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:

1659 SPENCER ROAD, BUILDING A
DENTON, TX 76205

THURSDAY – DECEMBER 11, 2025
8:30 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 May 21, 2025 Audit and Budget Committee meeting.
2. Consider appointment of a Vice-Chair for the Committee.
3. Review the Agency's Financial Statements.
4. Receive reports on the Cities of Garland and Denton transmission billing audits.
5. Receive update on the Annual Audit Plan.
6. Receive Annual Ethics Program update.
7. Discuss future meeting dates and topics.
8. 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.

December 11, 2025

AGENDA ITEM NO. 1

SUBJECT: Consider approval of the minutes of the May 21, 2025 Audit and Budget Committee meeting.

BACKUP MATERIAL: Minutes of the May 21, 2025 Audit and Budget Committee meeting.

ACTION REQUESTED: Consideration and approval of minutes.

Lyndi Birkhead
12/3/25

TEXAS MUNICIPAL POWER AGENCY

AUDIT AND BUDGET COMMITTEE MEETING MINUTES

VIA VIDEO CONFERENCE CALL
THE PRESIDING OFFICER AND MEMBERS OF THE PUBLIC ATTENDED AT THE FOLLOWING LOCATION:

BRYAN TEXAS UTILITIES
2611 NORTH EARL RUDDER FREEWAY
BRYAN, TEXAS 77803

WEDNESDAY – MAY 21, 2025
10:00 AM

Mr. Nelson called the meeting to order at 10:01 AM.

The following people were present at the meeting:

Committee Members:
Andrew Nelson – City of Bryan (Chair)
Sue Ann Harting – City of Greenville
James Ratliff – City of Garland

Absent – Bill Cheek – City of Denton

Staff:
Lyndi Birkhead
Susie Johnson
Daniel Meadows

Public Comments - Mr. Nelson called for public comments. There were none.

1. **Consider approval of the minutes of the December 12, 2024 Audit and Budget Committee meeting.**

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

Nelson – Abstained	Harting – Aye
Ratliff – Aye	

2. **Discuss the Agency's proposed FY26 Budget Package.**

   Ms. Birkhead highlighted several things about the Package:

a) The Generation division continues to oversee the regulatory closure and post-closure of the former plant site. Costs decreased slightly from last year, with a small budget continuing throughout the 10-year pro forma for post-closure which could last up to 30 years.

b) The Transmission pro forma projects bond issuances in FY27 and FY30 based on the proposed capital plan. In comparing the FY26 budget to prior year, the biggest change is debt as the bond issuance approved at the March 2025 Board meeting will occur in the summer of 2025.

   Mr. Nelson inquired how much of our Notes $60M capacity will be freed up with the bond issuance in the summer of 2025. Ms. Birkhead explained that we only issue bonds for assets that have been placed in service. We expect the outstanding balance of the Notes following the bond issuance to be approximately $5M-$6M, freeing up approximately 90% of our capacity.

   Mr. Nelson inquired about debt service coverage. Ms. Birkhead explained that our bond covenants require 25% coverage, and TMPA policy requires that we budget 26% coverage.

c) Mine activity includes the monitoring and maintenance of the final 72 bonded acres, particularly the acid seeps. Staff continues to work diligently to obtain bond release from the Railroad Commission of Texas. Costs increased slightly as compared to last year in an effort to get as much released from the mine escrow prior to the October 2026 deadline. The pro forma projects that all activity ceases in FY30.

   Mr. Ratliff inquired about what is included in “consulting services”. Mr. Meadows explained that it includes Jan Horbaczewski, as well as engineers, soil scientists, wastewater consultants, and other consultants who help put together the bond release applications. This does not include any legal work, which is captured in “legal services”.

A motion was made by Mr. Ratliff and seconded by Ms. Harting to recommend that the FY26 Budget Package be presented to the Board at the June meeting. The motion passed with voting as follows:

Nelson – Aye	Harting – Aye
Ratliff – Aye	

3. <u>Review new accounting standards and their impact on the Agency.</u>

Ms. Birkhead explained there is no impact to the Agency resulting from new accounting standards. There were no further comments or questions.

4. <u>Consider approval of the engagement letters with Forvis Mazars for Fiscal Year 2025</u>.

Ms. Birkhead stated that Carl Shahady has reviewed both engagement letters.

Mr. Nelson stated that he has no issues with the letters themselves. However, he does have concerns with the terms and conditions which he considers to be one-sided in favor of

Forvis Mazars. It was decided that staff will re-evaluate the terms and conditions and seek changes if deemed necessary. If changes are made, we will communicate those to the ABC.

A motion was made by Ms. Harting and seconded by Mr. Ratliff to approve both engagement letters. The motion passed with voting as follows:

Nelson – Aye   Harting – Aye
Ratliff – Aye

5. Discuss future meeting dates and topics.

Ms. Birkhead proposed December 11, 2025 for the next Audit & Budget Committee meeting with the primary topic being to discuss the FY25 audited financial statements. All members agreed.

6. Adjourn

Mr. Nelson adjourned the meeting at 10:28 AM.

Lynd Birkhead

Lyndi Birkhead, Director of Finance

December 11, 2025

AGENDA ITEM NO. 2

SUBJECT: Consider appointment of a Vice-Chair for the Committee.

DISCUSSION: For several years, the Committee has elected a Vice-Chair to serve in the absence of the Chairperson. This election is optional. During this past year, Sue Ann Harting has served as Vice-Chair.

BACKUP MATERIAL: None.

ACTION REQUESTED: Elect a Vice-Chair for the Committee.

Lyndi Birkhead
12/3/25

December 11, 2025

AGENDA ITEM NO. 3

SUBJECT: Review the Agency's Financial Statements.

DISCUSSION: This agenda item is to approve the Agency's financial statements and receive the report of the external auditor and management letter comments, if any.

At the Board meeting scheduled for 12/11, a resolution will be proposed to accept the audited financial statements into the corporate record of the Agency.

BACKUP MATERIAL: TMPA's Audited Financial Statements
Forvis Mazars' Report to the Audit & Budget Committee and Management

ACTION REQUESTED: Approve the financial statements, and direct Staff to present them at the 12/11 Board meeting.

Lyndi Birkhead
12/3/25

Texas Municipal Power Agency
Independent Auditor's Report and Financial Statements

For the Years Ended September 30, 2025 and 2024

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FINANCIAL SECTION

Forvis Mazars, LLP
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Dallas, TX 75254
P 972.702.8262 | F 972.702.0673
forvismazars.us

Independent Auditor's Report

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

Opinion

We have audited the financial statements of Texas Municipal Power Agency (TMPA), as of and for the years ended September 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise TMPA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of TMPA, as of September 30, 2025 and 2024, and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TMPA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about TMPA's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise TMPA's basic financial statements. The combining statement of revenues, expenses and changes in net position is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining statement of revenues, expenses and changes in net position is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Forvis Mazars, LLP

Dallas, Texas
November 25, 2025

Texas Municipal Power Agency
Management's Discussion and Analysis ("MD&A")
For the Years Ended September 30, 2025 and 2024
(Unaudited)

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

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

Financial and Operational Highlights for Fiscal Year Ended September 30, 2025

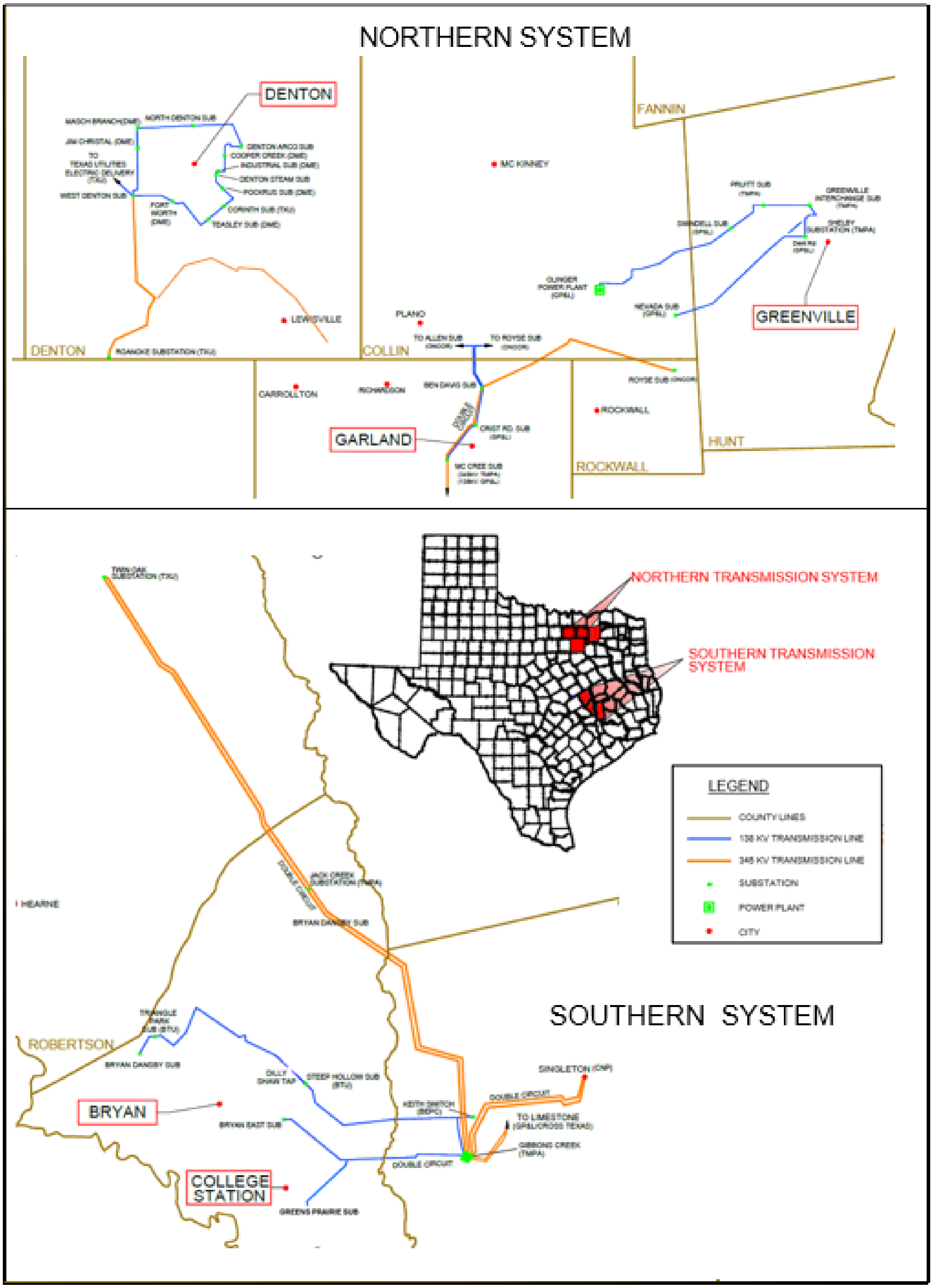
After 36 years of productive operations, a notification to ERCOT was made to remove Gibbons Creek from the ERCOT system. Thereafter, Gibbons Creek was removed from the ERCOT system, effective October 30, 2019. On February 10, 2021, Gibbons Creek was sold, and all decommissioning/environmental remediation liability transferred to the new owner. Since that time, TMPA and an appointed Environmental Designee have monitored the progress of the buyer's remediation activities pursuant to the Asset Purchase Agreement ("APA").

As of the end of FY 2025, the total of mined land remaining under a reclamation bond is 28 acres (4 acres at Seep 1A and 24 acres at Seep 9A). TMPA is in the process of filing a request for final bond release on these 28 acres. On December 21, 2021, approximately 11,000 acres of the mine property was sold. It is anticipated that the remaining 723 acres will be sold within the next couple of years.

TMPA has approximately 332 circuit miles of transmission lines (both 345kV and 138kV), 10 substations, and maintains additional transmission assets within jointly-owned transmission stations. TMPA is a registered Transmission Owner in ERCOT and is represented in various technical working groups which support the ongoing operation of the ERCOT grid. A map of the TMPA transmission system can be found on the following page.

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

Effective September 1, 2016, TMPA and the Member Cities entered into a Joint Operating Agreement ("JOA") addressing ownership, operational, and contractual issues associated with TMPA following the expiration of the Power Sales Contract ("PSC"). The PSC expired as to the City of Greenville on September 1, 2018 and expired as to the remaining Cities on September 30, 2018. Unless terminated earlier through the mutual consent of all parties, the JOA remains in effect until TMPA is dissolved.


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

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

	September 30, 2025	September 30, 2024	September 30, 2023
Assets			
Assets			
Current Assets			
Current Unrestricted Assets	$ 23,512	$ 22,510	$ 23,730
Current Restricted Assets	1,332	980	980
Total Current Assets	24,844	23,490	24,710
Noncurrent Assets, Net			
Electric Transmission Plant	208,252	192,419	176,406
Other Assets	11,259	9,183	9,089
Total Noncurrent Assets	219,511	201,602	185,495
Total Assets	$ 244,355	$ 225,092	$ 210,205
Liabilities, Deferred Inflows of Resources, and Net Position (Deficit)			
Liabilities			
Current Liabilities			
Current Liabilities	$ 32,941	$ 30,443	$ 24,244
Total Current Liabilities	32,941	30,443	24,244
Noncurrent Liabilities			
Long-Term Debt	218,584	199,737	202,668
Noncurrent Liabilities Other Than Debt	2,735	2,873	2,983
Total Noncurrent Liabilities	221,319	202,610	205,651
Total Liabilities	254,260	233,053	229,895
Deferred Inflows of Resources			
Deferred Gain on Refunding	4,864	5,190	5,516
Total Deferred Inflows of Resources	4,864	5,190	5,516
Net Position (Deficit)			
Net Investment in Capital Assets	(21,648)	(24,251)	(32,018)
Unrestricted	6,879	11,100	6,812
Total Net Position (Deficit)	(14,769)	(13,151)	(25,206)
Total Liabilities, Deferred Inflows of Resources, and Net Position (Deficit)	$ 244,355	$ 225,092	$ 210,205

Statements of Net Position Information
Explanations of Significant Variances Between FY 2024 and FY 2025

Current Unrestricted Assets increased $1.0 million (5%) due primarily to a higher cash balance in the operating account at TexPool at year-end partially offset by lower accounts receivable (both impacted by the timing of a TXDOT reimbursable project).

Current Restricted Assets increased $0.4 million (36%) due primarily to the issuance of the Series 2025 refunding bonds.

Electric Transmission Plant increased by $15.8 million (8%) due primarily to a significant amount of transmission asset additions during the year.

Other Assets increased by $2 million (22%) due primarily to the issuance of the Series 2025 refunding bonds, which established a Reserve Fund.

Current Liabilities increased $2.5 million (8%) due primarily to higher accrued distributions to the Member Cities and the issuance of the Series 2025 refunding bonds partially offset by lower accounts payable at year-end ($11.8 million invoice from the City of Garland accrued in FY 2024 compared to $7.8 million in FY 2025).

Long-Term Debt increased $18.8 million (9%) due to the issuance of the Series 2025 refunding bonds.

Net Position (Deficit) decreased by $1.6 million (12%). Net position is comprised of two components: net investment in capital assets and unrestricted. The increase in the net deficit is primarily related to distributions to the Member Cities.

Statements of Net Position Information
Explanations of Significant Variances Between FY 2023 and FY 2024

Current Unrestricted Assets decreased $1.2 million (5%) due primarily to a lower cash balance in the operating account at TexPool at year-end partially offset by higher accounts receivable (both impacted by the timing of a TXDOT reimbursable project).

Electric Transmission Plant increased by $16.0 million (9%) due primarily to a significant amount of transmission asset additions during the year.

Current Liabilities increased $6.2 million (26%) due primarily to higher accounts payable at year-end ($11.8 million invoice from Garland accrued in FY 2024) partially offset by lower accrued distributions to the Member Cities.

Net Position (Deficit) improved by $12.1 million (48%). Net position is comprised of two components: net investment in capital assets and unrestricted. The improvement is primarily related to capital contributions and an overall reduction in distributions to members.

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

	For the Years-Ended September 30, 2025	2024	2023
Operating Revenues			
Member City Billings	$ 813	$ 1,204	$ 1,933
Transmission Revenues	35,579	35,687	32,947
Other Operating Revenues	-	-	9
Total Operating Revenues	36,392	36,891	34,889
Operating Expenses			
Production - Operation and Maintenance	561	744	990
Transmission - Operation and Maintenance	4,954	6,978	4,133
Administrative and General	2,172	2,264	2,303
Depreciation Expense	6,134	5,742	8,746
Total Operating Expenses	13,821	15,728	16,172
Income from Operations	22,571	21,163	18,717
Other Income			
Investment Revenue	851	1,007	806
Capital Contributions	423	5,014	-
Gain on sale of capital assets	60	-	-
Miscellaneous Other Income, Net	103	644	115
Total Other Income	1,437	6,665	921
Interest Charges			
Interest Expense	6,059	4,835	4,490
Total Interest Charges	6,059	4,835	4,490
Impact of Regulatory Assets on Change in Net Position	(109)	(400)	(167)
Net Revenues before Distributions	17,840	22,593	14,981
Distributions to Member Cities	(19,458)	(10,538)	(16,221)
Change in Net Position before Gain on Sale of Mine	(1,618)	12,055	(1,240)
Gain on Sale of Mine	-	-	16
Change in Net Position (Deficit)	(1,618)	12,055	(1,224)
Net Position (Deficit)			
Beginning Balance	(13,151)	(25,206)	(23,982)
Ending Balance	$ (14,769)	$ (13,151)	$ (25,206)

Statements of Revenues, Expenses, and Changes in Net Position
Explanations of Significant Variances Between FY 2024 and FY 2025

Member City Billings decreased $0.4 million (32%) due to lower demand charges as activity at the former plant and mine sites continue to decline.

Production – Operations and Maintenance decreased $0.2 million (25%) due primarily to the winding down of activity at the former plant and mine sites.

Transmission – Operations and Maintenance decreased $2.0 million (29%) due primarily to large, out of the ordinary activity in fiscal year 2024: the moving and reinstallation of the Agency's spare transformer, purchases of materials needed for timely maintenance (due to long lead times), and unplanned transformer maintenance.

Capital Contributions decreased $4.6 million (92%) due primarily to reimbursement requested in FY 2024 for a TXDOT project**.**

Miscellaneous Other Income (Expense) decreased $0.5 million (84%) due primarily to the sale of environmental credits in November and December 2023.

Interest Expense on Debt increased $1.2 million (25%) due to the issuance of the Series 2025 refunding bonds.

Impact of Regulatory Assets on Change in Net Position decreased $0.3 million (73%) due primarily to changes in the Mine reclamation liability and recoveries and Other Post-Employment Benefits.

Distributions to Member Cities increased $8.9 million (85%) due primarily to the timing of a TXDOT reimbursable project (costs incurred in FY 2024; however, TXDOT did not reimburse until January 2025, at which time those funds were distributed to the Member Cities).

Statements of Revenues, Expenses, and Changes in Net Position
Explanations of Significant Variances Between FY 2023 and FY 2024

Member City Billings decreased $0.7 million (38%) due primarily to lower demand charges as activity at the former plant and mine sites continue to decline.

Transmission Revenues increased $2.7 million (8%) due to the extraordinarily high 2023 Four Coincident Peak (4CP) driven by load growth in the ERCOT market as well as weather conditions, which both impact revenues for Transmission Service Providers (TSPs).

Production – Operations and Maintenance decreased $0.2 million (25%) due primarily to the winding down of activity at the former plant and mine sites.

Transmission – Operations and Maintenance increased $2.8 million (69%) due primarily to the moving and reinstallation of the Agency's spare transformer, the institution of an equipment painting program, the planned purchases of materials needed for timely maintenance (due to long lead times), and unplanned transformer maintenance.

Depreciation Expense decreased $3.0 million (34%) due to the original transmission assets, placed in-service in 1983, becoming fully depreciated as of September 30, 2023.

Investment Revenue increased $0.2 million (25%) due to higher interest rates throughout FY 2024.

Capital Contributions increased $5.0 million (100%) due primarily to reimbursement requested in FY 2024 for a TXDOT project.

Miscellaneous Other Income (Expense) increased $0.5 million (459%) due to the sale of environmental credits in November and December 2023.

Impact of Regulatory Assets on Change in Net Position increased $0.2 million (140%) due primarily to changes in the Mine reclamation liability and recoveries and Other Post-Employment Benefits.

Distributions to Member Cities decreased $5.7 million (35%) due primarily to the timing of a TXDOT reimbursable project (costs incurred in FY 2024; however, TXDOT did not reimburse by the end of the fiscal year).

BASIC FINANCIAL STATEMENTS

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

Assets

	September 30, 2025	September 30, 2024
Assets		
Current Assets		
Current Unrestricted Assets		
Cash and Cash Equivalents	$ 16,099	$ 10,692
Accounts Receivable and Other	5,164	5,593
Intergovernmental Receivable	433	4,237
Asset Held for Sale	935	935
Mine Escrow Holdback	208	514
Prepaids	673	539
Total Current Unrestricted Assets	23,512	22,510
Current Restricted Assets		
Cash and Cash Equivalents	1,332	980
Total Current Restricted Assets	1,332	980
Total Current Assets	24,844	23,490
Noncurrent Assets		
Electric Transmission Plant		
In Service	361,941	343,169
Less Accumulated Depreciation	(156,754)	(156,632)
Total Net Plant	205,187	186,537
Construction Work in Progress	3,065	5,882
Total Electric Transmission Plant	208,252	192,419
Other Assets		
Restricted Cash and Cash Equivalents	8,239	6,053
Railroad Commission Mine Bonding	1,600	1,600
Regulatory Assets	1,420	1,530
Total Other Assets	11,259	9,183
Total Noncurrent Assets	219,511	201,602
Total Assets	$ 244,355	$ 225,092

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

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

Liabilities and Net Position

	September 30, 2025	September 30, 2024
Liabilities		
Current Liabilities		
Current Maturities of Revenue Bonds	$ 7,950	$ 6,980
Accrued Interest Payable	607	577
Accounts Payable	8,447	12,400
Accrued Distribution to Member Cities	15,339	9,874
Accrued Compensation and Fringe Benefits	108	151
Accrued Mine Reclamation Cost	490	461
Total Current Liabilities	32,941	30,443
Noncurrent Liabilities		
Long-Term Debt		
Revenue Bonds	204,405	161,005
Unamortized Premium	7,579	5,632
Tax Exempt Commercial Paper	6,600	33,100
Total Long-Term Debt	218,584	199,737
Payable to Member Cities Related to Mine Bonding	1,600	1,600
Other Employee Retirement Benefits	931	1,069
Accrued Mine Escrow	204	204
Total Other Long-Term Obligations	2,735	2,873
Total Noncurrent Liabilities	221,319	202,610
Total Liabilities	254,260	233,053
Deferred Inflows of Resources		
Deferred Gain on Refunding	4,864	5,190
Total Deferred Inflows of Resources	4,864	5,190
Net Position (Deficit)		
Net Investment in Capital Assets	(21,648)	(24,251)
Unrestricted	6,879	11,100
Total Net Position (Deficit)	(14,769)	(13,151)
Total Liabilities, Deferred Inflows of Resources, and Net Position (Deficit)	$ 244,355	$ 225,092

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

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

	For the Years Ended September 30, 2025	2024
Operating Revenues		
Member City Billings	$ 813	$ 1,204
Transmission Revenues	35,579	35,687
Total Operating Revenues	36,392	36,891
Operating Expenses		
Production - Operation and Maintenance	561	744
Transmission - Operation and Maintenance	4,954	6,978
Administrative and General	2,172	2,264
Depreciation Expense	6,134	5,742
Total Operating Expenses	13,821	15,728
Income from Operations	22,571	21,163
Other Income		
Investment Revenue	851	1,007
Capital Contributions	423	5,014
Gain on Sale of Capital Assets	60	-
Miscellaneous Other Income, Net	103	644
Total Other Income	1,437	6,665
Interest Charges		
Interest Expense	6,059	4,835
Total Interest Charges	6,059	4,835
Impact of Regulatory Assets on Change in Net Position	(109)	(400)
Net Revenues before Distributions	17,840	22,593
Distributions to Member Cities	(19,458)	(10,538)
Change in Net Position (Deficit)	(1,618)	12,055
Net Position (Deficit)		
Beginning Balance	(13,151)	(25,206)
Ending Balance	$ (14,769)	$ (13,151)

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

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

	For Years Ended September 30, 2025	For Years Ended September 30, 2024
Cash Flows from Operating Activities		
Cash Received from Member City Billings	$ 813	$ 1,204
Cash Received from Transmission Sales	36,009	34,112
Cash Received from Other Revenues	103	643
Cash Paid to Suppliers	(7,129)	(9,181)
Cash Paid to Employees	(1,013)	(1,087)
Net Cash Provided by Operating Activities	28,783	25,691
Cash Flows from Non-Capital and Related Financing Activities		
Distribution to Member Cities for Environmental Credits	-	(558)
Refunds to Member Cities for Seep Project	-	(176)
Net Cash Used for Non-Capital and Related Financing Activities	-	(734)
Cash Flows from Capital and Related Financing Activities		
Proceeds from Issuance of Debt	83,124	5,200
Proceeds from Selling Assets to City of Bryan	3,578	-
Purchased Assets from City of Bryan	(2,260)	-
Construction Work in Progress	(26,964)	(10,175)
Payment of Principal on Debt	(10,280)	(6,780)
Payment to escrow agent for refunding bonds	(52,000)	-
Debt Issuance Costs Paid	(570)	-
Interest Paid on Debt	(6,811)	(6,325)
Refunds to Member Cities	(13,687)	(15,113)
Cash Received for Capital Contributions	4,182	777
Net Cash Used for Capital and Related Financing Activities	(21,688)	(32,416)
Cash Flows from Investing Activities		
Interest and Dividends on Investments	850	1,008
Net Cash Provided by Investing Activities	850	1,008
Net Increase (Decrease) in Cash and Cash Equivalents	7,945	(6,451)
Beginning Cash and Cash Equivalents Balance, including restricted cash and cash equivalents	17,725	24,176
Ending Cash and Cash Equivalents Balance, including restricted cash and cash equivalents	$ 25,670	$ 17,725

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

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

	For Years Ended September 30,	
	2025	**2024**
Income From Operations	$ 22,571	$ 21,163
Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities:		
Depreciation Expense	6,134	5,742
Change in Accounts Receivables	296	(1,592)
Change in Accrued Mine Reclamation Cost	29	(114)
Change in Accounts Payable	(307)	(186)
Change in Accrued Compensation and Fringe Benefits	(43)	35
Miscellaneous Non-Operating Activities	103	643
	6,212	4,528
Total	$ 28,783	$ 25,691

Supplemental Cash Flows Information

Capital invoices totaling $8,012,197 and $11,796,631 are included in accounts payable at September 30, 2025 and 2024, respectively.

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

TEXAS MUNICIPAL POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

Texas Municipal Power Agency
Notes to Financial Statements

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1. General

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

The Agency is governed by a Board of Directors made up of two representatives from each Member City and is empowered to plan, finance, acquire, construct, own, operate, and maintain facilities to be used in the business of generation and sale of electric energy to the Member Cities, and in the provision of wholesale transmission services in the Electric Reliability Council of Texas ("ERCOT").

In September 1976, TMPA entered into identical Power Sales Contracts (the "Contract") with each of the Cities for the purpose of obtaining for the Cities the economic advantages of jointly financing, constructing, and operating large electric generating units and related facilities to supply the Cities' future energy needs. Under the Contract, the Cities were required to pay, for the benefits received or to be received by them from such activities, an amount sufficient to pay TMPA's operating and maintenance expenses and TMPA's debts.

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

Effective June 24, 2010, the Contract was amended to enable TMPA to issue debt secured by transmission revenues ("Transmission Debt"). Transmission Debt issued prior to September 1, 2018, was to be secured by Net Revenues until September 1, 2018, and solely by transmission revenues thereafter. Transmission Debt issued after September 1, 2018, must be secured solely by transmission revenues. On August 30, 2010, pursuant to the amendment to the Contract, TMPA issued its first series of Transmission Debt. The final maturity date of such series of Transmission Debt was September 1, 2040. Two additional series of Transmission Debt, one of which is a revolving note program, were issued on December 1, 2017. On July 29, 2021, TMPA issued an additional series of Transmission Debt. Proceeds from this series were used to refund the two previously issued series of long-term Transmission Debt and a portion of the revolving note program. On November 2, 2022, and on October 28, 2024, TMPA adopted new revolving note programs to refund and replace the previous revolving note programs. On July 31, 2025, TMPA issued an additional series of Transmission Debt. Proceeds from this series were used to refund a portion of the revolving note program.

The term of the Contract was for a period of 35 years from September 1, 1976, or until all bonds and certain other indebtedness of the Agency were paid, whichever occurred later. On September 1, 2018, the "Debt Discharge Date" occurred, i.e., the date on which all Generation Debt of TMPA was paid off. On this date, the Contract expired as to the City of Greenville, but was extended by, and only as to, the cities of Bryan, Denton, and Garland pursuant to the Joint Operating Agreement, discussed below, to September 30, 2018. As of September 30, 2018, the Contract had expired as to all four Cities.

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

Until September 18, 2018, TMPA operated the Gibbons Creek Steam Electric Station ("GCSES"), a coal-fired generating plant located in Grimes County, Texas with a net generating capability of 470 megawatts. The plant began commercial operation on October 1, 1983. On June 6, 2019, the TMPA Board of Directors voted to permanently retire GCSES. On February 10, 2021, pursuant to an Asset Purchase Agreement ("APA"), TMPA sold GCSES to Gibbons Creek Environmental Redevelopment Group ("GCERG"). Under the APA, GCERG is responsible for the decommissioning and environmental remediation of GCSES.

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

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

Regulation

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

2. Summary of Significant Accounting Policies

System of Accounts

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred inflows of resources, and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Measurement Focus, Basis of Accounting, and Basis of Presentation

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

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

Accounting and Financial Reporting

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

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

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

GASB Pronouncements Effective in FY 2025

In June 2022, GASB issued Statement No. 101 ("GASB 101"), *Compensated Absences*. The statement was issued to meet the needs of financial statement users by updating the recognition and measurement guidance for compensated absences. GASB 101 is effective for the fiscal year ended September 30, 2025; however, implementation had no impact on the Agency's beginning of year net position.

In December 2023, GASB issued Statement No. 102 ("GASB 102"), *Certain Risk Disclosures*. The statement required governments to disclose information about certain concentrations or constraints that could affect services provided or the ability to meet obligations as they come due. GASB 102 is effective for the fiscal year ended September 30, 2025; however, implementation had no impact on the Agency's beginning of year net position.

GASB Pronouncements Effective in FY 2024

In June 2022, GASB issued Statement No. 100 ("GASB 100"), *Accounting Changes and Error Corrections.* 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. GASB 100 was effective for the fiscal year ended September 30, 2024; however, implementation had no impact on the Agency.

GASB Pronouncements Issued but Not Yet Effective

In April 2024, GASB issued Statement No. 103, ("GASB 103"), *Financial Reporting Model Improvements*, which will be effective for the Agency's September 30, 2026 year-end. The objective of GASB 103 is to improve key components of the financial reporting model to enhance effectiveness in providing information that is essential for decision-making and assessing an entity's accountability. The Agency is in the process of determining the impact of this statement on its financial reporting.

In September 2024, GASB issued Statement No. 104, ("GASB 104"), *Disclosure of Certain Capital Assets*, which will be effective for the Agency's September 30, 2026 year-end. The objective of GASB 104 is to provide users of government financial statements with essential information about certain types of capital assets. GASB 104 requires certain types of capital assets to be disclosed separately in the capital assets note disclosures and requires additional disclosures for capital assets held for sale. The Agency is in the process of determining the impact of this statement on its financial reporting.

Accounts Receivable

TMPA reports transmission accounts receivable for services rendered at net realizable amounts from third-party payors. TMPA provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions. For the years ended September 30, 2025 and 2024, no allowance was deemed necessary.

Transmission Electric Plant

Electric transmission plant is stated at historical cost. Donated capital assets are recorded at acquisition value. Upon retirement of the electric transmission plant, the original cost thereof and the cost of removal, less salvage, are charged to accumulated depreciation. The Agency's capitalization policy requires expenditures exceeding $50,000 that are capital in nature and that have a useful life greater than one year to be capitalized.

Electric plant components, net of accumulated depreciation as of September 30, 2025 and 2024 are as follows (in thousands):

Summary of Additions, Less Transfers and Retirements to Plant

	Oct. 1, 2024	Additions	Transfers	Retirements /Disposals	Sept. 30, 2025
Electric Transmission Plant					
Transmission	$ 342,257	$ 2,305	$ 29,672	$ (13,235)	$ 360,999
Intangible Assets	912	-	30	-	942
Total Electric Transmission Plant	343,169	2,305	29,702	(13,235)	361,941
Accumulated Depreciation					
Transmission	(156,632)	(6,134)	(3,705)	9,717	(156,754)
Total Accumulated Depreciation	(156,632)	(6,134)	(3,705)	9,717	(156,754)
Construction Work in Progress	5,882	23,180	(25,997)	-	3,065
Total Electric Transmission Plant, Net of Accumulated Depreciation	$ 192,419	$ 19,351	$ -	$ (3,518)	$ 208,252

	Oct. 1, 2023	Additions	Transfers	Retirements /Disposals	Sept. 30, 2024
Electric Transmission Plant					
Transmission	$ 323,889	$ -	$ 18,576	$ (208)	$ 342,257
Other	2,725	-	-	(2,725)	-
Intangible Assets	912	-	-	-	912
Total Electric Transmission Plant	327,526	-	18,576	(2,933)	343,169
Accumulated Depreciation					
Transmission	(151,098)	(5,742)	-	208	(156,632)
Other	(2,725)	-	-	2,725	-
Total Accumulated Depreciation	(153,823)	(5,742)	-	2,933	(156,632)
Construction Work in Progress	2,703	21,755	(18,576)	-	5,882
Total Electric Transmission Plant, Net of Accumulated Depreciation	$ 176,406	$ 16,013	$ -	$ -	$ 192,419

Depreciation

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

Annual depreciation provisions expressed as a percentage of average depreciable plant were approximately 1.7% and 1.8% in fiscal years 2025 and 2024, respectively. During fiscal years 2025 and 2024, depreciation expense was $6,133,704 and $5,741,665, respectively.

Investments

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

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

Charges

TMPA’s charges billed to the Cities are designed to cover annual costs as defined in the Resolutions and the Joint Operating Agreement. In general, costs are defined to include TMPA’s costs of operations (except for depreciation and amortization). It is the Agency’s practice to budget approximately 1.26 times debt service requirements. The charges are set by the Board of Directors annually and are required to be reviewed on an annual basis. TMPA’s practice is to periodically distribute excess funds to the Cities after ensuring that debt service coverage requirements are met, and certain reserves are maintained.

Revenues

Revenues are based on a fixed amount established for the fiscal year, which is recognized ratably throughout the year. Beginning September 1, 2018, in accordance with the Joint Operating Agreement, these fixed costs are charged separately by business unit: Generation, Transmission, and Mine. Transmission revenues are determined by the PUCT annually based on regulatory filings and are recognized ratably throughout the year by the Agency.

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

Capital Contributions

Capital assets received from third parties who constructed and/or made improvements to the Agency's Transmission system are classified as capital contributions. These funds are recognized at acquisition value in the year in which they are received. Additionally, grants/contracts received from governmental entities that are used for capital additions are also recorded as capital contributions as eligible costs are incurred. During fiscal year 2024, the Agency requested reimbursement of (in thousands) $4,237 in relation to a TXDOT project, which was recorded as an intergovernmental receivable in the accompanying Statements of Net Position. TMPA received 90% payment in fiscal year 2025, leaving $424 (in thousands) as a receivable as of year-end. Also in fiscal year 2025, there were capital contributions of (in thousands) $44, $369, and $10, with only the $10 remaining as a receivable at year-end.

Regulatory Assets

TMPA is subject to the accounting requirements of GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. Accordingly, certain costs may be capitalized as regulatory assets that would otherwise be charged to expense. Such regulatory assets are recorded when it is probable that future revenue in an amount at least equal to the capitalized costs will result from inclusion of those costs in future rates. Types of costs deferred include other postemployment benefits. Estimated mine reclamation costs will be recovered through fiscal budget components.

Debt-Related Costs

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

Statements of Cash Flows

The Agency considers all highly liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2025 and 2024, cash equivalents include amounts held at TexPool.

Net Position

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

Unrestricted net position is comprised of those assets and liabilities that do not meet the definition of "restricted" or "net investment in capital assets."

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

3. Restricted Assets

Restricted assets include those assets comprising the Bond and Reserve funds, which are principally established and maintained pursuant to the Resolutions. Transmission System Revenue Refunding Bond Fund (Series 2021 Bonds) assets are for use in paying the interest and principal of outstanding Series 2021 Bonds. Transmission System Revenue Refunding Bond and Reserve Fund (Series 2025 Bonds) assets are for use in paying the interest and principal of outstanding Series 2025 Bonds.

Restricted assets also include the Indemnity Reserve Account, held in escrow, as required by Section 6.5 of the JOA. The purpose of these assets is to fund TMPA's defense and indemnity obligations to the Member Cities under Section 6.3 of the JOA.

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

Fund Type:	**2025**	**2024**
Transmission System Revenue Refunding Bond Fund (Series 2021 Bonds)	$ 1,689	$ 1,476
Transmission System Revenue Refunding Bond Fund (Series 2025 Bonds)	301	-
Reserve Fund (Series 2025 Bonds)	1,756	-
FAB Revenue Account	-	39
Indemnity Reserve Account	5,764	5,518
Total Funds	$ 9,510	$ 7,033

4. Investments

As of September 30, 2025 and 2024, the Agency's portfolio is invested in the Texas Local Government Investment Pool ("TexPool"), a local government investment pool, and a money market account. These investments are stated at amortized cost. Balances maintained at TexPool as of September 30, 2025 and 2024 were (in thousands) $18,989 and $11,254, respectively and are included in both unrestricted and restricted cash and cash equivalents in the accompanying statements of net position. Balances held in money markets as of September 30, 2025 and 2024, were (in thousands) $5,764 and $5,518, respectively.

TexPool is not managed by the Agency and the Agency does not possess securities that exist in either physical or book entry form. Under the Texas Public Funds Investment Act, government investment pools must maintain an AAA or equivalent rating from at least one nationally recognized rating agency. Standard & Poor's currently rates TexPool AAAm.

Interest Rate Risk

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

Credit Risk and Concentration of Credit Risk

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

Custodial Risk

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

Deposits

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

As of September 30, 2025 and 2024, TMPA had recorded cash deposits of $0.86 million and $0.95 million, respectively. Bank statement balances as of September 30, 2025 and 2024, were $1.00 million and $1.06 million, respectively, with the differences being comprised of outstanding checks and deposits in transit.

5. Long-Term Debt

The Agency's long-term debt consists of the following at September 30, 2025 and 2024 (in thousands):

	Outstanding October 1, 2024	Issued/ Increased	Redeemed/ Decreased	Accretion/ Amortization Premium/ Discount	Outstanding September 30, 2025	Principal Due Within One Year
Revenue Bonds Series						
2021	$ 173,617	$ -	$ (6,980)	$ (991)	$ 165,646	$ 7,190
2025	-	54,324	-	(36)	54,288	760
Total Revenue Bonds	173,617	54,324	(6,980)	(1,027)	219,934	7,950
Series "A" Revolving Notes	33,100	28,800	(55,300)	-	6,600	-
Total Long-term Debt	$ 206,717	$ 83,124	$ (62,280)	$ (1,027)	$ 226,534	$ 7,950

	Outstanding October 1, 2023	Issued/ Increased	Redeemed/ Decreased	Accretion/ Amortization Premium/ Discount	Outstanding September 30, 2024	Principal Due Within One Year
Revenue Bonds Series						
2021	$ 181,548	$ -	$ (6,780)	$ (1,151)	$ 173,617	$ 6,980
Total Revenue Bonds	181,548	-	(6,780)	(1,151)	173,617	6,980
Series "A" Revolving Notes	27,900	5,200	-	-	33,100	-
Total Long-term Debt	$ 209,448	$ 5,200	$ (6,780)	$ (1,151)	$ 206,717	$ 6,980

Revenue Bonds outstanding, as of September 30, 2025 and 2024, respectively, are (in thousands):

Series	Current Amount Outstanding 2025	Long-Term Amount Outstanding 2025	Maturity From	Maturity To	Range of Interest Rates From	Range of Interest Rates To	Earliest Redemption Date
2021	$ 7,190	$ 153,815	2021	2051	2.000	3.000	2024
2025	760	50,590	2025	2055	5.000	5.500	2034
Total	$ 7,950	$ 204,405					

Series	Current Amount Outstanding 2024	Long-Term Amount Outstanding 2024	Maturity From	Maturity To	Range of Interest Rates From	Range of Interest Rates To	Earliest Redemption Date
2021	$ 6,980	$ 161,005	2021	2051	2.000	3.000	2024
Total	$ 6,980	$ 161,005					

Debt service requirements for the revenue bonds for the next thirty years as of September 30, 2025, are as follows (in thousands):

Year	Principal	Interest	Total
2026	$ 7,950	$ 7,302	$ 15,252
2027	8,200	7,048	15,248
2028	8,465	6,786	15,251
2029	8,735	6,515	15,250
2030	9,010	6,236	15,246
2031 - 2035	49,430	26,830	76,260
2036 - 2040	57,320	18,928	76,248
2041 - 2045	24,550	11,752	36,302
2046 - 2050	22,405	6,898	29,303
2051 - 2055	16,290	2,578	18,868
	212,355	$ 100,873	$ 313,228
Unamortized Premium	7,579		
Total	$ 219,934		

On December 1, 2017, TMPA issued an initial installment of $10,100,000 of Subordinated System Net Revenue/Transmission Revenue Converting Security Direct Purchase Revolving Notes, Series A Notes. Proceeds from this issuance were used to pay for ongoing Transmission projects that had not yet been placed in service. On August 1, 2018, August 1, 2019, and August 4, 2020, TMPA issued additional installments of $9,400,000, $3,900,000, and $7,700,000, respectively. As part of the issuance of the Series 2021 Bonds, discussed below, $30,000,000 of the Series A Notes were refunded on July 29, 2021. On August 10, 2021, November 24, 2021, and August 25, 2022, TMPA issued additional installments of $8,300,000, $5,000,000, and $8,700,000, respectively. On November 2, 2022, upon expiration of the previous agreement, TMPA entered into a similar agreement with a different bank. All outstanding Notes at that time remained outstanding, and capacity remained at $60,000,000. On August 29, 2023 and September 26, 2024, TMPA issued additional installments of $4,800,000 and $5,200,000, respectively. On October 28, 2024, upon expiration of the previous agreement, TMPA entered into a similar agreement with a different bank. All outstanding Notes at that time remained outstanding, and capacity remained at

$60,000,000. On October 24, 2024 and June 12, 2025, TMPA issued additional installments of $11,800,000 and $11,600,000, respectively. With the issuance of the Series 2025 Bonds, discussed below, $52,000,000 of the Series A Notes were refunded on July 31, 2025. On August 28, 2025, TMPA paid down $3,300,000 of the Series A Notes. On September 29, 2025, TMPA issued an additional installment of $5,400,000. With capacity of $60,000,000, TMPA will continue to issue the Series A Notes as funds are necessary for future Transmission projects.

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

On July 31, 2025, TMPA issued $51,350,000 of Transmission Refunding Bonds, Series 2025. These bonds were issued at a premium of $2,973,894. Proceeds from this issuance were used to refund $52 million of the Series A Notes. The Series 2025 Bonds are secured by a pledge of net revenues of the Agency's transmission system.

The Series 2021 and Series 2025 Bonds are subject to optional redemption prior to their scheduled maturity dates of September 30, 2051 and September 30, 2055, respectively, subject to stated call premiums. Principal payments are due on September 1 each year. Interest payments are due on March 1 and September 1 each year.

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

6. Employee Benefit Plans

Defined Contribution Plan

TMPA has a single employer defined contribution retirement plan covering all full-time employees which requires TMPA to contribute an amount equal to 10% of gross wages to a third-party trustee for the benefit of plan participants (the “Plan”). Chapter 810, Government Code, and other state laws relating to political subdivisions such as the Agency, authorize the establishment and amendment of a pension plan by the Agency’s Board of Directors. The Plan is administered by the TMPA Employees Pension Plan Administrative Committee and Charles Schwab serves as the trustee. Employees may contribute, on a voluntary basis, an additional amount up to 50% of earnings. Employees direct both their employer and employee investments based on investment options available to them in the Plan. Vesting, with respect to employer contributions, is based on years of continuous service where participants become vested at 20% per year of credited service up to 100%. Beginning October 1, 2017, the Plan was amended to vest participants at 100% when they voluntarily sever service. Participants are immediately vested in their voluntary contributions plus actual earnings thereon.

Membership in the plan was 29 and 33 participants as of September 30, 2025 and 2024, respectively.

Retirement plan costs for 2025 and 2024 were as follows (in thousands):

		2025	%		2024	%
Agency's Total Payroll	$	869	-	$	951	-
Agency's Covered Payroll	$	828	100%	$	910	100%
Agency's Contribution	$	83	10%	$	91	10%
Employee's Contribution	$	6	0.7%	$	12	1.4%

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

Deferred Compensation Plan

In November 1997, the Board of Directors adopted an Internal Revenue Code Section 457 deferred compensation plan for Agency employees. This plan is in the form of the ICMA/Mission Square Retirement Corporation Deferred Compensation Plan and Trust and is administered by the ICMA/Mission Square Retirement Corporation. The funds held under this plan are invested in the ICMA/Mission Square Retirement Trust; a trust established by public employers for the collective investment of funds held under their retirement and deferred compensation plans. Employees may contribute up to 100% of pre-deferral taxable income to a maximum of $23,500 and $23,000 for calendar years 2025 and 2024, respectively. A "catch-up" provision, which allows an additional contribution of $7,500 and $7,500 for 2025 and 2024, respectively, is available for employees over 50 years of age. A "super catch-up" provision, which allows an additional contribution of $3,750 for 2025 (not previously available) is available for employees aged 60 to 63 years of age. Employees direct the investment allocation, contributions, and payout option of their individual plans. For the years ended September 30, 2025 and 2024, participants numbered 5 and 4, respectively, and participant contributions were $114,445 and $53,609, respectively.

Other Postemployment Benefits

Texas Municipal Power Agency Postemployment Benefits Plan is a single employer plan that covers all full-time, regular employees. The plan is a defined benefit plan and the cost for each employee is paid on a pay-as-you-go basis. Benefits for retirees consist of medical and dental insurance coverage and are referred to as Other Postemployment Benefits (OPEB). For retiree medical, the Agency contributes a set monthly allowance to the employee and dependent, if elected, through a Retiree Health Reimbursement Account ("HRA"). Employees are eligible for normal retirement at age 65 or early retirement at age 55 with 20 years of service or age 60 with 10 years of service. The Agency does not issue a publicly available actuarial report of its plan. There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB 75.

For active employees, the Agency paid 100% of the cost of life insurance. Effective the beginning of FY 2021, TMPA no longer offers life insurance coverage for retirees. For active employees in 2025, the Agency paid 92% and 85% of the cost of employee medical and dental benefits, respectively. For active employees in 2024, the Agency paid 89% and 84% of the cost of employee medical and dental benefits, respectively. For retired employees in 2025 and 2024, the Agency paid 82% and 77% of the cost of dental benefits, respectively. As discussed above, for retiree medical, the Agency contributes a set monthly allowance to the employee and dependent, if elected, through a Retiree HRA.

A measurement date of May 1, 2025 was used for the September 30, 2025 liability and expense.
The information that follows was determined as of a valuation date of May 1, 2024.

Membership in the OPEB by membership class at May 1, 2024 are as follows:

	Medical and/or Dental
Active employees	1
Inactive employees or beneficiaries currently receiving benefits	59
Total	60

Contributions: For the years ended September 30, 2025 and 2024, the Agency contributed $88,350 and $95,675, respectively, to retirees' HRA accounts. Contributions are made on a pay as you go basis.

Actuarial Assumptions: The total OPEB liability in the May 1, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Projected salary increase	3.40%
Discount Rate	The discount rate used to measure the Total OPEB Liability as of May 1, 2025 was 5.14%. The discount rate used to measure the Total OPEB Liability as of May 1, 2024 was 4.07%.
Actuarial cost method	Entry Age Normal
Eligibility	a. Full-time regular employees who were hired prior to October 1, 1993 and are age 55 or older with at least 20 years of service at retirement. b. Full-time regular employees who are both age 60 or older and have at least 10 years of service as of October 1, 2016. c. Employees not meeting a. or b. are not eligible for retiree benefits (medical, dental, or life insurance).
Mortality	<u>Pre-Retirement Mortality:</u> Pri-2012 Total Dataset Employee Table projected from the 2012 base year using the Scale MP-2021 mortality improvement rates <u>Post-Retirement Mortality:</u> <u>Retired Members:</u> Pri-2012 Total Dataset Retiree Table projected from the 2012 base year using the Scale MP-2021 mortality improvement rates <u>Spouses of Retired Members:</u> Pri-2012 Total Dataset Retiree Table prior to Retired Member death and Total Dataset Contingent Survivor Table after Retired Member death projected from the 2012 base year using the Scale MP-2021 mortality improvement rates

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

Changes in the Total OPEB Liability: Changes in the total OPEB liability through the year ended September 30, 2025 were as follows:

	Increase (Decrease) Total OPEB Liability
Balance as of 9/30/24 (Based on 5/1/24 Measurement Date)	$ 1,068,983
Changes for the year:	
Interest on Total OPEB Liability	41,318
Changes in Assumptions	(71,992)
Benefit Payments	(107,634)
Net changes	(138,308)
Balance as of 9/30/25 (Based on 5/1/25 Measurement Date)	$ 930,675

Changes in the Total OPEB Liability: Changes in the total OPEB liability through the year ended September 30, 2024 were as follows:

	Increase (Decrease) Total OPEB Liability
Balance as of 9/30/23 (Based on 5/1/23 Measurement Date)	$ 1,179,255
Changes for the year:	
Interest on Total OPEB Liability	39,572
Difference Between Expected and Actual Experience	30,956
Changes in Assumptions	(64,330)
Benefit Payments	(116,470)
Net Changes	(110,272)
Balance as of 9/30/24 (Based on 5/1/24 Measurement Date)	$ 1,068,983

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates: The total OPEB liability of the Agency has been calculated using a discount rate of 5.14%. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower than the current discount rate.

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB liability	$ 997,647	$ 930,675	$ 871,561

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

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB liability	$ 918,002	$ 930,675	$ 944,966

OPEB Expense: For the years ended September 30, 2025 and 2024, the Agency recognized OPEB expense/(income), as measured in accordance with GASB Statement No. 75, of ($30,674) and $6,198, respectively.

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

Medical and Dental Benefits

The Agency's medical and dental plan is administered by large insurance companies. For active employees in 2025 and 2024, $98,609 and $110,598 was paid in medical expenses based on an average of 4 and 5 participants, respectively. Active participant medical premiums collected by the Agency in 2025 and 2024 were $7,958 and $12,230 resulting in a total cost to the Agency of $90,651 and $98,368, respectively. For retired employees in 2025 and 2024, $88,350 and $95,675, respectively, was contributed by the Agency to the retired employees and dependents, if elected, through a Retiree HRA. For active employees in 2025 and 2024, $5,484 and $5,981 was paid in dental expenses based on an average of 4 and 5 participants, respectively. Active participant dental premiums collected by the Agency in 2025 and 2024 were $844 and $970 resulting in a total cost to the Agency of $4,640 and $5,011, respectively. For retired employees in 2025 and 2024, $22,649 and $22,529 was paid in dental expenses based on an average of 22 and 23 participants, respectively. Retiree participant dental premiums collected by the Agency in 2025 and 2024 were $4,131 and $5,126 resulting in a total cost to the Agency of $18,518 and $17,403, respectively.

Vision Benefit

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

Compensated Absences

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

TMPA pays accumulated vacation upon termination, but since TMPA does not pay employees for unused accumulated PTO upon termination, no related liability is recorded. A summary of changes in accrued vacation for the years ended September 30, 2025 and 2024 is as follows (in thousands):

Fiscal Year	Beginning Liability	Vacation Accrued	Vacation Taken	Ending Liability
2025	$ 79	$ 50	$ (60)	$ 69
2024	$ 78	$ 51	$ (50)	$ 79

7. Commitments and Contingencies

A. During 1995, TMPA authorized the conversion of its fuel source from locally-mined lignite to sub-bituminous coal from the Powder River Basin ("PRB"). TMPA recorded an accrual for reclamation costs related to the lignite mine operations and updates this accrual for changes in estimates of the expected ultimate liability.

B. In connection with the Gibbons Creek Lignite Mine, TMPA is required to submit to the Texas Railroad Commission reclamation bonds to ensure that TMPA will reclaim all lands disturbed by mining operations in accordance with all applicable Federal and State laws. For this purpose, TMPA has on file with the Railroad Commission a cash bond in the amount of $1,600,000 that was funded by Member contributions and recorded as an asset (Railroad Commission Mine Bonding) and a liability (Payable to Member Cities Related to Mine Bonding) in the accompanying statements of net position. The bond will be returned to TMPA once reclamation is complete.

C. During 1999, the Texas Legislature enacted legislation, SB 7, implementing retail competition in the electric utility industry commencing on January 1, 2002. Although participation by investor-owned utilities in retail competition is required, participation by municipally owned utilities ("MOUS") is on a voluntary basis. Utilities which participate in retail competition, including MOUS which decide to participate in retail competition, are authorized to recover stranded costs, and may utilize securitization provisions contained in the legislation. Unlike investor-owned utilities, MOUS and electric cooperatives are not required to unbundle their generation functions from transmission and distribution functions into separate companies. However, same as investor-owned utilities, rates for wholesale transmission services provided by MOUS and electric cooperatives are determined by the PUCT. Rates for the use of the distribution systems of MOUS and electric cooperatives are determined by such entities. As of September 30, 2025, none of the Member Cities have elected to open their service territory to retail competition, but the respective Member Cities could determine to make such election in the future.

D. The Energy Policy Act of 2005 authorized the North American Reliability Corporation ("NERC") to promulgate transmission reliability standards which, once approved by the Federal Energy Regulatory Commission ("FERC"), are enforceable by FERC and NERC. NERC has promulgated reliability standards pursuant to this law and new standards are anticipated. FERC and NERC have enforcement powers to ensure compliance with these standards.

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

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

E. In 2016 and 2017, the Agency issued requests for proposals ("RFPs") regarding the proposed sale of the Agency's generation assets and a portion of the Agency's transmission assets. Certain proposals received in connection with the 2016 and 2017 RFPs were pursued, but negotiations were ultimately discontinued. In 2019, the Agency issued an RFP involving only the sale of generation assets. Proposals were received in August 2019, and, on February 10, 2021, TMPA sold the GCSES to one of the proposers, the Gibbons Creek Environmental Redevelopment Group, LLC ("GCERG"). The sale was pursuant to an Asset Purchase Agreement with GCERG, dated February 10, 2021 (the "APA"). Pursuant to the APA, (i) GCERG is obligated to remediate and close all Coal Combustion Residuals (CCR) units within a period of 34 months pursuant to a work schedule included in the APA and, following such closure, to perform any required post closure monitoring and care, (ii) a $28.546 million escrow fund has been established to fund in part GCERG's environmental remediation obligations ($2.855 million remains available as of September 30, 2025), (iii) a performance bond, in the amount of $36.5 million has been provided by GCERG to TMPA, to secure GCERG's performance of its remediation obligations ($32.558 million in bonding remains available as of September 30, 2025), and (iv) a $25 million pollution legal liability insurance policy has been provided by GCERG, naming TMPA and the Member Cities as additional insureds. Under the APA, TMPA is permitted to appoint an Environmental Designee. The Environmental Designee monitors the progress of GCERG's remediation activities. Equal monthly disbursements from the escrow fund were made to the purchaser to fund the purchaser's environmental remediation obligations. Now that work in the field is substantially complete, the amount remaining in escrow (10% of the original amount) will be retained in escrow until all post-closure bonds are provided by GCERG.

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

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

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

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

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

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

Unless terminated earlier through the mutual consent of all parties, the JOA remains in effect indefinitely. Effective September 1, 2016, the JOA was amended ("Amendment No. 1"). The primary purposes of the amendment were to authorize the sale of Gibbons Creek and the sale of the Southern 345 kV Transmission System, and to authorize the issuance of refunding bonds in connection with such sales. Since the sale contemplated by Amendment No. 1 did not occur, Amendment No. 1, by its own terms, ceased to have any force or effect. Effective September 22, 2017, the JOA was amended a second time ("Amendment No. 2"). The purposes of Amendment No. 2 were to: continue TMPA's authority to issue Mine Reclamation Bonds as had been contemplated in Amendment No. 1; revise the dates on which the separate budgets of the JOA became effective; authorize the Agency to sell certain mining and transmission assets, provided the sales do not exceed in value certain financial thresholds, and provided the sales comply with bond covenants; and allow for an extension to the term of the PSC, applicable only to the Cities notifying TMPA of the extension, in order to complete a period of seasonal operation in 2018, or such other period of time as desired by the notifying Cities. Pursuant to the immediately foregoing provision, the cities of Bryan, Denton, and Garland extended the PSC from September 1, 2018, to September 30, 2018, in order to complete the period of 2018 seasonal operation. The PSC expired as to the City of Greenville on September 1, 2018 and expired as to the remaining Cities on September 30, 2018. Effective September 17, 2019, the JOA was amended a third time ("Amendment No. 3"). The purposes of Amendment No. 3 were to: clarify that all Board Members may vote on matters involving the decommissioning and/or sale of GCSES; delete a requirement that TMPA obtain Member City approval of certain budget increases attributable to mine reclamation bonding; and authorize the sale of mine tracts that are under mine bonding provided a lease, easement, or other property right is reserved that would enable TMPA to complete reclamation and obtain bond release. Effective June 28, 2021, the JOA was amended a fourth time ("Amendment No. 4"). Prior to Amendment No. 4, the JOA provided that a Member City exiting the Mine Business would remain responsible for its share of the costs of the Mine Business until all mining assets were sold. Amendment No. 4 extended the duration of this obligation until a time when all obligations are discharged with respect to the Agency's mine reclamation bonds and other financial commitments providing financial security in relation to the Agency's mine reclamation responsibilities. Amendment No. 4 also permits the sale of the Mine as a whole. Prior to the Amendment, no sale of an individual Mine tract could exceed $250,000, and multiple sales in a fiscal year could not exceed $500,000. Amendment No. 4 eliminated these restrictions.

G. On July 15, 2021, the Board of Directors authorized the Gibbons Creek Lignite Mine to be sold to 3S Real Estate Investments, LLC ("3S"). On August 26, 2021, TMPA and 3S entered into a Farm and Ranch Contract to effect the sale. The sale, involving the conveyance of approximately 11,000 acres, closed on December 21, 2021, which resulted in a gain of $58 million. Following the closing, TMPA has continued to conduct mine reclamation activities pursuant to reserved access and reclamation easements, which easements will remain in effect until all bonded areas are released from bonding. As part of this transaction, TMPA entered into an Escrow Holdback Agreement under which $1.7 million was retained in escrow to account for the acreage that remained under reclamation bonding. The Agreement permits TMPA to request the release of escrow funds as acreages are released from bond by the Railroad Commission of Texas. The escrow balance as of September 30, 2025 is $208,000.

8. Related-Party Transactions

Effective September 1, 2016, TMPA and the Member Cities entered into a Joint Operating Agreement (see Note 7.F for further detail). For the years ended September 30, 2025 and 2024, 2% and 3% of total operating revenue, respectively, was attributable to the Member Cities.

The construction and maintenance of certain electric plant transmission assets are outsourced to the Cities of Garland and Denton. For the years ended September 30, 2025 and 2024, $21,968,448 and $17,504,854 of electric plant transmission assets and construction work in progress, respectively, were constructed by the City of Garland. As of September 30, 2025 and 2024, $8,087,846 and $12,172,444, respectively, was due to the City of Garland. For the years ended September 30, 2025 and 2024, $479,764 and $4,250,904 of electric plant transmission assets and construction work in progress, respectively, were constructed by the City of Denton. In fiscal year 2025, the City of Bryan began work on a project that was subsequently transferred to the City of Garland for completion as a TMPA project. For the year ended September 30, 2025, $731,535 of electric plant transmission assets and construction work in progress were constructed by the City of Bryan. As of September 30, 2025, $252,117 was due to the City of Bryan. For the years ended September 30, 2025 and 2024, 68% and 72%, respectively, of Transmission – Operation and Maintenance expense was attributable to the City of Garland. For the years ended September 30, 2025 and 2024, 2% and 3%, respectively, of Transmission – Operation and Maintenance expense was attributable to the City of Denton.

Additionally, in fiscal year 2023, the Member Cities contributed a total of $600,000 to TMPA to be utilized in addressing the seeps at the mine. Unspent amounts as of September 30, 2023 were included in cash and cash equivalents and accrued mine reclamation costs in the accompanying statements of net position. As of September 30, 2024, the seep project was completed and remaining funds were distributed back to the Member Cities.

REQUIRED SUPPLEMENTARY INFORMATION

Texas Municipal Power Agency
Required Supplementary Information
Postretirement Benefits Plan
For the Year Ended September 30, 2025

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

	Measurement Year 2025	Measurement Year 2024	Measurement Year 2023	Measurement Year 2022	Measurement Year 2021	Measurement Year 2020	Measurement Year 2019	Measurement Year 2018
Total OPEB Liability								
Service Cost	$ -	$ -	$ -	$ 1,568	$ 1,431	$ 2,738	$ 2,492	$ 2,527
Interest Cost	41,318	39,572	39,530	35,006	44,803	71,862	76,714	77,956
Changes of Benefit Terms	-	-	-	-	(157,996)	6,597	-	-
Difference Between Expected and Actual Experience of the Total OPEB Liability	-	30,956	-	(118,581)	-	(194,424)	-	(6,724)
Changes of Assumptions	(71,992)	(64,330)	(30,561)	(98,463)	41,060	111,600	32,760	(28,900)
Benefit Payments	(107,634)	(116,470)	(122,328)	(134,892)	(140,000)	(146,108)	(150,807)	(155,595)
Net Change in Total OPEB Liability	(138,308)	(110,272)	(113,359)	(315,362)	(210,702)	(147,735)	(38,841)	(110,736)
Total OPEB Liability (Beginning)	1,068,983	1,179,255	1,292,614	1,607,976	1,818,678	1,966,413	2,005,254	2,115,990
Total OPEB Liability (Ending)	$ 930,675	$ 1,068,983	$ 1,179,255	$ 1,292,614	$ 1,607,976	$ 1,818,678	$ 1,966,413	$ 2,005,254
Covered Payroll	$ -	$ -	$ 242,601	$ 234,624	$ 122,354	$ 118,331	$ 414,530	$ 400,899
Total OPEB Liability as a Percentage of Covered Payroll	N/A	N/A	486.09%	550.93%	1,314.20%	1,536.94%	474.37%	500.19%

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

2018	3.97
2019	3.79
2020	2.56
2021	2.27
2022	3.21
2023	3.53
2024	4.07
2025	5.14

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

SUPPLEMENTAL SCHEDULE

Texas Municipal Power Agency
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended September 30, 2025

	Generation	Transmission	Mine	Combined
Operating Revenues				
Member City Billings	$ 197	$ -	$ 616	$ 813
Transmission Revenues	-	35,579	-	35,579
Total Operating Revenues	197	35,579	616	36,392
Operating Expenses				
Production - Operation and Maintenance	57	-	504	561
Transmission - Operation and Maintenance	-	4,954	-	4,954
Administrative and General	23	1,961	188	2,172
Depreciation Expense	-	6,134	-	6,134
Total Operating Expenses	80	13,049	692	13,821
Income (Loss) from Operations	117	22,530	(76)	22,571
Other Income				
Investment Revenue	4	815	33	851
Capital Contributions	-	423	-	423
Gain on Sale of Capital Assets	-	60	-	60
Miscellaneous Other Income, Net	-	103	-	103
Total Other Income	4	1,401	33	1,437
Interest Charges				
Interest Expense on Debt	-	6,059	-	6,059
Total Interest and Finance Charges	-	6,059	-	6,059
Impact of Regulatory Assets in Change in Net Position	(1)	(125)	17	(109)
Net Revenues Before Distributions	120	17,747	(26)	17,840
Distributions to Member Cities	-	(19,152)	(306)	(19,458)
Change in Net Position (Deficit)	$ 120	$ (1,405)	$ (332)	$ (1,618)

Forvis Mazars Report to the Board of Directors and Management

Texas Municipal Power Agency

Results of the 2025 Financial Statement Audit, Including Required Communications

September 30, 2025

Required Communications Regarding Our Audit Strategy & Approach (AU-C 260)

Overview & Responsibilities

Matter	Discussion
Scope of Our Audit	This report covers audit results related to your financial statements and supplementary information: • As of and for the year ended September 30, 2025. • Conducted in accordance with our contract dated July 2, 2025.
Our Responsibilities	Forvis Mazars is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).
Audit Scope & Inherent Limitations to *Reasonable Assurance*	An audit performed in accordance with auditing standards generally accepted in the United States of America (GAAS) is designed to obtain reasonable, rather than absolute, assurance about the financial statements. The scope of our audit tests was established in relation to the financial statements taken as a whole and did not include a detailed audit of all transactions.
Extent of Our Communication	In addition to areas of interest and noting prior communications made during other phases of the engagement, this report includes communications required in accordance with GAAS that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process, including audit approach, results, and internal control. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.
Independence	The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.
Your Responsibilities	Our audit does not relieve management or those charged with governance of your responsibilities. Your responsibilities and ours are further referenced in our contract.

Matter	Discussion
Distribution Restriction	This communication is intended solely for the information and use of the following and is not intended to be, and should not be, used by anyone other than these specified parties: • The Board of Directors, Audit and Budget Committee, and Management • Others within the Entity

Qualitative Aspects of Significant Accounting Policies & Practices

Significant Accounting Policies

Significant accounting policies are described in Note 2 of the audited financial statements.

With respect to new accounting standards adopted during the year, we call to your attention the following topics detailed in the following pages:

- Effective October 1, 2024, the Agency was required to adopt Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. The statement was issued to meet the needs of financial statement users by updating the recognition and measurement guidance for compensated absences. Adoption of GASB 101 did not have an impact on the Agency's beginning of year net position.
- Effective October 1, 2024, the Agency was required to adopt GASB Statement No. 102, *Certain Risk Disclosures*. The statement required governments to disclose information about certain concentrations or constraints that could affect services provided or the ability to meet obligations as they come due. Adoption of GASB 102 did not have an impact on the Agency's beginning of year net position.

Unusual Policies or Methods

With respect to significant unusual accounting policies or accounting methods used for significant unusual transactions (significant transactions outside the normal course of business or that otherwise appear to be unusual due to their timing, size, or nature), we noted the following:

- No matters are reportable

Alternative Accounting Treatments

We had discussions with management regarding alternative accounting treatments within GAAP for policies and practices for material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- No matters are reportable

Management Judgments & Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates include:

- Allowance for doubtful accounts
- Depreciation expense and useful lives of capital assets
- Other postemployment benefits liability

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Employee benefit and other postemployment benefit plans
- Commitment and contingencies
- Related parties

Our Judgment About the Quality of the Entity's Accounting Principles

During the course of the audit, we made the following observations regarding the Entity's application of accounting principles:

- No matters are reportable

Adjustments Identified by Audit

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated.

A misstatement is a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework.

Proposed & Recorded Adjustments

Auditor-proposed and management-recorded entries include the following:

No matters are reportable.

Uncorrected Misstatements

No matters are reportable.

Other Required Communications

Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (see Attachment)

We orally communicated to management a deficiency in internal control identified during our audit that is not considered a material weakness or significant deficiency.

Other Matters

We can discuss these matters further at your convenience and may provide implementation assistance.

- In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*, which will be effective for the Agency's September 30, 2026 year-end. The objective of GASB 103 is to improve key components of the financial reporting model to enhance effectiveness in providing information that is essential for decision-making and assessing an entity's accountability. The Agency is in the process of determining the impact of this statement on its financial reporting.
- In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, which will be effective for the Agency's September 30, 2026 year-end. The objective of GASB 104 is to provide users of government financial statements with essential information about certain types of capital assets. GASB 104 requires certain types of capital assets to be disclosed separately in the capital assets note disclosure and requires additional disclosures for capital assets held for sale. The Agency is in the process of determining the impact of this statement on its financial reporting.

Attachment

Management Representation Letter (Attachment A)

As a material communication with management, included herein is a copy of the representation letter provided by management at the conclusion of our engagement.

Attachment A

Management Representation Letter

Representation of:
Texas Municipal Power Agency
P.O. Box 7000
Bryan, TX 77805

Provided to:
Forvis Mazars, LLP
Certified Public Accountants
14221 Dallas Parkway, Suite 400
Dallas, TX 75254

The undersigned (We) are providing this letter in connection with Forvis Mazars' audits of our financial statements as of and for the years ended September 30, 2025 and 2024.

Our representations are current and effective as of the date of Forvis Mazars' report: November 25, 2025.

Our engagement with Forvis Mazars is based on our contract for services dated: July 2, 2025.

Our Responsibility & Consideration of Material Matters

We confirm that we are responsible for the fair presentation of the financial statements subject to Forvis Mazars' report in conformity with accounting principles generally accepted in the United States of America.

We are also responsible for adopting sound accounting policies; establishing and maintaining effective internal control over financial reporting, operations, and compliance; and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

Confirmation of Matters Specific to the Subject Matter of Forvis Mazars' Report

We confirm, to the best of our knowledge and belief, the following:

Broad Matters

1. We have fulfilled our responsibilities, as set out in the terms of our contract, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.

2. We acknowledge our responsibility for the design, implementation, and maintenance of:

   a. Internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

   b. Internal control to prevent and detect fraud.

3. We have provided you with:

   a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.

   b. Additional information that you have requested from us for the purpose of the audit.

   c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

d. All minutes of governing body meetings, held through the date of this letter or summaries of actions of recent meetings for which minutes have not yet been prepared. All unsigned copies of minutes provided to you are copies of our original minutes approved by the governing body, if applicable, and maintained as part of our records.

e. All significant contracts.

4. We have responded fully and truthfully to all your inquiries.

Misappropriation, Misstatements, & Fraud

5. We have informed you of all current risks of a material amount that are not adequately prevented or detected by our procedures with respect to:

a. Misappropriation of assets.

b. Misrepresented or misstated assets, liabilities, deferred inflows of resources, net position.

6. We have no knowledge of fraud or suspected fraud affecting the entity involving:

a. Management or employees who have significant roles in internal control over financial reporting, or

b. Others when the fraud could have a material effect on the financial statements.

7. We understand that the term "fraud" includes misstatements arising from fraudulent financial reporting and misstatements arising from misappropriation of assets. Misstatements arising from fraudulent financial reporting are intentional misstatements, or omissions of amounts or disclosures in financial statements to deceive financial statement users. Misstatements arising from misappropriation of assets involve the theft of an entity's assets where the effect of the theft causes the financial statements not to be presented in conformity with accounting principles generally accepted in the United States of America.

8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, customers, member cities, regulators, suppliers, or others.

9. We have assessed the risk that the financial statements may be materially misstated as a result of fraud and disclosed to you any such risk identified.

Ongoing Operations

10. We have evaluated whether there are conditions or events known or reasonably knowable, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year of the date of the financial statements and known facts thereafter without consideration of potential mitigating effects of management's plans and concluded substantial doubt does not exist.

Related Parties

11. We have disclosed to you the identity of all of the entity's related parties and all the related-party relationships of which we are aware.

    In addition, we have disclosed to you all related-party transactions and amounts receivable from or payable to related parties of which we are aware, including any modifications during the year that were made to related-party transaction agreements that existed prior to the beginning of the year under audit, as well as new related-party transaction agreements that were executed during the year under audit.

Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

12. We understand that the term related party refers to:

- Affiliates
- Trusts for the benefits of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management
- Board of Directors and members of their immediate families
- Management and members of their immediate families
- Any other party with which the entity may deal if one party can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests.

Another party is also a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the entity.

Litigation, Laws, Rulings, & Regulations

13. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

14. We have no knowledge of communications, other than those specifically disclosed, from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.

15. We have disclosed to you all known instances of violations or noncompliance or possible violations or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements or as a basis for recording a loss contingency.

16. We have no reason to believe the entity owes any penalties or payments under the Employer Shared Responsibility Provisions of the *Patient Protection and Affordable Care Act*, nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.

17. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.

Nonattest Services

18. You have provided nonattest services, including the following, during the period of this engagement:

    - Preparing a draft of the financial statements and related notes and supplementary information

19. With respect to these services:

    a. We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.

    b. We have established and monitored the performance of the nonattest services to ensure they meet our objectives.

    c. We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.

    d. We have evaluated the adequacy of the services performed and any findings that resulted.

    e. We have established and maintained internal controls, including monitoring ongoing activities.

    f. When we receive final deliverables from you, we will store those deliverables in information systems controlled by us. We have taken responsibility for maintaining internal control over these deliverables.

Financial Statements & Reports

20. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.

21. With regard to supplementary information:

    a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.

    b. We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.

    c. The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

    d. We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.

22. We do not issue an annual report, nor do we have plans to issue an annual report at this time.

Transactions, Records, & Adjustments

23. All transactions have been recorded in the accounting records and are reflected in the financial statements.

24. The entity has appropriately reconciled its general ledger accounts to their related supporting information. All related reconciling items considered to be material were identified and included on the reconciliations and were appropriately adjusted in the financial statements.

25. We have everything we need to keep our books and records.

26. We have disclosed any significant unusual transactions the entity has entered into during the period, including the nature, terms, and business purpose of those transactions.

Governmental Accounting & Disclosure Matters

27. With regard to deposit and investment activities:

    a. All deposit and investment transactions have been made in accordance with legal and contractual requirements.

    b. Investments are properly valued.

    c. Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.

    d. We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.

    e. Risk disclosures associated with deposit and investment securities and derivative instrument transactions are presented in accordance with GASB requirements.

28. We have identified and evaluated all potential fiduciary activities and determined the Agency has no such activities.

29. Components of net position (net investment in capital assets, restricted, and unrestricted) are properly classified.

30. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.

31. We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

32. The Agency has properly separated information in debt disclosures related to direct borrowings and direct placements of debt from other debt and disclosed any unused lines of credit, collateral pledged to secure debt, terms in debt agreements related to significant default or termination events with finance-related consequences, and significant subjective acceleration clauses in accordance with Governmental Accounting Standards Board (GASB) Statement No. 88.

33. The Agency's ability to continue as a going concern was evaluated and that appropriate disclosures are made in the financial statements as necessary under GASB requirements.

34. The Agency has properly measured, recorded, and disclosed compensated absences and other salary-related payments in accordance with GASB Statement No. 101, *Compensated Absences*.

35. The supplementary information required by the GASB, consisting of management's discussion and analysis and other postemployment benefit information, has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions, and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.

36. With regard to other postemployment benefits (OPEB):

    a. We believe the actuarial assumptions and methods used to measure OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.

    b. We have provided you with the entity’s most current OPEB plan instrument for the audit period, including all plan amendments.

    c. The participant data provided to you related to OPEB plans are true copies of the data submitted or electronically transmitted to the plan’s actuary.

    d. The participant data that we provided the plan’s actuary for the purposes of determining the actuarial present value of accumulated plan benefits and other actuarially determined amounts in the financial statements were complete.

Accounting & Disclosure

37. All transactions entered into by the entity are final. We are not aware of any unrecorded transactions, side agreements or other arrangements (either written or oral) that are in place, other than list the nature of any existing side agreements or other arrangements.

38. Except as reflected in the financial statements, there are no:

    a. Plans or intentions that may materially affect carrying values or classifications of assets, liabilities, deferred inflows of resources, net position.

    b. Material transactions omitted or improperly recorded in the financial records.

    c. Material unasserted claims or assessments that are probable of assertion or other gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.

    d. Events occurring subsequent to the statement of net position date through the date of this letter, which is the date the financial statements were available to be issued, requiring adjustment or disclosure in the financial statements.

    e. Agreements to purchase assets previously sold.

    f. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements.

    g. Guarantees, whether written or oral, under which the entity is contingently liable.

    h. Known or anticipated asset retirement obligations.

39. Except as disclosed in the financial statements, the entity has:

    a. Satisfactory title to all recorded assets, and those assets are not subject to any liens, pledges, or other encumbrances.

    b. Complied with all aspects of contractual agreements for which noncompliance would materially affect the financial statements.

40. We agree with the findings of specialists in evaluating the other post-employment benefit liability and have adequately considered the qualification of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters

that have had impact on the independence or objectivity of the specialists.

Revenue and Accounts Receivable

41. Adequate provisions and allowances have been recorded for any material losses from:

    a. Uncollectible receivables.

    b. Sales commitments, including those unable to be fulfilled.

    c. Purchase commitments in excess of normal requirements or at prices in excess of prevailing market prices.

Estimates

42. We have identified all accounting estimates that could be material to the financial statements and we confirm the appropriateness of the methods and the consistency in their application, the accuracy and completeness of data, and the reasonableness of significant assumptions used by us in making the accounting estimates, including those measured at fair value reported in the financial statements.

43. Significant estimates that may be subject to a material change in the near term have been properly disclosed in the financial statements. We understand that "near term" means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations, which refer to volumes of business, revenues, available sources of supply, or markets, existing at the date of the financial statements that would make the entity vulnerable to the risk of severe impact in the near term that have not been properly disclosed in the financial statements.

Tax-Exempt Bonds

44. Tax-exempt bonds issued have retained their tax-exempt status.

45. We have notified you of any instances of noncompliance with applicable disclosure requirements of the SEC Rule 15c2-12 and applicable state laws.

Daniel Meadows (Nov 25, 2025 17:32:32 CST)

Daniel Meadows, General Manager
dmeadows@texasmpa.org

Lyndi Birkhead

Lyndi Birkhead, Director of Finance and Support Services
lbirkhead@texasmpa.org

December 11, 2025

AGENDA ITEM NO. 4

SUBJECT: Receive reports on the Cities of Garland and Denton transmission billing audits.

DISCUSSION: Annually, Finance Staff audits the expenses billed to TMPA by the Cities of Garland and Denton under their respective Transmission Operator Agreements. The purpose of this item is to report the results of the audits for FY25.

BACKUP MATERIAL: Memos – Audit Reports for the Cities of Garland and Denton

ACTION REQUESTED: None. This item is provided for the Committee’s information.

Lyndi Birkhead
12/3/25

Audit Report

Texas Municipal Power Agency

TO: Audit and Budget Committee
Daniel Meadows, General Manager

DATE: November 6, 2025

FROM: Lyndi Birkhead, Director of Finance & Support Services

SUBJECT: Garland Transmission Agreement Compliance Audit

Section 7.0, Audits, of the Transmission Operator, Maintenance, and Construction Services Agreement between Texas Municipal Power Agency (TMPA) and the City of Garland, Texas (Garland) states that TMPA may conduct operating and financial audits.

TMPA conducted an audit for fiscal year 2025 and below details the audit procedures performed and the results.

Audit Procedures Performed

To audit compliance with the agreement for both Operating Costs (O&M) and Capital Expenditures, the TMPA Finance Department verified the following:

- Policy is adequate and followed
- Accuracy of costs invoiced to TMPA
- Expenses are properly approved and authorized
- Expenses are properly documented and supported (i.e. invoices, timesheets, etc.)
- Amounts reimbursed are within policy guidelines including evidence that bid procedures are followed
- Reimbursements are coded to proper expense categories (FERC, Project, etc.)

Results

No significant errors were found, and controls appear strong. Audit testing found the supporting documents to be accurate and that Garland was compliant with the TMPA and Garland Agreement.

It is suggested that an annual audit continue to be performed to verify that controls remain strong and that compliance with the Agreement is maintained.

The Finance Department would like to express appreciation for the cooperation and coordination by the GP&L team throughout the audit.

cc: Darrell Cline, GP&L Electric General Manager
Gauri Wakharkar, GP&L Electric Controller
Anne Eavenson, GP&L Senior Electric Accountant
Karla Sarinana, GP&L Senior Electric Accountant

Audit Report
Texas Municipal Power Agency

TO: Audit and Budget Committee
Daniel Meadows, General Manager

DATE: September 16, 2025

FROM: Lyndi Birkhead, Director of Finance & Support Services Lyndi Birkhead

SUBJECT: Denton Transmission Agreement Compliance Audit

Section 7.0, Audits, of the Transmission Operator, Maintenance, and Construction Services Agreement between Texas Municipal Power Agency (TMPA) and the City of Denton, Texas (Denton) states that TMPA may conduct operating and financial audits.

TMPA conducted an audit of invoices submitted June 2024 through May 2025. Below are the details of the audit procedures performed and the results.

Audit Procedures Performed

To audit compliance with the agreement for both Operating Costs (O&M) and Capital Expenditures, the TMPA Finance Department verified the following:

- Policy is adequate and followed
- Accuracy of costs invoiced to TMPA
- Expenses are properly approved and authorized
- Expenses are properly documented and supported (i.e. invoices, timesheets, etc.)
- Amounts reimbursed are within policy guidelines including evidence that bid procedures are followed
- Reimbursements are coded to proper expense categories (FERC, Project, etc.)

Results

No significant errors were found, and controls appear strong. Audit testing found the supporting documents to be accurate and that Denton was compliant with the TMPA and Denton Agreement.

It is suggested that an annual audit continue to be performed to verify that controls remain strong and that compliance with the Agreement is maintained.

The Finance Department would like to express appreciation for the cooperation and coordination by the DME team throughout the audit.

cc: Antonio Puente, City of Denton General Manager
Jerry Fielder, City of Denton Engineering Division Manager
Mark Zimmerer, City of Denton Electric Engineer Supervisor
Donna Anderson, City of Denton Electric Engineering Tech IV

December 11, 2025

AGENDA ITEM NO. 5

SUBJECT: Receive update on the Annual Audit Plan.

DISCUSSION: Receiving an update on the annual audit plan remains a standing agenda item on the Committee's meeting schedule. The table below identifies the recurring activities commissioned by the Committee.

Recurring Project	Requirement/Requestor	Reporting Assignment
Financial statement audit	Bond covenants	External auditors
Pension plan audit	Legal requirement	External auditors
Investment policy compliance	Legal requirement	External auditors
Transmission billing audit	TMPA senior staff	Finance

Staff recommends that we continue with the current audit plan.

BACKUP MATERIAL: None.

ACTION REQUESTED: Approval to continue with the current audit plan for FY26.

Lyndi Birkhead
12/3/25

December 11, 2025

AGENDA ITEM NO. 6

SUBJECT: Receive Annual Ethics Program update.

DISCUSSION: In July 2012, the Ethics Program established the following:

- An Ethics Officer position
- An Ethics Committee and charter
- Polices updates (Code of Conduct, GM 1400, GM 1500, and HR 2400)
- Bi-annual ethics training
- Annual conflict of interest (COI) questionnaire

Lyndi Birkhead remains the Agency's Ethics Officer. The Ethics Committee consists of Lyndi Birkhead and Daniel Meadows.

For the FY25 COI questionnaire, all responses were reviewed and reported to the General Manager. No conflicts requiring action were identified.

The Ethics Committee has reviewed the current Ethics Committee charter and related policies, and there are no substantive updates needing the Committee's attention at this time.

BACKUP MATERIAL: None.

ACTION REQUESTED: This item is presented for the Committee's information.

Lyndi Birkhead
12/3/25

December 11, 2025

AGENDA ITEM NO. 7

SUBJECT: Discuss future meeting dates and topics.

DISCUSSION: The primary purpose of the next Audit and Budget Committee meeting is to review the FY27 budget before it is submitted for Board approval. The FY27 budget process will be discussed at the March Board meeting. An Audit and Budget Committee meeting will be scheduled once the process is defined.

BACKUP MATERIAL: None.

ACTION REQUESTED: None.

Lyndi Birkhead
12/3/25