Agency
- Audit Services for the year ended September 30, 2024

You agree to assume full responsibility for the substantive outcomes of the contracted services and for any other services we may provide, including any findings that may result.

You also acknowledge these services are adequate for your purposes, and you will establish and monitor the performance of these services to ensure they meet management's objectives. All decisions involving management responsibilities related to these services will be made by you, and you accept full responsibility for such decisions.

We understand you have designated a management-level individual(s) to be responsible and accountable for overseeing the performance of nonattest services, and you have determined this individual is qualified to conduct such oversight.

As required by Chapter 2271, Texas Government Code, we represent that we do not boycott Israel and will not boycott Israel through the term of this engagement. For purposes of this representation, "boycott Israel" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes.

Engagement Fees

The fee for our services will be $51,750.

In addition, you will be billed travel costs and fees for services from other professionals, if any, as well as an administrative fee of five (5) percent to cover certain technology and administrative costs associated with our services. The administrative fee and travel costs will not exceed $2,000.

Our pricing for this engagement and our fee structure are based upon the expectation that our invoices will be paid promptly. Payment of our invoices is due upon receipt.

Our timely completion of services and the fees thereon depends on the assistance you provide us in accumulating information and responding to our inquiries. Inaccuracies or delays in providing this information or the responses may result in additional billings, untimely filings, or inability to meet other deadlines.

Contract Agreement

Please sign and return this contract to indicate your acknowledgment of, and agreement with, the arrangements for our services including our respective responsibilities.

FORVIS, LLP

FORVIS, LLP

Acknowledged and agreed to as it relates to the entire contract, including the **Scope of Services** and **Terms and Conditions Addendum**, on behalf of Texas Municipal Power Agency.

CJS

BY ______________________________
Daniel Meadows, General Manager

DATE ______________________________

Scope of Services – Audit Services

We will audit the basic financial statements and related disclosures, which collectively comprise the basic financial statements for the following entity:

Texas Municipal Power Agency as of and for the year ended September 30, 2024

The objectives of our audit 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.

We will also express an opinion on whether the combining statement of revenues and expenses and changes in net position ("supplementary information") is fairly stated, in all material respects, in relation to the financial statements as a whole.

We will also provide you with the following nonattest services:

- Preparing a draft of the financial statements and related notes

Kevin Kemp, Partner, is responsible for supervising the engagement and authorizing the signing of the report or reports.

We will issue a written report(s) upon completion of our audit(s), addressed to the following parties:

Entity Name	**Party Name**
Texas Municipal Power Agency	Audit and Budget Committee

The following apply for the audit services described above:

Our Responsibilities

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). We will exercise professional judgment and maintain professional skepticism throughout the audit.

We will identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

We will obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

We will 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, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We will also conclude, based on audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.

Limitations & Fraud

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit that is planned and conducted in accordance with GAAS will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and 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. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

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.

Our understanding of internal control is not for the purpose of expressing an opinion on the effectiveness of your internal control. However, we will communicate to you in writing any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we identify during the audit.

We are available to perform additional procedures with regard to fraud detection and prevention at your request, subject to completion of our normal engagement acceptance procedures. The actual terms and fees of such an engagement would be documented in a separate contract to be signed by you and FORVIS.

Opinion

Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion, add an emphasis-of-matter paragraph or other-matter paragraph(s) to our auditor's report, or if necessary, decline to express an opinion or withdraw from the engagement.

If we discover conditions that may prohibit us from issuing a standard report, we will notify you. In such circumstances, further arrangements may be necessary to continue our engagement.

Your Responsibilities

Management and, if applicable, those charged with governance acknowledge and understand their responsibility for the accuracy and completeness of all information provided and for the following:

- **Audit Support** – to provide us with:
  - Unrestricted access to persons within the entity or within components of the entity (including management and those charged with governance) from whom we determine it necessary to obtain audit evidence
  - Information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, including access to information relevant to disclosures
  - Information about events occurring or facts discovered subsequent to the date of the financial statements, of which management may become aware, that may affect the financial statements
  - Information about any known or suspected fraud affecting the entity involving management, employees with significant role in internal control, and others where fraud could have a material effect on the financials
  - Identification and provision of report copies of previous audits, attestation engagements, or other studies that directly relate to the objectives of the

audit, including whether related recommendations have been implemented
  - Additional information that we may request for the purpose of the audit

- **Internal Control and Compliance** – for the:
  - Design, implementation, and maintenance of internal control relevant to compliance with laws and regulations and the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - Alignment of internal control to ensure that appropriate goals and objectives are met; that management and financial information is reliable and properly reported; and that compliance with and identification of the laws, regulations, contracts, grants, or agreements applicable to the entity's activities is achieved
  - Remedy, through timely and appropriate steps, of fraud and noncompliance with provisions of laws, regulations, contracts, or other agreements reported by the auditor
  - Establishment and maintenance of processes to track the status and address findings and recommendations of auditors

- **Accounting and Reporting** – for the:
  - Maintenance of adequate records, selection and application of accounting principles, and the safeguard of assets
  - Adjustment of the financial statements to correct material misstatements and confirmation to us in the representation letter that the effects of any uncorrected misstatements aggregated by us are immaterial, both individually and in the aggregate, to the financial statements taken as a whole
  - Preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America
  - Inclusion of the auditors' report in any document containing financial statements that indicates that such financial statements have been audited by us
  - Distribution of audit reports to any necessary parties

The results of our tests of compliance and internal control over financial reporting performed in connection with our audit of the financial statements may not fully meet the reasonable needs of report users. Management is responsible for obtaining audits, examinations, agreed-upon procedures, or other engagements that satisfy relevant legal, regulatory, or contractual requirements or fully meet other reasonable user needs.

Required Supplementary Information

Accounting principles generally accepted in the United States of America provide for certain required supplementary information ("RSI") to accompany the basic financial statements. We understand the following RSI will accompany the basic financial statements:

1. Management's Discussion and Analysis ("MD&A")

2. Other Postemployment Benefit information

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.

Management is responsible for the fair presentation of the RSI. As part of our engagement, we will apply certain limited procedures to the RSI in GAAS. These limited procedures will consist of inquiries of management regarding 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 will 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

With regard to any supplementary information that we are engaged to report on:

- Management is responsible for its preparation in accordance with applicable criteria
- Management will provide certain written representations regarding the supplementary information at the conclusion of our engagement
- Management will include our report on this supplementary information in any document that contains this supplementary information and indicates we have reported on the supplementary information
- Management will make the supplementary information readily available to intended users if it is not presented with the audited financial statements

Such information is:

- Presented for the purpose of additional analysis of the financial statements
- Not a required part of the financial statements
- The responsibility of management
- Subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with GAAS

Written Confirmations Required

As part of our audit process, we will request from management and, if applicable, those charged with governance written confirmation acknowledging certain responsibilities outlined in this contract and confirming:

- The availability of this information
- Certain representations made during the audit for all periods presented
- The effects of any uncorrected misstatements, if any, resulting from errors or fraud aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole

FORVIS, LLP Terms and Conditions Addendum

GENERAL

1. **Overview.** This addendum describes **FORVIS LLP's** standard terms and conditions ("Terms and Conditions") applicable to Our provision of services to the Client ("You"). The Terms and Conditions are a part of the contract between You and FORVIS, LLP. For the purposes of the Terms and Conditions, any reference to "Firm," "We," "Us," or "Our" is a reference to FORVIS, LLP ("FORVIS"), and any reference to "You" or "Your" is a reference to the party or parties that have engaged Us to provide services and the party or parties ultimately responsible for payment of Our fees and costs.

BILLING, PAYMENT, & TERMINATION

2. **Billing and Payment Terms.** We will bill You for Our professional fees and costs as outlined in Our contract. Unless otherwise provided in Our contract, payment is due upon receipt of Our billing statement. Interest will be charged on any unpaid balance after 30 days at the rate of 10 percent per annum, or as allowed by law at the earliest date thereafter, and highest applicable rate if less than 10 percent. All fees, charges, and other amounts payable to FORVIS hereunder do not include any sales, use, excise, value-added, or other applicable taxes, tariffs, or duties, payment of which shall be Your sole responsibility, and do not include any applicable taxes based on FORVIS' net income or taxes arising from the employment or independent contractor relationship between FORVIS and FORVIS' personnel.

   We reserve the right to suspend or terminate Our work for this engagement or any other engagement for nonpayment of fees. If Our work is suspended or terminated, You agree that We will not be responsible for Your failure to meet governmental and other deadlines, for any penalties or interest that may be assessed against You resulting from Your failure to meet such deadlines, and for any other damages (including but not limited to consequential, indirect, lost profits, or punitive damages) incurred as a result of the suspension or termination of Our services.

   Our fees may increase if Our duties or responsibilities are increased by rulemaking of any regulatory body or any additional new accounting or auditing standards. Our engagement fees do not include any time for post-engagement consultation with Your personnel or third parties, consent letters and related procedures for the use of Our reports in offering documents, inquiries from regulators, or testimony or deposition regarding any subpoena. Charges for such services will be billed separately.

3. **Billing Records.** If these services are determined to be within the scope and authority of Section 1861(v)(1)(I) of the Social Security Act, We agree to make available to the Secretary of Health and Human Services, or to the U.S. Comptroller General, or any of their duly authorized representatives, such of Our books, documents, and records that are necessary to certify the nature and extent of Our services, until the expiration of four (4) years after the furnishing of these services. This contract allows access to contracts of a similar nature between subcontractors and related organizations of the subcontractor, and to their books, documents, and records.

4. **Termination.** Either party may terminate these services in good faith at any time for any reason, including Your failure to comply with the terms of Our contract or as We determine professional standards require. Both parties must agree, in writing, to any future modifications or extensions. If services are terminated, You agree to pay FORVIS for time expended to date. In addition, You will be billed costs and fees for services from other professionals, if any, as well as an administrative fee of five (5) percent to cover certain technology and administrative costs associated with Our services. Unless terminated sooner in accordance with its terms, this engagement shall terminate upon the completion of FORVIS' services hereunder.

DISPUTES & DISCLAIMERS

5. **Mediation.** Any dispute arising out of or related to this engagement will, prior to resorting to litigation, be submitted for nonbinding mediation upon written request by either party. Both parties agree to try in good faith to settle the dispute in mediation. The mediator will be selected by agreement of the parties. The mediation proceeding shall be confidential. Each party will bear its own costs in the mediation, but the fees and expenses of the mediator will be shared equally.

6. **Indemnification.** Unless disallowed by law or applicable professional standards, You agree to hold FORVIS harmless from any and all claims which arise from knowing misrepresentations to FORVIS, or the intentional withholding or concealment of information from FORVIS by Your management or any partner, principal, shareholder, officer, director, member, employee, agent, or assign of Yours. You also agree to indemnify FORVIS for any claims made against FORVIS by third parties, which arise from any wrongful actions of Your management or any partner, principal, shareholder, officer, director, member, employee, agent, or assign of Yours. The provisions of this paragraph shall apply regardless of the nature of the claim.

7. **Statute of Limitations.** You agree that any claim or legal action arising out of or related to this contract and the services provided hereunder shall be commenced no more than one (1) year from the date of delivery of the work product to You or the termination of the services described herein (whichever is earlier), regardless of any statute of limitations prescribing a longer period of time for commencing such a claim under law. This time limitation shall apply regardless of whether FORVIS performs other or subsequent services for You. A claim is understood to be a demand for money or services, demand for mediation, or the service of suit based on a breach of this contract or the acts or omissions of FORVIS in performing the services provided herein. This provision shall not apply if enforcement is disallowed by applicable law or professional standards.

8. **Limitation of Liability.** You agree that FORVIS' liability, if any, arising out of or related to this contract and the services provided hereunder, shall be limited to the amount of the fees

paid by You for services rendered under this contract. This limitation shall not apply to the extent it is finally, judicially determined that the liability resulted from the intentional or willful misconduct of FORVIS or if enforcement of this provision is disallowed by applicable law or professional standards.

9. **Waiver of Certain Damages.** In no event shall FORVIS be liable to You or a third party for any indirect, special, consequential, punitive, or exemplary damages, including but not limited to lost profits, loss of revenue, interruption, loss of use, damage to goodwill or reputation, regardless of whether You were advised of the possibility of such damages, regardless of whether such damages were reasonably foreseeable, and regardless of whether such damages arise under a theory of contract, tort, strict liability, or otherwise.

10. **Choice of Law.** You acknowledge and agree that any dispute arising out of or related to this contract shall be governed by the laws of the State of Texas, without regard to its conflict of laws principles.

11. **WAIVER OF JURY TRIAL. THE PARTIES HEREBY AGREE NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY JURY, AND WAIVE ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THIS AGREEMENT, OR ANY CLAIM, COUNTERCLAIM, OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY BY THE PARTIES, AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A TRIAL BY JURY WOULD OTHERWISE ACCRUE.**

12. **Severability.** In the event that any term or provision of this agreement shall be held to be invalid, void, or unenforceable, then the remainder of this agreement shall not be affected, and each such term and provision of this agreement shall be valid and enforceable to the fullest extent permitted by law.

13. **Assignment.** You acknowledge and agree that the terms and conditions of this contract shall be binding upon and inure to the parties' successors and assigns, subject to applicable laws and regulations.

14. **Disclaimer of Legal or Investment Advice.** Our services do not constitute legal or investment advice. You should seek the advice of legal counsel in such matters. Regulatory authorities may interpret circumstances differently than We do. In addition, the applicable laws, regulations, and regulators' enforcement activities may change over time.

RECORDS, WORKPAPERS, DELIVERABLES, & PROPRIETARY INFORMATION

15. **Maintenance of Records.** You agree to assume full responsibility for maintaining Your original data and records and that FORVIS has no responsibility to maintain this information. You agree You will not rely on FORVIS to provide hosting, electronic security, or backup services, *e.g.*, business continuity or disaster recovery services, to You unless separately engaged to do so. You understand that Your access to data, records, and information from FORVIS' servers, *i.e.*, FORVIS portals used to exchange information, can be terminated at any time and You will not rely on using this to host Your data and records.

16. **FORVIS Workpapers.** Our workpapers and documentation retained in any form of media for this engagement are the property of FORVIS. We can be compelled to provide information under legal process. In addition, We may be requested by regulatory or enforcement bodies (including any State Board) to make certain workpapers available to them pursuant to authority granted by law or regulation. Unless We are prohibited from doing so by law or regulation, FORVIS will inform You of any such legal process or request. You agree We have no legal responsibility to You in the event We determine We are obligated to provide such documents or information.

17. **Subpoenas or Other Legal Process.** In the event FORVIS is required to respond to any such subpoena, court order, or any government regulatory inquiry or other legal process relating to You or Your management for the production of documents and/or testimony relative to information We obtained or prepared incident to this or any other engagement in a matter in which FORVIS is not a party, You shall compensate FORVIS for all time We expend in connection with such response at normal and customary hourly rates and to reimburse Us for all out-of-pocket expenses incurred in regard to such response.

18. **Use of Deliverables and Drafts.** You agree You will not modify any deliverables or drafts prepared by Us for internal use or for distribution to third parties. You also understand that We may on occasion send You documents marked as draft and understand that those are for Your review purpose only, should not be distributed in any way, and should be destroyed as soon as possible.

    Our report on any financial statements must be associated only with the financial statements that were the subject of Our engagement. You may make copies of Our report, but only if the entire financial statements (exactly as attached to Our report, including related footnotes) and any supplementary information, as appropriate, are reproduced and distributed with Our report. You agree not to reproduce or associate Our report with any other financial statements, or portions thereof, that are not the subject of Our engagement.

19. **Proprietary Information.** You acknowledge that proprietary information, documents, materials, management techniques, and other intellectual property are a material source of the services We perform and were developed prior to Our association with You. Any new forms, software, documents, or intellectual property We develop during this engagement for Your use shall belong to Us, and You shall have the limited right to use them solely within Your business. All reports, templates, manuals, forms, checklists, questionnaires, letters, agreements, and other documents which We make available to You are confidential and proprietary to Us. Neither You, nor any of Your agents, will copy, electronically store, reproduce, or make any such documents available to anyone other than Your personnel. This provision will apply to all materials whether in digital, "hard copy" format, or other medium.

REGULATORY

20. **U.S. Securities and Exchange Commission ("SEC") and other Regulatory Bodies.** Where We are providing services

either for (a) an entity that is registered with the SEC, (b) an affiliate of such registrant, or (c) an entity or affiliate that is subject to rules, regulations, or standards beyond those of the American Institute of Certified Public Accountants ("AICPA"), any term of this contract that would be prohibited by or impair Our independence under applicable law or regulation shall not apply to the extent necessary only to avoid such prohibition or impairment.

21. **Offering Document.** You may wish to include Our report(s) on financial statements in an exempt offering document. You agree that any report, including any auditor's report, or reference to Our firm, will not be included in any such offering document without notifying Us. Any agreement to perform work in connection with an exempt offering document, including providing agreement for the use of the auditor's report in the exempt offering document, will be a separate engagement.

    Any exempt offering document issued by You with which We are not involved will clearly indicate that We are not involved by including a disclosure such as, "FORVIS, LLP, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. FORVIS, LLP also has not performed any procedures relating to this offering document."

22. **FORVIS Not a Municipal Advisor.** FORVIS is not acting as Your municipal advisor under Section 15B of the *Securities Exchange Act of 1934*, as amended. As such, FORVIS is not recommending any action to You and does not owe You a fiduciary duty with respect to any information or communications regarding municipal financial products or the issuance of municipal securities. You should discuss such matters with internal or external advisors and experts You deem appropriate before acting on any such information or material provided by FORVIS.

23. **FORVIS Not a Fiduciary.** In providing Our attest services, We are required by law and our professional standards to maintain our independence from You. We take this mandate very seriously and thus guard against impermissible relationships which may impair the very independence which You and the users of Our report require. As such, You should not place upon Us special confidence that in the performance of Our attest services We will act solely in Your interest. Therefore, You acknowledge and agree We are not in a fiduciary relationship with You and We have no fiduciary responsibilities to You in the performance of Our services described herein.

TECHNOLOGY

24. **Electronic Sites.** You agree to notify Us if You desire to place Our report(s), including any reports on Your financial statements, along with other information, such as a report by management or those charged with governance on operations, financial summaries or highlights, financial ratios, etc., on an electronic site. You recognize that We have no responsibility to review information contained in electronic sites.

25. **Electronic Signatures and Counterparts.** This contract and other documents to be delivered pursuant to this contract may be executed in one or more counterparts, each of which will be deemed to be an original copy and all of which, when taken together, will be deemed to constitute one and the same agreement or document, and will be effective when counterparts have been signed by each of the parties and delivered to the other parties. Each party agrees that the electronic signatures, whether digital or encrypted, of the parties included in this contract are intended to authenticate this writing and to have the same force and effect as manual signatures. Delivery of a copy of this contract or any other document contemplated hereby, bearing an original manual or electronic signature by facsimile transmission (including a facsimile delivered via the internet), by electronic mail in "portable document format" (".pdf") or similar format intended to preserve the original graphic and pictorial appearance of a document, or through the use of electronic signature software, will have the same effect as physical delivery of the paper document bearing an original signature.

26. **Electronic Data Communication and Storage.** In the interest of facilitating Our services to You, We may send data over the internet, temporarily store electronic data via computer software applications hosted remotely on the internet, or utilize cloud-based storage. Your confidential electronic data may be transmitted or stored using these methods. In using these data communication and storage methods, We employ measures designed to maintain data security. We use reasonable efforts to keep such communications and electronic data secure in accordance with Our obligations under applicable laws, regulations, and professional standards.

    You recognize and accept that We have no control over the unauthorized interception or breach of any communications or electronic data once it has been transmitted or if it has been subject to unauthorized access while stored, notwithstanding all reasonable security measures employed by Us. You consent to Our use of these electronic devices and applications during this engagement.

OTHER MATTERS

27. **Cooperation.** You agree to cooperate with FORVIS in the performance of FORVIS' services to You, including the provision to FORVIS of reasonable facilities and timely access to Your data, information, and personnel. You shall be responsible for the performance of Your employees and agents.

28. **Third-Party Service Providers.** FORVIS may from time to time utilize third-party service providers, including but not limited to domestic software processors or legal counsel, or disclose confidential information about You to third-party service providers in serving Your account. FORVIS maintains, however, internal policies, procedures, and safeguards to protect the confidentiality and security of Your information. In addition, FORVIS will secure confidentiality agreements with all service providers to maintain the confidentiality of Your information. If We are unable to secure an appropriate confidentiality agreement, You will be asked to consent prior to FORVIS sharing Your confidential information with the third-party service provider.

29. **Independent Contractor.** When providing services to You, We will be functioning as an independent contractor; and in no event will We or any of Our employees be an officer of You, nor will Our relationship be that of joint venturers, partners,

employer and employee, principal and agent, or any similar relationship giving rise to a fiduciary duty to You. Decisions regarding management of Your business remain the responsibility of Your personnel at all times. Neither You nor FORVIS shall act or represent itself, directly or by implication, as an agent of the other or in any manner assume or create any obligation on behalf of, or in the name of, the other.

30. **Hiring of FORVIS Personnel.** We ask that You respect the employment relationship that Our personnel have with Our firm and to refrain from any employment offers to FORVIS personnel. However, if You find it necessary to make an offer of employment and if it is accepted, during the term of this engagement and for a period of 18 months after FORVIS stops providing services, You agree that We will be paid a one-time employment fee equal to 100 percent of the employee's highest annual salary. This fee will be payable prior to Our personnel commencing employment with You. Provided, however, You shall not be in violation of the nonsolicitation covenant set forth herein with respect to any position You advertise in the form of a general solicitation not delivered to or focused upon any single individual.

31. **Use of FORVIS Name.** Any time You intend to reference FORVIS' firm name in any manner in any published materials, including on an electronic site, You agree to provide Us with draft materials for review and approval before publishing or posting such information.

32. **Praxity.** FORVIS is an independent accounting firm allowed to use the name "Praxity" in relation to its practice. FORVIS is not connected, however, by ownership with any other firm using the name "Praxity." FORVIS will be solely responsible for all work carried out on Your behalf. In deciding to engage FORVIS, You acknowledge that We have not represented to You that any other firm using the name "Praxity" will in any way be responsible for Our work.

33. **Entire Agreement.** The contract, including this Terms and Conditions Addendum and any other attachments or addenda, encompasses the entire agreement between You and FORVIS and supersedes all previous understandings and agreements between the parties, whether oral or written. Any modification to the terms of this contract must be made in writing and signed by both You and FORVIS.

34. **Force Majeure.** We shall not be held responsible for any failure to fulfill Our obligations if such failure was caused by circumstances beyond Our control, including, without limitation, fire or other casualty, act of God, act of terrorism, strike or labor dispute, war or other violence, explosion, flood or other natural catastrophe, epidemic or pandemic, or any law, order, or requirement of any governmental agency or authority affecting either party, including without limitation orders incident to any such epidemic or pandemic, lockdown orders, stay-at-home orders, and curfews.

FORV/S

14241 Dallas Parkway, Suite 1100 / Dallas, TX 75254
P 972.702.8262 / **F** 972.702.0673
forvis.com

April 4, 2024

Members of the Board
Mr. Daniel Meadows, General Manager
Ms. Lyndi Birkhead, Director of Finance and Support Services
Texas Municipal Power Agency
P.O. Box 7000
Bryan, Texas 77805

We appreciate your selection of **FORVIS, LLP** as your service provider and are pleased to confirm the arrangements of our engagement in this contract. Within the requirements of our professional standards and any duties owed to the public, regulatory, or other authorities, our goal is to provide you an **Unmatched Client Experience**.

In addition to the terms set forth in this contract, including the detailed **Scope of Services,** our engagement is governed by the following, incorporated fully by this reference:

- Terms and Conditions Addendum

Summary Scope of Services

As described in the attached **Scope of Services,** our services will include the following:

Texas Municipal Power Agency Employee's Pension Plan

- Audit Services for the year ended September 30, 2024

You agree to assume full responsibility for the substantive outcomes of the contracted services and for any other services we may provide, including any findings that may result.

You also acknowledge these services are adequate for your purposes, and you will establish and monitor the performance of these services to ensure they meet management's objectives. All decisions involving management responsibilities related to these services will be made by you, and you accept full responsibility for such decisions.

We understand you have designated a management-level individual(s) to be responsible and accountable for overseeing the performance of nonattest services, and you have determined this individual is qualified to conduct such oversight.

Engagement Fees

The fee for our services will be $14,075.

In addition, you will be billed travel costs and fees for services from other professionals, if any, as well as an administrative fee of five (5) percent to cover certain technology and administrative costs associated with our services but will not exceed $640.

Our engagement fee is based on the assumption that we will receive an unmodified opinion on the service auditor's report of your third-party service provider(s). Any additional time incurred by us as an audit response to a modified opinion for your third-party service provider(s) will be billed at our standard hourly rates.

Our pricing for this engagement and our fee structure are based upon the expectation that our invoices will be paid promptly. Payment of our invoices is due upon receipt.

Our timely completion of services and the fees thereon depends on the assistance you provide us in accumulating information and responding to our inquiries. Inaccuracies or delays in providing this information or the responses may result in additional billings, untimely filings, or inability to meet other deadlines.

Contract Agreement

Please sign and return this contract to indicate your acknowledgment of, and agreement with, the arrangements for our services including our respective responsibilities.

FORVIS, LLP

FORVIS, LLP

Acknowledged and agreed to as it relates to the entire contract, including the **Scope of Services** and **Terms and Conditions Addendum,** on behalf of **Texas Municipal Power Agency Employee's Pension Plan.**

CJS BY ______________________________
Daniel Meadows, General Manager

DATE ______________________________

Scope of Services – Audit Services

We will audit the following financial statements and related notes to the financial statements for the following plan(s):

Texas Municipal Power Agency Employee's Pension Plan as of and for the year ended September 30, 2024

- Statement of fiduciary net position and the related statement of changes in fiduciary net position and the related notes to the financial statements.

The objectives of our audit 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 about whether the Plan's financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

We will also provide you with the following nonattest services:

- Preparing a draft of the financial statements and related notes

Kevin Kemp, Partner, is responsible for supervising the engagement and authorizing the signing of the report or reports.

We will issue a written report(s) upon completion of our audit(s), addressed to the following parties:

Plan Name	**Party Name**
Texas Municipal Power Agency Employee's Pension Plan	Board of Directors

The following apply for the audit services described above:

Our Responsibilities

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). We will exercise professional judgment and maintain professional skepticism throughout the audit.

We will identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

We will obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We will also conclude, based on audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

Limitations & Fraud

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit that is planned and conducted in accordance with GAAS will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and 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. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

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.

Our understanding of internal control is not for the purpose of expressing an opinion on the effectiveness of your internal control. However, we will communicate to you in writing any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we identify during the audit.

We are available to perform additional procedures with regard to fraud detection and prevention at your request, subject to completion of our normal engagement acceptance procedures. The actual terms and fees of such an engagement would be documented in a separate contract to be signed by you and FORVIS.

Opinion

Circumstances may arise in which our report may differ from its expected form and content, based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion, add an emphasis-of-matter paragraph or other-matter paragraph(s) to our auditor's report, or if necessary, decline to express an opinion or withdraw from the engagement.

If we discover conditions that may prohibit us from issuing a standard report, we will notify you as well. In such circumstances, further arrangements may be necessary to continue our engagement.

Your Responsibilities

Management and, if applicable, those charged with governance acknowledge and understand their responsibility for the accuracy and completeness of all information provided and for the following:

- **Audit Support** – to provide us with:
  - Unrestricted access to persons within the entity or within components of the entity (including management and those charged with governance) from whom we determine it necessary to obtain audit evidence
  - Information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, including access to information relevant to disclosures
  - Information about events occurring or facts discovered subsequent to the date of the financial statements, of which management may become aware, that may affect the financial statements
  - Information about any known or suspected fraud affecting the entity involving management, employees with significant role in internal control, and others where fraud could have a material effect on the financials

- Identification and provision of report copies of previous audits, attestation engagements, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented
- Additional information that we may request for the purpose of the audit

- **Internal Control and Compliance** – for the:
  - Design, implementation, and maintenance of internal control relevant to compliance with laws and regulations and the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - Alignment of internal control to ensure that appropriate goals and objectives are met, that management and financial information is reliable and properly reported and that compliance with and identification of the laws, regulations, contracts, or agreements applicable to the entity's activities is achieved
  - Remedy, through timely and appropriate steps, of fraud and noncompliance with provisions of laws, regulations, contracts, or other agreements reported by the auditor
  - Establishment and maintenance of processes to track the status and address findings and recommendations of auditors

- **Accounting and Reporting** – for the:
  - Maintenance of adequate records, selection and application of accounting principles, and the safeguard of assets
  - Adjustment of the financial statements to correct material misstatements and confirmation to us in the representation letter that the effects of any uncorrected misstatements aggregated by us are immaterial, both individually and in the aggregate, to the financial statements taken as a whole
  - Preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America
  - Inclusion of the auditors' report in any document containing financial statements that indicates that such financial statements have been audited by us
  - Distribution of audit reports to any necessary parties

Written Confirmations Required

As part of our audit process, we will request from management and, if applicable, those charged with governance written confirmation acknowledging certain responsibilities outlined in this contract and confirming:

- The availability of this information
- Certain representations made during the audit for all periods presented
- The effects of any uncorrected misstatements, if any, resulting from errors or fraud aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole

FORVIS, LLP Terms and Conditions Addendum

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BILLING, PAYMENT, & TERMINATION

2. **Billing and Payment Terms.** We will bill You for Our professional fees and costs as outlined in Our contract. Unless otherwise provided in Our contract, payment is due upon receipt of Our billing statement. Interest will be charged on any unpaid balance after 30 days at the rate of 10 percent per annum, or as allowed by law at the earliest date thereafter, and highest applicable rate if less than 10 percent. All fees, charges, and other amounts payable to FORVIS hereunder do not include any sales, use, excise, value-added, or other applicable taxes, tariffs, or duties, payment of which shall be Your sole responsibility, and do not include any applicable taxes based on FORVIS' net income or taxes arising from the employment or independent contractor relationship between FORVIS and FORVIS' personnel.

   We reserve the right to suspend or terminate Our work for this engagement or any other engagement for nonpayment of fees. If Our work is suspended or terminated, You agree that We will not be responsible for Your failure to meet governmental and other deadlines, for any penalties or interest that may be assessed against You resulting from Your failure to meet such deadlines, and for any other damages (including but not limited to consequential, indirect, lost profits, or punitive damages) incurred as a result of the suspension or termination of Our services.

   Our fees may increase if Our duties or responsibilities are increased by rulemaking of any regulatory body or any additional new accounting or auditing standards. Our engagement fees do not include any time for post-engagement consultation with Your personnel or third parties, consent letters and related procedures for the use of Our reports in offering documents, inquiries from regulators, or testimony or deposition regarding any subpoena. Charges for such services will be billed separately.

3. **Billing Records.** If these services are determined to be within the scope and authority of Section 1861(v)(1)(I) of the Social Security Act, We agree to make available to the Secretary of Health and Human Services, or to the U.S. Comptroller General, or any of their duly authorized representatives, such of Our books, documents, and records that are necessary to certify the nature and extent of Our services, until the expiration of four (4) years after the furnishing of these services. This contract allows access to contracts of a similar nature between subcontractors and related organizations of the subcontractor, and to their books, documents, and records.

4. **Termination.** Either party may terminate these services in good faith at any time for any reason, including Your failure to comply with the terms of Our contract or as We determine professional standards require. Both parties must agree, in writing, to any future modifications or extensions. If services are terminated, You agree to pay FORVIS for time expended to date. In addition, You will be billed costs and fees for services from other professionals, if any, as well as an administrative fee of five (5) percent to cover certain technology and administrative costs associated with Our services. Unless terminated sooner in accordance with its terms, this engagement shall terminate upon the completion of FORVIS' services hereunder.

DISPUTES & DISCLAIMERS

5. **Mediation.** Any dispute arising out of or related to this engagement will, prior to resorting to litigation, be submitted for nonbinding mediation upon written request by either party. Both parties agree to try in good faith to settle the dispute in mediation. The mediator will be selected by agreement of the parties. The mediation proceeding shall be confidential. Each party will bear its own costs in the mediation, but the fees and expenses of the mediator will be shared equally.

6. **Indemnification.** Unless disallowed by law or applicable professional standards, You agree to hold FORVIS harmless from any and all claims which arise from knowing misrepresentations to FORVIS, or the intentional withholding or concealment of information from FORVIS by Your management or any partner, principal, shareholder, officer, director, member, employee, agent, or assign of Yours. You also agree to indemnify FORVIS for any claims made against FORVIS by third parties, which arise from any wrongful actions of Your management or any partner, principal, shareholder, officer, director, member, employee, agent, or assign of Yours. The provisions of this paragraph shall apply regardless of the nature of the claim.

7. **Statute of Limitations.** You agree that any claim or legal action arising out of or related to this contract and the services provided hereunder shall be commenced no more than one (1) year from the date of delivery of the work product to You or the termination of the services described herein (whichever is earlier), regardless of any statute of limitations prescribing a longer period of time for commencing such a claim under law. This time limitation shall apply regardless of whether FORVIS performs other or subsequent services for You. A claim is understood to be a demand for money or services, demand for mediation, or the service of suit based on a breach of this contract or the acts or omissions of FORVIS in performing the services provided herein. This provision shall not apply if enforcement is disallowed by applicable law or professional standards.

8. **Limitation of Liability.** You agree that FORVIS' liability, if any, arising out of or related to this contract and the services provided hereunder, shall be limited to the amount of the fees paid by You for services rendered under this contract. This limitation shall not apply to the extent it is finally, judicially determined that the liability resulted from the intentional or willful misconduct of FORVIS or if enforcement of this provision is disallowed by applicable law or professional standards.

9. **Waiver of Certain Damages.** In no event shall FORVIS be liable to You or a third party for any indirect, special, consequential, punitive, or exemplary damages, including but not limited to lost profits, loss of revenue, interruption, loss of use, damage to goodwill or reputation, regardless of whether You were advised of the possibility of such damages, regardless of whether such damages were reasonably foreseeable, and regardless of whether such damages arise under a theory of contract, tort, strict liability, or otherwise.

10. **Choice of Law.** You acknowledge and agree that any dispute arising out of or related to this contract shall be governed by the laws of the State of Texas, without regard to its conflict of laws principles.

11. **WAIVER OF JURY TRIAL. THE PARTIES HEREBY AGREE NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY JURY, AND WAIVE ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THIS AGREEMENT, OR ANY CLAIM, COUNTERCLAIM, OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY BY THE PARTIES, AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A TRIAL BY JURY WOULD OTHERWISE ACCRUE.**

12. **Severability.** In the event that any term or provision of this agreement shall be held to be invalid, void, or unenforceable, then the remainder of this agreement shall not be affected, and each such term and provision of this agreement shall be valid and enforceable to the fullest extent permitted by law.

13. **Assignment.** You acknowledge and agree that the terms and conditions of this contract shall be binding upon and inure to the parties' successors and assigns, subject to applicable laws and regulations.

14. **Disclaimer of Legal or Investment Advice.** Our services do not constitute legal or investment advice. You should seek the advice of legal counsel in such matters. Regulatory authorities may interpret circumstances differently than We do. In addition, the applicable laws, regulations, and regulators' enforcement activities may change over time.

RECORDS, WORKPAPERS, DELIVERABLES, & PROPRIETARY INFORMATION

15. **Maintenance of Records.** You agree to assume full responsibility for maintaining Your original data and records and that FORVIS has no responsibility to maintain this information. You agree You will not rely on FORVIS to provide hosting, electronic security, or backup services, *e.g.*, business continuity or disaster recovery services, to You unless separately engaged to do so. You understand that Your access to data, records, and information from FORVIS' servers, *i.e.*, FORVIS portals used to exchange information, can be terminated at any time and You will not rely on using this to host Your data and records.

16. **FORVIS Workpapers.** Our workpapers and documentation retained in any form of media for this engagement are the property of FORVIS. We can be compelled to provide information under legal process. In addition, We may be requested by regulatory or enforcement bodies (including any State Board) to make certain workpapers available to them pursuant to authority granted by law or regulation. Unless We are prohibited from doing so by law or regulation, FORVIS will inform You of any such legal process or request. You agree We have no legal responsibility to You in the event We determine We are obligated to provide such documents or information.

17. **Subpoenas or Other Legal Process.** In the event FORVIS is required to respond to any such subpoena, court order, or any government regulatory inquiry or other legal process relating to You or Your management for the production of documents and/or testimony relative to information We obtained or prepared incident to this or any other engagement in a matter in which FORVIS is not a party, You shall compensate FORVIS for all time We expend in connection with such response at normal and customary hourly rates and to reimburse Us for all out-of-pocket expenses incurred in regard to such response.

18. **Use of Deliverables and Drafts.** You agree You will not modify any deliverables or drafts prepared by Us for internal use or for distribution to third parties. You also understand that We may on occasion send You documents marked as draft and understand that those are for Your review purpose only, should not be distributed in any way, and should be destroyed as soon as possible.

    Our report on any financial statements must be associated only with the financial statements that were the subject of Our engagement. You may make copies of Our report, but only if the entire financial statements (exactly as attached to Our report, including related footnotes) and any supplementary information, as appropriate, are reproduced and distributed with Our report. You agree not to reproduce or associate Our report with any other financial statements, or portions thereof, that are not the subject of Our engagement.

19. **Proprietary Information.** You acknowledge that proprietary information, documents, materials, management techniques, and other intellectual property are a material source of the services We perform and were developed prior to Our association with You. Any new forms, software, documents, or intellectual property We develop during this engagement for Your use shall belong to Us, and You shall have the limited right to use them solely within Your business. All reports, templates, manuals, forms, checklists, questionnaires, letters, agreements, and other documents which We make available to You are confidential and proprietary to Us. Neither You, nor any of Your agents, will copy, electronically store, reproduce, or make any such documents available to anyone other than Your personnel. This provision will apply to all materials whether in digital, "hard copy" format, or other medium.

REGULATORY

20. **U.S. Securities and Exchange Commission ("SEC") and other Regulatory Bodies.** Where We are providing services either for (a) an entity that is registered with the SEC, (b) an affiliate of such registrant, or (c) an entity or affiliate that is subject to rules, regulations, or standards beyond those of the American Institute of Certified Public Accountants ("AICPA"), any term of this contract that would be prohibited by or impair Our independence under applicable law or regulation shall not apply to the extent necessary only to avoid such prohibition or impairment.

21. **Offering Document.** You may wish to include Our report(s) on financial statements in an exempt offering document. You agree that any report, including any auditor's report, or reference to Our firm, will not be included in any such offering document without notifying Us. Any agreement to perform work in connection with an exempt offering document, including providing agreement for the use of the auditor's report in the exempt offering document, will be a separate engagement.

    Any exempt offering document issued by You with which We are not involved will clearly indicate that We are not involved by including a disclosure such as, "FORVIS, LLP, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. FORVIS, LLP also has not performed any procedures relating to this offering document."

22. **FORVIS Not a Municipal Advisor.** FORVIS is not acting as Your municipal advisor under Section 15B of the *Securities Exchange Act of 1934*, as amended. As such, FORVIS is not recommending any action to You and does not owe You a fiduciary duty with respect to any information or communications regarding municipal financial products or the issuance of municipal securities. You should discuss such matters with internal or external advisors and experts You deem appropriate before acting on any such information or material provided by FORVIS.

23. **FORVIS Not a Fiduciary.** In providing Our attest services, We are required by law and our professional standards to maintain our independence from You. We take this mandate very seriously and thus guard against impermissible relationships which may impair the very independence which You and the users of Our report require. As such, You should not place upon Us special confidence that in the performance of Our attest services We will act solely in Your interest. Therefore, You acknowledge and agree We are not in a fiduciary relationship with You and We have no fiduciary responsibilities to You in the performance of Our services described herein.

TECHNOLOGY

24. **Electronic Sites.** You agree to notify Us if You desire to place Our report(s), including any reports on Your financial statements, along with other information, such as a report by management or those charged with governance on operations, financial summaries or highlights, financial ratios, etc., on an electronic site. You recognize that We have no responsibility to review information contained in electronic sites.

25. **Electronic Signatures and Counterparts.** This contract and other documents to be delivered pursuant to this contract may be executed in one or more counterparts, each of which will be deemed to be an original copy and all of which, when taken together, will be deemed to constitute one and the same agreement or document, and will be effective when counterparts have been signed by each of the parties and delivered to the other parties. Each party agrees that the electronic signatures, whether digital or encrypted, of the parties included in this contract are intended to authenticate this writing and to have the same force and effect as manual signatures. Delivery of a copy of this contract or any other document contemplated hereby, bearing an original manual or electronic signature by facsimile transmission (including a facsimile delivered via the internet), by electronic mail in "portable document format" (".pdf") or similar format intended to preserve the original graphic and pictorial appearance of a document, or through the use of electronic signature software, will have the same effect as physical delivery of the paper document bearing an original signature.

26. **Electronic Data Communication and Storage.** In the interest of facilitating Our services to You, We may send data over the internet, temporarily store electronic data via computer software applications hosted remotely on the internet, or utilize cloud-based storage. Your confidential electronic data may be transmitted or stored using these methods. In using these data communication and storage methods, We employ measures designed to maintain data security. We use reasonable efforts to keep such communications and electronic data secure in accordance with Our obligations under applicable laws, regulations, and professional standards.

    You recognize and accept that We have no control over the unauthorized interception or breach of any communications or electronic data once it has been transmitted or if it has been subject to unauthorized access while stored, notwithstanding all reasonable security measures employed by Us. You consent to Our use of these electronic devices and applications during this engagement.

OTHER MATTERS

27. **Cooperation.** You agree to cooperate with FORVIS in the performance of FORVIS' services to You, including the provision to FORVIS of reasonable facilities and timely access to Your data, information, and personnel. You shall be responsible for the performance of Your employees and agents.

28. **Third-Party Service Providers.** FORVIS may from time to time utilize third-party service providers, including but not limited to domestic software processors or legal counsel, or disclose confidential information about You to third-party service providers in serving Your account. FORVIS maintains, however, internal policies, procedures, and safeguards to protect the confidentiality and security of Your information. In addition, FORVIS will secure confidentiality agreements with all service providers to maintain the confidentiality of Your information. If We are unable to secure an appropriate confidentiality agreement, You will be asked to consent prior to FORVIS sharing Your confidential information with the third-party service provider.

29. **Independent Contractor.** When providing services to You, We will be functioning as an independent contractor; and in no event will We or any of Our employees be an officer of You, nor will Our relationship be that of joint venturers, partners, employer and employee, principal and agent, or any similar relationship giving rise to a fiduciary duty to You. Decisions regarding management of Your business remain the responsibility of Your personnel at all times. Neither You nor FORVIS shall act or represent itself, directly or by implication, as an agent of the other or in any manner assume or create any obligation on behalf of, or in the name of, the other.

30. **Hiring of FORVIS Personnel.** We ask that You respect the employment relationship that Our personnel have with Our firm and to refrain from any employment offers to FORVIS personnel. However, if You find it necessary to make an offer of employment and if it is accepted, during the term of this engagement and for a period of 18 months after FORVIS stops providing services, You agree that We will be paid a one-time employment fee equal to 100 percent of the employee's highest annual salary. This fee will be payable prior to Our personnel commencing employment with You. Provided, however, You shall not be in violation of the nonsolicitation covenant set forth herein with respect to any position You advertise in the form of a general solicitation not delivered to or focused upon any single individual.

31. **Use of FORVIS Name.** Any time You intend to reference FORVIS' firm name in any manner in any published materials, including on an electronic site, You agree to provide Us with draft materials for review and approval before publishing or posting such information.

32. **Praxity.** FORVIS is an independent accounting firm allowed to use the name "Praxity" in relation to its practice. FORVIS is not connected, however, by ownership with any other firm using the name "Praxity." FORVIS will be solely responsible for all work carried out on Your behalf. In deciding to engage FORVIS, You acknowledge that We have not represented to You that any other firm using the name "Praxity" will in any way be responsible for Our work.

33. **Entire Agreement.** The contract, including this Terms and Conditions Addendum and any other attachments or addenda, encompasses the entire agreement between You and FORVIS and supersedes all previous understandings and agreements between the parties, whether oral or written. Any modification to the terms of this contract must be made in writing and signed by both You and FORVIS.

34. **Force Majeure.** We shall not be held responsible for any failure to fulfill Our obligations if such failure was caused by circumstances beyond Our control, including, without limitation, fire or other casualty, act of God, act of terrorism, strike or labor dispute, war or other violence, explosion, flood or other natural catastrophe, epidemic or pandemic, or any law, order, or requirement of any governmental agency or authority affecting either party, including without limitation orders incident to any such epidemic or pandemic, lockdown orders, stay-at-home orders, and curfews.

May 29, 2024

AGENDA ITEM NO. 5

SUBJECT: Receive status report on Request for Proposal (RFP) for external audit services for FY25-29.

DISCUSSION: Fiscal Year 2024 will be the fifth and final year of the five-year agreement with FORVIS, LLP for external audit services The Agency plans to submit a RFP for these services in the next couple of months.

BACKUP MATERIAL: None.

ACTION REQUESTED: None.

Lyndi Birkhead
5/22/24

May 29, 2024

AGENDA ITEM NO. 6

SUBJECT: Discuss future meeting dates and topics.

DISCUSSION: The next regular Audit and Budget Committee meeting is scheduled for the morning of December 12, 2024, prior to the December Board meeting. The planned agenda items for this meeting are:

- Review the FY24 audited financial statements
- Annual review of audit services commissioned by the Committee
- Receive Annual Ethics Program update
- Receive status report on Request for Proposal for external audit services for FY25-29

BACKUP MATERIAL: None.

ACTION REQUESTED: None.

Lyndi Birkhead
5/22/24