# FINANCIAL STATEMENTS

## SAM RAYBURN MUNICIPAL POWER AGENCY

For the Years Ended
September 30, 2023 and 2022

<u>C O N T E N T S</u>

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sam Rayburn Municipal Power Agency

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the proprietary funds of Sam Rayburn Municipal Power Agency ("the Agency"), as of and for the year ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the proprietary funds of Sam Rayburn Municipal Power Agency, as of September 30, 2023 and 2022, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles general accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***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 the Agency's ability to continue as a going concern for twelve 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 opinions. 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 generally accepted auditing standards 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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.
- Obtaining 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 the Agency'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency'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.

***Other Matters***

*Required Supplementary Information*

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

Axley & Rode LLP
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
August 12, 2024

## Financial Statements Overview

This discussion and analysis of Sam Rayburn Municipal Power Agency's (the Agency) financial performance provides an overview of the Agency's activities for the fiscal years ended September 30, 2023 and 2022. The information presented should be read in conjunction with the financial statements and the accompanying notes to the financial statements.

The Agency follows the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission. The basic financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The Agency's basic financial statements include the statements of net position for each major fund (RPSA and Cambridge) and the related statements of revenues, expenses and changes in net position, the statements of cash flows, and notes to the financial statements.

The statements of net position provide information about the nature and amount of assets and obligations (liabilities) of the Agency as of the end of each year being reported. The statements of revenues, expenses, and changes in net position report revenues and expenses for each year being reported. The statements of cash flows report cash receipts, cash payments, and net changes in cash resulting from operating, noncapital financing, capital and related financing, and investing activities.

## Financial Highlights

During 2023, the Agency's board approved the transfer of various assets to the member cities. A prior period adjustment to correct payables increased net position by approximately $6 million. In addition, the Agency has deferred the recognition of all Cambridge Project revenues and expenses since April 2023 ~~as a result to changes in operations~~.

### *Comparison of 2023 to 2022*

The following table summarizes the net position of each of the Agency's major funds as of September 30:

**Condensed Statements of Net Position**

| | RPSA 2023 | RPSA 2022 | DOLLAR CHANGE | PERCENTAGE CHANGE |
|---|---|---|---|---|
| Capital assets, net | $ - | $ 11 042 272 | $ (11 042 272) | (100.0) |
| Current assets | 25 873 257 | 15 694 798 | 10 178 459 | 64.9 |
| TOTAL ASSETS | 25 873 257 | 26 737 070 | (863 813) | (3.2) |
| Deferred outflows | 1 572 114 | 1 613 104 | (40 990) | (2.5) |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | $ 27 445 371 | $ 28 350 174 | $ (904 803) | (3.2) |
| Current liabilities | $ 2 153 403 | $ 4 360 748 | $ (2 207 345) | (50.6) |
| TOTAL LIABILITIES | 2 153 403 | 4 360 748 | (2 207 345) | (50.6) |
| Net Position: | | | | |
| Net investment in capital assets | - | 12 655 376 | (12 655 376) | (100) |
| Restricted | (1 859 968) | (2 722 545) | 862 577 | (31.7) |
| Unrestricted | 27 151 936 | 14 056 595 | 13 095 341 | 93.2 |
| TOTAL NET POSITION | 25 291 968 | 23 989 426 | 1 302 542 | 5.4 |
| TOTAL LIABILITIES AND NET POSITION | $ 27 445 371 | $ 28 350 174 | $ (904 803) | (3.2) |

| | CAMBRIDGE 2023 | CAMBRIDGE 2022 | DOLLAR CHANGE | PERCENTAGE CHANGE |
|---|---|---|---|---|
| Current assets | $ 41 688 255 | $ 45 483 849 | $ (3 795 594) | (8.3) |
| TOTAL ASSETS | 41 688 255 | 45 483 849 | (3 795 594) | (8.3) |
| Deferred outflows | - | 3 647 397 | (3 647 397) | (100.0) |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | $ 41 688 255 | $ 49 131 246 | $ (7 442 991) | (15.1) |
| Current liabilities | $ 10 673 145 | $ 32 090 619 | $ (21 417 474) | (66.7) |
| TOTAL LIABILITIES | 10 673 145 | 32 090 619 | (21 417 474) | (66.7) |
| Deferred inflows | 8 457 281 | - | 8 457 281 | 100.0 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS | $ 19 130 426 | $ 32 090 619 | $ (12 960 193) | (40.4) |
| Net Position: | | | | |
| Net investment in capital assets | - | 3 647 397 | (3 647 397) | (100.0) |
| Unrestricted | 22 557 829 | 13 393 230 | 9 164 599 | 68.4 |
| TOTAL NET POSITION | 22 557 829 | 17 040 627 | 5 517 202 | 32.4 |
| TOTAL LIABILITIES DEFERRED INFLOWS AND NET POSITION | $ 41 688 255 | $ 49 131 246 | $ (7 442 991) | (15.1) |

| | TOTALS 2023 | TOTALS 2022 | DOLLAR CHANGE | PERCENTAGE CHANGE |
|---|---|---|---|---|
| Capital assets, net | $ - | $ 11 042 272 | $ (11 042 272) | (100.0) |
| Current assets | 67 561 512 | 61 178 647 | 6 382 865 | 10.4 |
| TOTAL ASSETS | 67 561 512 | 72 220 919 | (4 659 407) | (6.5) |
| Deferred outflows | 1 572 114 | 5 260 501 | (3 688 387) | (70.1) |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | $ 69 133 626 | $ 77 481 420 | $ (8 347 794) | (10.8) |
| | | | | |
| Current liabilities | $ 12 826 548 | $ 36 451 367 | $ (23 624 819) | (64.8) |
| TOTAL LIABILITIES | 12 826 548 | 36 451 367 | (23 624 819) | (64.8) |
| Deferred inflows | 8 457 281 | - | 8 457 281 | 100.0 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS | 21 283 829 | 36 451 367 | (15 167 538) | (41.6) |
| | | | | |
| Net Position: | | | | |
| Net investment in capital assets | - | 16 302 773 | (16 302 773) | (100.0) |
| Restricted | (1 859 968) | (2 722 545) | 862 577 | (31.7) |
| Unrestricted | 49 709 765 | 27 449 825 | 22 259 940 | 81.1 |
| TOTAL NET POSITION | 47 849 797 | 41 030 053 | 6 819 744 | 16.6 |
| TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION | $ 69 133 626 | $ 77 481 420 | $ (8 347 794) | (10.8) |

Condensed statement of net position highlights are as follows:

- Capital assets, net decreased by approximately $11 million during 2023 due primarily to the transfer of assets to the member cities.
- Current assets increased by approximately $6.4 million from 2022 to 2023. Current assets include cash and cash equivalents, prepaid expenses, power sales receivables, and marketable securities. The Cambridge Project had a combined decrease in cash, receivables, and marketable securities of approximately $2.4 million~~, which was the result of a change in operations.~~.
- Deferred outflows decreased by approximately $3.6 million from 2022 to 2023. Deferred outflows include deferred charges, net of related amortization~~. The decrease was primarily the result of a change in operations of the Cambridge fund and amortization.~~
- Current liabilities decreased by approximately $23 million from 2022 to 2023, which was mainly due to a decrease in accounts payable. Current liabilities include payables for purchased power and other vendor payables.
- The assets of the Agency exceeded its liabilities at the close of 2023 by approximately $47 million as compared to $41 million at the end of 2022. This was the result of a combined net change in position of approximately $691 thousand and a prior period adjustment made to correct payables balances of approximately $6M.

***Comparison of 2022 to 2021***

The following table summarizes the net position of each of the Agency's major funds as of September 30:

**Condensed Statements of Net Position**

| | RPSA 2022 | RPSA 2021 | DOLLAR CHANGE | PERCENTAGE CHANGE |
|---|---|---|---|---|
| Capital assets, net | $ 11 042 272 | $ 11 441 574 | $ (399 302) | (3.5) |
| Current assets | 15 694 798 | 5 781 978 | 9 912 820 | 11.4 |
| Other noncurrent assets | - | 36 116 917 | (36 116 917) | (100.0) |
| TOTAL ASSETS | 26 737 070 | 53 340 469 | (26 603 399) | (49.9) |
| Deferred outflows | 1 613 104 | 1 802 402 | (189 298) | (10.5) |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | $ 28 350 174 | $ 55 142 871 | $ (26 792 697) | (48.6) |
| | | | | |
| Current liabilities | $ 4 360 748 | $ 16 490 366 | $ (12 129 618) | (73.6) |
| TOTAL LIABILITIES | 4 360 748 | 16 490 366 | (12 129 618) | (73.6) |
| | | | | |
| Net Position: | | | | |
| Net investment in capital assets | 12 655 376 | (1 606 024) | 14 261 400 | 888.0 |
| Restricted | - | 34 741 754 | (34 741 754) | (100.0) |
| Unrestricted | 11 334 050 | 5 516 775 | 5 817 275 | 105.4 |
| TOTAL NET POSITION | 23 989 426 | 38 652 505 | (14 663 079) | (37.9) |
| TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION | $ 28 350 174 | $ 55 142 871 | $ (26 792 697) | (48.6) |

| | CAMBRIDGE 2022 | CAMBRIDGE 2021 | DOLLAR CHANGE | PERCENTAGE CHANGE |
|---|---|---|---|---|
| Current assets | $ 45 483 849 | $ 37 745 550 | $ 7 738 299 | 20.5 |
| TOTAL ASSETS | 45 483 849 | 37 745 550 | 7 738 299 | 20.5 |
| Deferred outflows | 3 647 397 | 3 907 926 | (260 529) | (6.7) |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | $ 49 131 246 | $ 41 653 476 | $ 7 477 770 | 18.0 |
| Current liabilities | $ 32 090 619 | $ 18 466 702 | $ 13 623 917 | 73.8 |
| TOTAL LIABILITIES | 32 090 619 | 18 466 702 | 13 623 917 | 73.8 |
| Net Position: | | | | |
| Net investment in capital assets | 3 647 397 | 3 907 926 | (260 529) | (6.7) |
| Unrestricted | 13 393 230 | 19 278 848 | (5 885 618) | (30.5) |
| TOTAL NET POSITION | 17 040 627 | 23 186 774 | (6 146 147) | (26.5) |
| TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION | $ 49 131 246 | $ 41 653 476 | $ 7 477 770 | 18.0 |

| | TOTALS 2022 | TOTALS 2021 | DOLLAR CHANGE | PERCENTAGE CHANGE |
|---|---|---|---|---|
| Capital assets, net | $ 11 042 272 | $ 11 441 574 | $ (399 302) | (3.5) |
| Current assets | 61 178 647 | 43 527 528 | 17 651 119 | 40.6 |
| Other noncurrent assets | - | 36 116 917 | (36 116 917) | (100.0) |
| TOTAL ASSETS | 72 220 919 | 91 086 019 | (18 865 100) | (20.7) |
| Deferred outflows | 5 260 501 | 5 710 328 | (449 827) | (7.9) |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | $ 77 481 420 | $ 96 796 347 | $ (19 314 927) | (20.0) |
| Current liabilities | $ 36 451 367 | $ 34 957 068 | $ 1 494 299 | 4.3 |
| TOTAL LIABILITIES | 36 451 367 | 34 957 068 | 1 494 299 | 4.3 |
| Net Position: | | | | |
| Net investment in capital assets | 16 302 773 | 2 301 902 | 14 000 871 | 608.2 |
| Restricted | - | 34 741 754 | (34 741 754) | (100.0) |
| Unrestricted | 24 727 280 | 24 795 623 | (68 343) | (0.3) |
| TOTAL NET POSITION | 41 030 053 | 61 839 279 | (20 809 226) | (33.7) |
| TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION | $ 77 481 420 | $ 96 796 347 | $ (19 314 927) | (20.0) |

Condensed statement of net position highlights are as follows:

- Capital assets, net decreased by approximately $399 thousand during 2022 due primarily to depreciation.
- Current assets increased by approximately $17.6 million from 2021 to 2022. Current assets include cash and cash equivalents, prepaid expenses, power sales receivables, and marketable securities. The Cambridge Project had a combined increase in cash, receivables, and marketable securities of approximately $7.7 million, which was the result of increase in power sales in 2022.
- Other noncurrent assets decreased by approximately $36 million from 2021 to 2022. This was due to the amortization of the Requirements Power Supply Agreement and removal of restriction on assets after debt payoff.
- Deferred outflows decreased by approximately $450 thousand from 2021 to 2022. Deferred outflows includes deferred charges and the cost of debt issued in excess of debt refunded, net of related amortization. The decrease was primarily the result of amortization.
- Current liabilities increased by approximately $1.5 million from 2021 to 2022, which was mainly due to an increase in accounts payable. Current liabilities include payables for purchased power, other vendor payables, accrued interest payable, and the current portion of bonds payable.
- The assets of the Agency exceeded its liabilities at the close of 2022 by approximately $41 million as compared to $61.8 million at the end of 2021. This was the result of a combined net change in position of approximately $(20.8) million, consisting of an approximate $14.6 million decrease in the RPSA Fund and an approximate $6.1 million decrease in the Cambridge Fund.

The following table summarizes the changes in net position of each major fund of the Agency for the years ended September 30, 2023 and 2022:

**Condensed Statements of Revenues, Expenses, and Changes in Net Position**

| | RPSA 2023 | RPSA 2022 | DOLLAR CHANGE | PERCENTAGE CHANGE |
|---|---|---|---|---|
| Operating revenues, power sales | $ 28 886 139 | $ 27 506 535 | $ 1 379 604 | 5.0 |
| Other nonoperating revenues | 1 581 095 | 134 818 | 1 446 277 | 1072.8 |
| TOTAL REVENUES | 30 467 234 | 27 641 353 | 2 825 881 | 10.2 |
| Operating expenses | 23 963 736 | 30 160 007 | (6 196 271) | (20.5) |
| Other nonoperating expenses | 11 508 139 | 12 180 202 | (672 063) | (5.5) |
| TOTAL EXPENSES | 35 471 875 | 42 340 209 | (6 868 334) | (16.2) |
| Transfers | 425 221 | 35 777 | 389 444 | 1,088.5 |
| CHANGE IN NET POSITION | (4 579 420) | (14 663 079) | 10 083 659 | (68.8) |
| Beginning net position | 23 989 426 | 38 652 505 | (14 663 079) | (37.9) |
| Prior period adjustment | 5 881 962 | - | 5 881 962 | 100.0 |
| ENDING NET POSITION | $ 25 291 968 | $ 23 989 426 | $ 1 302 542 | 5.4 |

| | CAMBRIDGE 2023 | CAMBRIDGE 2022 | DOLLAR CHANGE | PERCENTAGE CHANGE |
|---|---|---|---|---|
| Operating revenues, power sales | $ 147 679 703 | $ 267 679 836 | $ (120 000 133) | (44.8) |
| Other nonoperating revenues | 1 721 690 | 110 409 | 1 611 281 | 1,459.4 |
| TOTAL REVENUES | 149 401 393 | 267 790 245 | (118 388 852) | (44.2) |
| Operating expenses | 119 058 217 | 259 408 455 | (140 350 238) | (54.1) |
| Other nonoperating expenses | 24 647 397 | 14 492 160 | 10 155 237 | 70.1 |
| TOTAL EXPENSES | 143 705 614 | 273 900 615 | (130 195 001) | (47.5) |
| Transfers | (425 221) | (35 777) | (389 444) | 1,088.5 |
| CHANGE IN NET POSITION | 5 270 558 | (6 146 147) | 11 416 705 | (185.8) |
| Beginning net position | 17 040 627 | 23 186 774 | (6 146 147) | (26.5) |
| Prior period adjustment | 246 644 | - | 246 644 | 100.0 |
| ENDING NET POSITION | $ 22 557 829 | $ 17 040 627 | $ 5 517 202 | 32.4 |

| | TOTALS 2023 | TOTALS 2022 | DOLLAR CHANGE | PERCENTAGE CHANGE |
|---|---|---|---|---|
| Operating revenues, power sales | $ 176 565 842 | $ 295 186 371 | $ (118 620 529) | (40.2) |
| Other nonoperating revenues | 3 302 785 | 245 227 | 3 057 558 | 1246.8 |
| TOTAL REVENUES | 179 868 627 | 295 431 598 | (115 562 971) | (39.1) |
| Operating expenses | 143 021 953 | 289 568 462 | (146 546 509) | (50.6) |
| Other nonoperating expenses | 36 155 536 | 26 672 362 | 9 483 174 | 35.6 |
| TOTAL EXPENSES | 179 177 489 | 316 240 824 | (9 483 174) | (43.3) |
| CHANGE IN NET POSITION | 691 138 | (20 809 226) | 21 500 364 | (103.3) |
| Beginning net position | 41 030 053 | 61 839 279 | - | (33.7) |
| Prior period adjustment | 6 128 606 | - | 6 128 606 | 100.0 |
| ENDING NET POSITION | $ 47 849 797 | $ 41 030 053 | $ 6 819 744 | 16.6 |

Condensed statements of revenues, expenses, and changes in net position highlights are as follows:

- Operating revenues decreased by approximately $118 million from 2022 to 2023, as a result of an approximate $120 million decrease in power sales from the Cambridge Project and an approximate $1.4 million increase in power sales from the RPSA Fund. Accordingly, the operating expense decrease of approximately $146 million from 2022 to 2023 resulted primarily from an decrease in purchased power costs of approximately $143 million.
- Other nonoperating revenues increased approximately $3 million.
- Other nonoperating expenses increased approximately 9.4 million, mainly due to the transfer of assets to member cities of approximately $11M.

The following table summarizes the changes in net position of each major fund of the Agency for the years ended September 30, 2022 and 2021:

**Condensed Statements of Revenues, Expenses, and Changes in Net Position**

| | RPSA 2022 | RPSA 2021 | DOLLAR CHANGE | PERCENTAGE CHANGE |
|---|---|---|---|---|
| Operating revenues, power sales | $ 27 506 535 | $ 33 644 811 | $ (6 138 276) | (18.2) |
| Other nonoperating revenues | 134 818 | 6 632 | 128 186 | 1,932.8 |
| TOTAL REVENUES | 27 641 353 | 33 651 443 | (6 010 090) | (17.9) |
| Operating expenses | 30 160 007 | 18 661 401 | (11 498 606) | (61.6) |
| Other nonoperating expenses | 12 180 202 | 9 235 210 | (2 944 992) | (31.9) |
| TOTAL EXPENSES | 42 340 209 | 27 896 611 | (14 443 598) | (51.8) |
| Transfers | 35 777 | 932 613 | (896 836) | (96.2) |
| CHANGE IN NET POSITION | (14 663 079) | 6 687 445 | (21 350 524) | (319.3) |
| Beginning net position | 38 652 505 | 31 965 060 | 6 687 445 | 20.9 |
| ENDING NET POSITION | $ 23 989 426 | $ 38 652 505 | $ (14 663 079) | (37.9) |

| | CAMBRIDGE 2022 | CAMBRIDGE 2021 | DOLLAR CHANGE | PERCENTAGE CHANGE |
|---|---|---|---|---|
| Operating revenues, power sales | $ 267 679 836 | $ 214 074 509 | $ 53 605 327 | 25.0 |
| Other nonoperating revenues | 110 409 | 8 133 | 102 276 | 1,257.5 |
| TOTAL REVENUES | 267 790 245 | 214 082 642 | 53 707 603 | 25.1 |
| Operating expenses | 259 408 455 | 191 533 818 | (67 874 637) | (35.4) |
| Other nonoperating expenses | 14 492 160 | 20 427 042 | 5 934 882 | 29.1 |
| TOTAL EXPENSES | 273 900 615 | 211 960 860 | (61 939 755) | (29.2) |
| Transfers | (35 777) | (932 613) | 896 836 | 96.2 |
| CHANGE IN NET POSITION | (6 146 147) | 1 189 169 | (7 335 316) | (616.8) |
| Beginning net position | 23 186 774 | 21 997 605 | 1 189 169 | 5.4 |
| ENDING NET POSITION | $ 17 040 627 | $ 23 186 774 | $ (6 146 147) | (26.5) |

| | TOTALS 2022 | TOTALS 2021 | DOLLAR CHANGE | PERCENTAGE CHANGE |
|---|---|---|---|---|
| Operating revenues, power sales | $ 295 186 371 | $ 247 719 320 | $ 47 467 051 | 19.2 |
| Other nonoperating revenues | 245 227 | 14 765 | 230 462 | 1,560.9 |
| TOTAL REVENUES | 295 431 598 | 247 734 085 | 47 697 513 | 19.3 |
| Operating expenses | 289 568 462 | 210 195 219 | (79 373 243) | (37.8) |
| Other nonoperating expenses | 26 672 362 | 29 662 252 | 2 989 890 | 10.1 |
| TOTAL EXPENSES | 316 240 824 | 239 857 471 | (76 383 353) | (31.8) |
| Transfers | - | - | - | - |
| CHANGE IN NET POSITION | (20 809 226) | 7 876 614 | (28 685 840) | (364.2) |
| Beginning net position | 61 839 279 | 53 962 665 | 7 876 614 | 14.6 |
| ENDING NET POSITION | $ 41 030 053 | $ 61 839 279 | $ (20 809 226) | (33.7) |

Condensed statements of revenues, expenses, and changes in net position highlights are as follows:

- Operating revenues increased by approximately $47.5 million from 2021 to 2022, as a result of an approximate $53.6 million increase in power sales from the Cambridge Project and an approximate $6.1 million decrease in power sales from the RPSA Fund. Accordingly, the operating expense increase of approximately $79.4 million from 2021 to 2022 resulted primarily from an increase in purchased power costs of approximately $67.9 million.
- Other nonoperating revenues increased approximately $0.2 million.
- Other nonoperating expenses decreased approximately $3.0 million, due entirely to a decrease in refunds paid to member cities.

**Capital Asset and Debt Administration**

As of September 30, 2023, the Agency had net capital assets of approximately $-0-. Refer to Note 2 for detail of activity.

As of September 30, 2023, the Agency had no debt outstanding.

**Requests for Information**

This financial report is provided as an overview of the Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the office of the Executive Director, Sam Rayburn Municipal Power Agency, P. O. Box 10047, 340 Main Street, Liberty, Texas 77575.

FINANCIAL STATEMENTS

SAM RAYBURN MUNICIPAL POWER AGENCY
STATEMENTS OF NET POSITION
September 30, 2023

| | RPSA FUND 2023 | CAMBRIDGE FUND 2023 | TOTAL 2023 |
|---|---|---|---|
| Capital Assets: | | | |
| Electric plant | $ 4 000 000 | $ - | $ 4 000 000 |
| Less accumulated depreciation | (4 000 000) | - | (4 000 000) |
| TOTAL CAPITAL ASSETS, NET | - | - | - |
| TOTAL NONCURRENT ASSETS | - | - | - |
| Current Unrestricted Assets: | | | |
| Cash and cash equivalents | 17 339 483 | 21 073 627 | 38 413 110 |
| Cash and cash equivalents - Reserved | - | 7 904 880 | 7 904 880 |
| Accounts receivable | 2 100 853 | 12 709 748 | 14 810 601 |
| Due from trustee | 5 949 143 | - | 5 949 143 |
| Due from other fund | 471 427 | - | 471 427 |
| Prepaid expenses | 12 351 | - | 12 351 |
| TOTAL CURRENT UNRESTRICTED ASSETS | 25 873 257 | 41 688 255 | 67 561 512 |
| TOTAL ASSETS | 25 873 257 | 41 688 255 | 67 561 512 |
| Deferred Outflows: | | | |
| Costs to be recovered from future revenues | 1 572 114 | - | 1 572 114 |
| TOTAL DEFERRED OUTFLOWS | 1 572 114 | - | 1 572 114 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | $ 27 445 371 | $ 41 688 255 | $ 69 133 626 |
| Liabilities: | | | |
| Current Liabilities: | | | |
| Accounts payable from unrestricted assets | $ 293 435 | $ 10 201 718 | $ 10 495 153 |
| Due to other fund | - | 471 427 | 471 427 |
| Current Liabilities from Restricted Assets: | | | |
| Accounts payable | 1 859 968 | - | 1 859 968 |
| TOTAL CURRENT LIABILITIES FROM RESTRICTED ASSETS | 1 859 968 | - | 1 859 968 |
| TOTAL CURRENT LIABILITIES | 2 153 403 | 10 673 145 | 12 826 548 |
| Deferred Inflows: | | | |
| Other deferred inflows | - | 8 457 281 | 8 457 281 |
| TOTAL DEFERRED INFLOWS | - | 8 457 281 | 8 457 281 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS | 2 153 403 | 19 130 426 | 21 283 829 |
| Net Position: | | | |
| Unrestricted assets net of related liabilities | 25 291 968 | 22 557 829 | 47 849 797 |
| TOTAL NET POSITION | 25 291 968 | 22 557 829 | 47 849 797 |
| TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION | $ 27 445 371 | $ 41 688 255 | $ 69 133 626 |

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

SAM RAYBURN MUNICIPAL POWER AGENCY
STATEMENTS OF NET POSITION
September 30, 2022

| | RPSA FUND 2022 | CAMBRIDGE FUND 2022 | TOTAL 2022 |
|---|---|---|---|
| Capital Assets: | | | |
| Electric plant | $ 21 956 269 | $ - | $ 21 956 269 |
| Substations and lines | 24 711 971 | - | 24 711 971 |
| Furniture and fixtures | 2 195 | - | 2 195 |
| Construction in progress | 35 777 | - | 35 777 |
| Less accumulated depreciation | (35 663 940) | - | (35 663 940) |
| TOTAL CAPITAL ASSETS, NET | 11 042 272 | - | 11 042 272 |
| TOTAL NONCURRENT ASSETS | 11 042 272 | - | 11 042 272 |
| Current Unrestricted Assets: | | | |
| Cash and cash equivalents | 11 097 313 | 1 600 752 | 12 698 065 |
| Cash and cash equivalents - Reserved | - | 14 934 113 | 14 934 113 |
| Accounts receivable | 3 244 762 | 27 582 932 | 30 827 694 |
| Due from trustee | 1 349 159 | - | 1 349 159 |
| Due from other fund | - | 1 366 052 | 1 366 052 |
| Prepaid expenses | 3 564 | - | 3 564 |
| TOTAL CURRENT UNRESTRICTED ASSETS | 15 694 798 | 45 483 849 | 61 178 647 |
| TOTAL ASSETS | 26 737 070 | 45 483 849 | 72 220 919 |
| Deferred Outflows: | | | |
| Costs to be recovered from future revenues | 1 613 104 | 3 647 397 | 5 260 501 |
| TOTAL DEFERRED OUTFLOWS | 1 613 104 | 3 647 397 | 5 260 501 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | $ 28 350 174 | $ 49 131 246 | $ 77 481 420 |
| Liabilities: | | | |
| Current Liabilities: | | | |
| Accounts payable from unrestricted assets | $ 2 994 696 | $ 32 090 619 | $ 35 085 315 |
| Due to other fund | 1 366 052 | - | 1 366 052 |
| TOTAL CURRENT LIABILITIES | 4 360 748 | 32 090 619 | 36 451 367 |
| Net Position: | | | |
| Net investment in capital assets | 12 655 376 | 3 647 397 | 16 302 773 |
| Unrestricted assets net of related liabilities | 11 334 050 | 13 393 230 | 24 727 280 |
| TOTAL NET POSITION | 23 989 426 | 17 040 627 | 41 030 053 |
| TOTAL LIABILITIES AND NET POSITION | $ 28 350 174 | $ 49 131 246 | $ 77 481 420 |

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

SAM RAYBURN MUNICIPAL POWER AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended September 30, 2023

| | RPSA FUND 2023 | CAMBRIDGE FUND 2023 | TOTAL 2023 |
|---|---|---|---|
| Operating revenues | $ 28 886 139 | $ 147 679 703 | $ 176 565 842 |
| Operating Expenses: | | | |
| Purchased power | 22 647 464 | 116 008 934 | 138 656 398 |
| Operations and maintenance | 785 824 | - | 785 824 |
| General and administrative | 300 795 | - | 300 795 |
| Outside services | 229 653 | 3 049 283 | 3 278 936 |
| TOTAL OPERATING EXPENSES | 23 963 736 | 119 058 217 | 143 021 953 |
| OPERATING INCOME | 4 922 403 | 28 621 486 | 33 543 889 |
| Nonoperating Revenues (Expenses): | | | |
| Interest and investment income | 583 757 | 1 721 690 | 2 305 447 |
| Other income | 997 338 | - | 997 338 |
| Refunds and distributions to Members | - | (21 000 000) | (21 000 000) |
| Costs to be recovered from future revenues | (40 989) | (3 647 397) | (3 688 386) |
| Loss on disposition of substations | (11 467 150) | - | (11 467 150) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | (9 927 044) | (22 925 707) | (32 852 751) |
| Transfers | 425 221 | (425 221) | - |
| CHANGE IN NET POSITION | (4 579 420) | 5 270 558 | 691 138 |
| Prior period adjustment | 5 881 962 | 246 644 | 6 128 606 |
| Total net position, beginning of year | 23 989 426 | 17 040 627 | 41 030 053 |
| TOTAL NET POSITION, END OF YEAR | $ 25 291 968 | $ 22 557 829 | $ 47 849 797 |

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

SAM RAYBURN MUNICIPAL POWER AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended September 30, 2022

| | RPSA FUND 2022 | CAMBRIDGE FUND 2022 | TOTAL 2022 |
|---|---|---|---|
| Operating revenues | $ 27 506 535 | $ 267 679 836 | $ 295 186 371 |
| Operating Expenses: | | | |
| Purchased power | 27 496 627 | 254 551 734 | 282 048 361 |
| Operations and maintenance | 1 482 488 | - | 1 482 488 |
| General and administrative | 287 439 | - | 287 439 |
| Outside services | 458 374 | 4 856 721 | 5 315 095 |
| Depreciation and amortization | 435 079 | - | 435 079 |
| TOTAL OPERATING EXPENSES | 30 160 007 | 259 408 455 | 289 568 462 |
| OPERATING INCOME | (2 653 472) | 8 271 381 | 5 617 909 |
| Nonoperating Revenues (Expenses): | | | |
| Interest and investment income | 134 818 | 110 409 | 245 227 |
| Refunds and distributions to Members | (11 990 912) | (14 231 631) | (26 222 543) |
| Amortization of the cost of debt issued in excess of debt refunded | (148 301) | - | (148 301) |
| Costs to be recovered from future revenues | (40 989) | (260 529) | (301 518) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | (12 045 384) | (14 381 751) | (26 427 135) |
| Transfers | 35 777 | (35 777) | - |
| CHANGE IN NET POSITION | (14 663 079) | (6 146 147) | (20 809 226) |
| Total net position, beginning of year | 38 652 505 | 23 186 774 | 61 839 279 |
| TOTAL NET POSITION, END OF YEAR | $ 23 989 426 | $ 17 040 627 | $ 41 030 053 |

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

SAM RAYBURN MUNICIPAL POWER AGENCY
STATEMENTS OF CASH FLOWS
For the Year Ended September 30, 2023

| | RPSA FUND 2023 | CAMBRIDGE FUND 2023 | TOTAL 2023 |
|---|---|---|---|
| Cash Flows from Operating Activities: | | | |
| Received from Members and participants | $ 31 312 026 | $ 162 552 887 | $ 193 864 913 |
| Payments to employees | (212 000) | - | (212 000) |
| Payments to suppliers | (24 904 477) | (140 700 474) | (165 604 951) |
| Payments from lawsuit settlement | 1 300 000 | - | 1 300 000 |
| Deferred inflows | - | 8 457 281 | 8 457 281 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 7 495 549 | 30 309 694 | (37 805 243) |
| Cash Flows from Noncapital Financing Activities: | | | |
| Increase (decrease) in due to other fund | (1 837 479) | 1 837 479 | - |
| Operating transfers in (out) | 425 221 | (425 221) | - |
| Refunds and distributions to Members | - | (21 000 000) | (21 000 000) |
| NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES | (1 412 258) | (19 587 742) | (21 000 000) |
| Cash Flows from Investing Activities: | | | |
| Purchases of substations and lines | (424 878) | - | (424 878) |
| Interest received | 583 757 | 1 721 690 | 2 305 447 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 158 879 | 1 721 690 | 1 880 569 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 6 242 170 | 12 443 642 | 38 413 110 |
| Cash and cash equivalents at beginning of year | 11 097 313 | 16 534 865 | 7 904 880 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | $ 17 339 483 | $ 28 978 507 | $ 46 317 990 |
| Cash Components: | | | |
| Cash and cash equivalents | $ 17 339 483 | $ 21 073 627 | $ 38 413 110 |
| Cash and cash equivalents - Reserved | - | 7 904 880 | 7 904 880 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | $ 17 339 483 | $ 28 978 507 | $ 46 317 990 |
| Cash Flows from Operating Activities: | | | |
| Operating income | $ 4 922 403 | $ 28 621 486 | $ 33 543 889 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | | | |
| Lawsuit settlement | 1 300 000 | - | 1 300 000 |
| Deferred inflows | - | 8 457 281 | 8 457 281 |
| Changes in Assets and Liabilities: | | | |
| Accounts receivable | 2 425 887 | 14 873 184 | 17 299 071 |
| Prepaid expenses - Unrestricted assets | (8 787) | - | (8 787) |
| Accounts payable - Restricted assets | 21 284 | - | 21 284 |
| Accounts payable - Unrestricted assets | (1 165 238) | (21 642 257) | (22 807 495) |
| TOTAL ADJUSTMENTS | 2 573 146 | 1 688 208 | 4 261 354 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | $ 7 495 549 | $ 30 309 694 | $ 37 805 243 |

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

SAM RAYBURN MUNICIPAL POWER AGENCY
STATEMENTS OF CASH FLOWS
For the Year Ended September 30, 2022

| | RPSA FUND 2022 | CAMBRIDGE FUND 2022 | TOTAL 2022 |
|---|---|---|---|
| Cash Flows from Operating Activities: | | | |
| Received from Members and participants | $ 27 060 729 | $ 259 020 740 | $ 286 081 469 |
| Payments to employees | (198 790) | - | (198 790) |
| Payments to suppliers | (27 804 114) | (245 221 457) | (273 025 571) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | (942 175) | 13 799 283 | 12 857 108 |
| Cash Flows from Noncapital Financing Activities: | | | |
| Increase (decrease) in due to other fund | 1 929 133 | (1 929 133) | - |
| Operating transfers in (out) | 35 777 | (35 777) | - |
| Refunds and distributions to Members | (11 990 912) | (14 231 631) | (26 222 543) |
| NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES | (10 026 002) | (16 196 541) | (26 222 543) |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Principal paid on bonds | (14 850 000) | - | (14 850 000) |
| Payment of interest | (371 258) | - | (371 258) |
| NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES | (15 221 258) | - | (15 221 258) |
| Cash Flows from Investing Activities: | | | |
| Purchases of substations and lines | (35 769) | - | (35 769) |
| Interest and investment income | 134 818 | 110 409 | 245 227 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 99 049 | 110 409 | 209 458 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (26 090 386) | (2 286 849) | (28 377 235) |
| Cash and cash equivalents at beginning of year | 37 187 699 | 18 821 714 | 56 009 413 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | $ 11 097 313 | $ 16 534 865 | $ 27 632 178 |
| Cash Components: | | | |
| Cash and cash equivalents | $ 11 097 313 | $ 1 600 752 | $ 12 698 065 |
| Cash and cash equivalents - Reserved | - | 14 934 113 | 14 934 113 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | $ 11 097 313 | $ 16 534 865 | $ 27 632 178 |
| Cash Flows from Operating Activities: | | | |
| Operating income | $ (2 653 472) | $ 8 271 381 | $ 5 617 909 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | | | |
| Depreciation and amortization | 435 079 | - | 435 079 |
| Changes in Assets and Liabilities: | | | |
| Accounts receivable | (445 806) | (8 659 096) | (9 104 902) |
| Prepaid expenses - Unrestricted assets | (3 564) | - | (3 564) |
| Accounts payable - Restricted assets | 1 718 640 | - | 1 718 640 |
| Accounts payable - Unrestricted assets | 6 948 | 14 186 998 | 14 193 946 |
| TOTAL ADJUSTMENTS | 1 711 297 | 5 527 902 | 7 239 199 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | $ (942 175) | $ 13 799 283 | $ 12 857 108 |

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

## NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Organization and Operation

Sam Rayburn Municipal Power Agency (the "Agency") was created in October 1979 by concurrent ordinances of the Texas cities of Jasper, Liberty and Livingston (the "Members") pursuant to Chapter 166, Acts of the 63rd Legislature of Texas, Regular Session, 1973 as amended by Chapter 143, Acts of the 64th Legislature, Regular Session, 1975, now codified at Utilities Code Section 163.001, *et seq*. (Vernon) (the "Act"). Under the provisions of the Act, the Agency is a separate municipal corporation, a political subdivision of the state, and body politic and corporate.

The Agency was created to act on behalf of the Members for the purpose of supplying the energy needs of its Members and participants including the Vinton Public Power Authority ("VPPA"), a Louisiana political subdivision created by the Town of Vinton, Louisiana.

In June 1985, the Agency entered into an agreement with the United States of America whereby the U.S. Army Corps of Engineers constructed a facility consisting of two hydroelectric generating units totaling eight nameplate megawatts at Town Bluff Dam on the Neches River (the Robert Douglas Willis Hydro Project). In return, the Agency entered into a fifty-year purchasing agreement with the Southwestern Power Administration of the U.S. Department of Energy effective December 1, 1989, to purchase the power generated by the Robert Douglas Willis Hydro Project at rates that would cover the cost of operating and maintaining the generating system. This agreement was terminated October 16, 2023.

On November 1, 1998, the Agency entered into a Requirements Power Supply Agreement (the "RPSA") with Entergy Power Marketing Corp. (EPMC), which is now EWO Marketing, L.P. ("EWOM"). The RPSA allowed the Agency to purchase its power requirements at a fixed price sufficient to service the retail loads and normal load growth of the Agency's Members. In 2011, the RPSA was replaced with a Supplemental Requirements Power Sales Agreement ("SRPSA") with Entergy operating companies and Entergy affiliates, which enabled the Agency to obtain new wholesale loads and provide the Agency firm power supply for the next 25 years to serve its three Member cities (Note 7).

In addition, the Agency as a member of the Sam Rayburn Dam Electric Cooperative ("SRDEC") receives approximately 30% of the hydro-electric power output from the Corps of Engineers fifty-two megawatt Sam Rayburn Dam located on the Angelina River near Jasper, Texas under contract with Southwestern Power Administration.

### Basis of Accounting

The Agency follows the Federal Energy Regulatory Commission's Uniform System of Accounts and maintains accounting records on an accrual basis in accordance with U.S. generally accepted accounting principles, including the application of Financial Accounting Standards Board Codification Section 980 (formerly SFAS No. 71), *Accounting for the Effect of Certain Types of Regulation*, as it relates to the deferral of revenues and expenses to future periods in which the revenues are earned or the expenses are recovered through the rate-making process.

The Agency complies with all applicable pronouncements of the Governmental Accounting Standards Board (GASB). In accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements*, the Agency has adopted the option to apply Financial Accounting Standards Board (FASB) statements and interpretations that do not conflict with or contradict GASB pronouncements.

### Funds

In years prior to fiscal year 2012, the Agency utilized only one proprietary fund, which is designated in the financial statements as the *"RPSA"* fund. This fund has been and will continue to be utilized for all financial transactions between the Agency and its Member cities. This fund is reported as a major fund.

During the year ended September 30, 2012, the Board of Directors approved the *"Cambridge"* fund. This proprietary fund is used to account for the operations of the Cambridge Project, which was implemented in fiscal year 2012 and is further explained in Note 7. This fund is reported as a major fund.

### Capital Assets

Capital assets are recorded at cost. The cost of property and equipment is depreciated using the straight-line method over the estimated useful lives of the related assets. The cost of electrical plants and related equipment are depreciated over 30 to 34 years. Depreciation expense for the years ended September 30, 2023 and 2022 was approximately $0 and $435,000, respectively.

### Accounts Receivable and Revenue Recognition

Accounts receivable consist primarily of billings for power supplied to Members and Customers. No allowance for doubtful accounts has been provided because management considers all amounts to be fully collectible. The Agency recognizes revenue on sales when the electricity is provided to and used by the Members and Customers.

### Cost of Debt Issued in Excess of Debt Refunded and Costs to be Recovered from Future Revenues

The Agency meets the criteria and, accordingly, follows the reporting and accounting requirements of Financial Accounting Standards Board Codification Section 980 (ASC 980). Costs to be recovered from future revenues are amortized based on the straight-line method. The Agency's management makes an annual assessment of the continued application of ASC 980 and the ability of the Agency to recover these deferred costs in future operations.

## NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

### Cash Flows

For purposes of the statements of cash flows, cash and cash equivalents include cash on hand, certificates of deposit, and money market accounts for both restricted/reserved and unrestricted/unreserved assets.

### Rates

Rates and charges for providing wholesale power supply are reviewed and adopted by the Agency's board of directors. Power supply services by the Agency are not subject to state or federal regulation.

### Operating and Non-Operating Expenses

The Agency distinguishes between operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Agency's principal operations. The principal operating revenues of the Agency are charges to Members and participants for sales and services. Operating expenses for the Agency include costs of sales and services, general and administrative services, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### Income Taxes

As a political subdivision of the State of Texas, any income of the Agency is exempt from federal and state income tax under the controlling laws and regulations.

### Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from those estimates.

### Distributions to Member Cities

Distributions may be made to Member Cities from the RPSA fund at such times as the board determines in their sole discretion. Distributions during the years ended September 30, 2023 and 2022 amounted to approximately $-0- and $11,990,000, respectively. In addition, The Agency transferred land and equipment related to some substations with a value of $11,467,150 net of depreciation to the Member Cities during 2023.

As further explained in Note 7, the Cambridge fund provides additional resources to the Member cities. The Agency has made distributions from the Cambridge fund to the Member cities amounting to approximately $21,000,000 and $14,232,000 during the years ended September 30, 2023 and 2022, respectively. The Agency accounts for the distributions as non-operating expenses on the accompanying statement of revenue and expenses.

### Deferred Inflows and Outflows

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

### Subsequent Events

Management has evaluated subsequent events through August 12, 2024, the date the financial statements were available to be issued.

## NOTE 2 - CAPITAL ASSETS

Capital assets activity was as follows:

| 2023 | BALANCE 10/01/2022 | ADDITIONS | DELETIONS | BALANCE 09/30/2023 |
|---|---|---|---|---|
| Nondepreciable Assets: | | | | |
| Construction in progress | $ 35 777 | $ 424 878 | $ (460 655) | $ - |
| TOTAL NONDEPRECIABLE ASSETS | 35 777 | 424 878 | (460 655) | - |
| Capital Assets Being Depreciated: | | | | |
| Hydroelectric plant | 21 956 269 | - | (17 956 269) | 4 000 000 |
| Substations and transmission | 24 711 971 | - | (24 711 971) | - |
| Furniture and fixtures | 2 195 | - | (2 195) | - |
| TOTAL CAPITAL ASSETS BEING DEPRECIATED | 46 670 435 | - | (42 670 435) | 4 000 000 |
| Less accumulated depreciation for assets in service | (35 663 940) | - | 31 663 940 | (4 000 000) |
| TOTAL CAPITAL ASSETS, NET | $ 11 042 272 | $ 424 878 | $ (11 467 150) | $ - |

NOTE 2 - CAPITAL ASSETS - CONTINUED

| 2022 | BALANCE 10/01/2021 | ADDITIONS | DELETIONS | BALANCE 09/30/2022 |
|---|---|---|---|---|
| Nondepreciable Assets: | | | | |
| Construction in progress | $ 1 351 274 | $ 35 777 | $ (1 351 274) | $ 35 777 |
| TOTAL NONDEPRECIABLE ASSETS | 1 351 274 | 35 777 | (1 351 274) | 35 777 |
| Capital Assets Being Depreciated: | | | | |
| Hydroelectric plant | 21 956 269 | - | - | 21 956 269 |
| Substations and transmission | 23 360 697 | 1 351 274 | - | 24 711 971 |
| Furniture and fixtures | 2 195 | - | - | 2 195 |
| TOTAL CAPITAL ASSETS BEING DEPRECIATED | 45 319 161 | 1 351 274 | - | 46 670 435 |
| Less accumulated depreciation for assets in service | (35 228 861) | (435 079) | - | (35 663 940) |
| TOTAL CAPITAL ASSETS, NET | $ 11 441 574 | $ 951 972 | $ (1 351 274) | $ 11 042 272 |

The Agency transferred land and equipment related to some substations with a value of $11,467,150 net of depreciation to the Member Cities during 2023.

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Agency is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Act requires a review of investment practices and controls over investments to be performed in conjunction with the annual financial audit. The Agency is in substantial compliance requirements of the Act and with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) commercial paper, and (11) interest-bearing deposits.

The aggregate amount of assets in each of the Agency's funds and accounts is as follows:

| | SEPTEMBER 30, 2023 | | |
|---|---|---|---|
| UNRESTRICTED FUNDS | RPSA FUND | CAMBRIDGE FUND | TOTAL |
| Held by Agency: | | | |
| Demand Deposit Accounts | $ 17 039 483 | $ - | $ 17 039 483 |
| Certificates of Deposit | 300 000 | - | 300 000 |
| Cash Management Fund | - | 28 978 507 | 28 978 507 |
| | $ 17 339 483 | $ 28 978 507 | $ 46 317 990 |

| | SEPTEMBER 30, 2022 | | |
|---|---|---|---|
| UNRESTRICTED FUNDS | RPSA FUND | CAMBRIDGE FUND | TOTAL |
| Held by Agency: | | | |
| Demand Deposit Accounts | $ 10 797 313 | $ - | $ 10 797 313 |
| Certificates of Deposit | 300 000 | - | 300 000 |
| Cash Management Fund | - | 16 534 865 | 16 534 865 |
| | $ 11 097 313 | $ 16 534 865 | $ 27 632 178 |

Interest rate risk is the risk that the fair value of investments will be adversely affected by a change in interest rates. The Agency's investment policy requires that funds are generally invested to match the anticipated cash flow and all accounts have a specified maximum maturity for investments. The majority of the Agency's funds are required to be invested for less than five years.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Standard & Poor's and Moody's. The Agency's cash and cash equivalents held by the Trustee are comprised of cash management funds that are invested primarily in U.S. Treasury securities.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of the investments, collateral securities, or deposits that are in the possession of the counterparty. All demand deposits accounts and certificates of deposit accounts held by the Agency are in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). The Agency’s cash deposits at September 30, 2023 and 2022 were entirely covered by FDIC insurance or by pledged collateral held by the Agency’s agent bank in the Agency’s name.

## NOTE 4 - COSTS TO BE RECOVERED FROM FUTURE REVENUES AND OTHER DEFERRED OUTFLOWS AND INFLOWS

Costs to be recovered from future revenues are comprised of the following:

| | SEPTEMBER 30, 2023 | SEPTEMBER 30, 2022 |
|---|---|---|
| Advances to SRDEC for generating facilities at Sam Rayburn Dam | $ 1 572 114 | $ 1 613 104 |
| Transmission facilities upgrade by Entergy for MISO system - Cambridge Fund (Note 7) | - | 3 647 397 |
| | $ 1 572 114 | $ 5 260 501 |

Advances to SRDEC (Sam Rayburn Dam Electric Cooperative) for generating facilities at Sam Rayburn Dam represent contributions by the Agency to fund replacement generating facilities at Sam Rayburn Dam by the U.S. Army Corps of Engineers. SRDEC entered into an agreement with the Corps to fund the cost of these facilities in exchange for the Corps not passing the costs thru to SRDEC via a rate increase. The Agency receives approximately 30% of the electrical output from the Dam through SRDEC and SRG&T receives the remainder. This project was completed in 2017, and is being amortized straight-line over a period of 45 years. Amortization was $40,989 in fiscal years 2023 and 2022, respectively.

Transmission facilities upgrade by Entergy for the MISO system represent costs incurred by the Agency in 2015, 2016, and 2017 for upgrades to facilities owned by Entergy, but used by the Agency for transmission of energy to its industrial customers in the Cambridge Project (Note 7). ~~Changes in the operations of the Cambridge Project, as~~As discussed in Note 7, ~~making~~ it is unlikely that the Agency will recover deferred inflows related to the project. As a result, the unamortized balance of the deferred cost was written off during the current fiscal year.

Other deferred outflows and inflows are comprised of the following:

| | SEPTEMBER 30, 2023 | SEPTEMBER 30, 2022 |
|---|---|---|
| Cost of debt issued in excess of debt refunded (Note 5) | $ - | $ 46 365 237 |
| Cambridge project net deferred inflows (Note 7) | (8 457 281) | |
| Less accumulated amortization | - | (46 365 237) |
| | $ (8 457 281) | $ - |

## NOTE 5 - LONG-TERM DEBT

On September 19, 2012, the Agency issued $124,010,077 of Power Supply System Revenue Refunding Bonds, Series 2012 (the 2012 Bonds). The net proceeds, after issuance costs, from the 2012 Bonds were used to purchase government obligations that were held in an escrow account and have matured and been used to pay the principal, redemption premium, and interest on $104,580,000 in Series 2002A Bonds and $40,000,000 in Series 2002B Bonds previously issued by the Agency.

The difference between the carrying amounts of the respective bonds defeased and the net cost of defeasance as well as the unamortized costs of the prior refunding was deferred for recovery in future periods.

During the 2022 year, the Agency paid off the 2012 bonds and fully amortized this deferral as reflected in Note 4 and on the statement of net position under Deferred Outflows as "Cost of Debt Issued in Excess of Debt Refunded".

Long-term liability activity for the years ended September 30, 2023 and 2022 was as follows:

| LONG-TERM LIABILITIES AS OF SEPTEMBER 30, 2023 | BEGINNING BALANCE | ADDITIONS | REDUCTIONS | ENDING BALANCE |
|---|---|---|---|---|
| Bonds Payable: | | | | |
| 2012 Bonds | $ - | $ - | $ - | $ - |
| LONG-TERM LIABILITIES | $ - | $ - | $ - | $ - |

| LONG-TERM LIABILITIES AS OF SEPTEMBER 30, 2022 | BEGINNING BALANCE | ADDITIONS | REDUCTIONS | ENDING BALANCE |
|---|---|---|---|---|
| Bonds Payable: | | | | |
| 2012 Bonds | $ 14 850 000 | $ - | $ (14 850 000) | $ - |
| LONG-TERM LIABILITIES | $ 14 850 000 | $ - | $ (14 850 000) | $ - |

## NOTE 6 - POWER SALES CONTRACTS

Power sales contracts exist with each of the Agency's Members for the sale of electric power that the Members require for the operation of their respective systems. The contracts will extend until either the Agency or a Member has given three years notice of the intent to cancel. The power sales by the Agency to the Members were $27,190,098 and $24,283,870 for the years ended September 30, 2023 and 2022, respectively.

As further explained in Note 7, in 2011, the Agency entered into contracts for the sale of power acquired under the terms of the Cambridge Project.

## NOTE 7 - REQUIREMENTS POWER SUPPLY AGREEMENTS (*RPSA, Supplemental RPSA and Cambridge)*

In November 1998, the Agency entered into a *Requirements Power Supply Agreement* (the "RPSA") with Entergy Power Marketing Corp. (EPMC), which later became a part of Entergy Koch Trading, L.P. (EKT). The RPSA allowed the Agency to purchase its power requirements at a fixed price sufficient to service the retail loads and normal load growth of the Agency's Members through September 30, 2021.

NOTE 7 - REQUIREMENTS POWER SUPPLY AGREEMENTS (*RPSA, Supplemental RPSA and Cambridge)* - CONTINUED

The terms of the RPSA obligated EPMC to serve the Agency's load, net of the hydro-electric power supplied by the Robert Douglas Willis Hydro Project and Sam Rayburn Dam Project, and normal load growth measured from a benchmark of 78 MW of which the Agency was entitled to 70.676 MW. In addition VPPA, was entitled to 7.324 MW. Load growth was stipulated to be 3% over a 5-year future rolling average compounded annually from the 70.676 MW benchmark, regardless of actual load growth. Since the Agency's load growth has grown at a rate of less than 3% annually since fiscal year 1999, capacity equal to the difference between the Agency's actual growth and growth at 3% per annum became available to meet future Agency annual load growth in excess of 3%.

During fiscal years 2010 and 2011, the Agency and VPPA engaged in negotiations with Entergy operating companies and Entergy affiliates regarding additional power supply arrangements, which could utilize the above-mentioned RPSA excess capacity. These negotiations were known as the "Cambridge Project", and from the project, new contractual power supply and purchase arrangements were entered into and became effective in December, 2011.

The negotiations also resulted in the Agency being able to obtain a supplemental arrangement to its existing RPSA (*Supplemental RPSA or SRPSA*) with EWOM. Under the SRPSA, the Agency replaced the right to increase purchases for load growth under the RPSA at a maximum 3% annual rate to a 2% annual growth rate, which is more in line with anticipated load growth rate. The SRPSA assures an energy supply to the Agency beyond the 2021 termination of the RPSA to 2035, and provides that if the Agency has load growth above the anticipated rate, EWOM will provide service for such load. In addition, the Agency entered into contractual arrangements with EGSL and EWOM for power supply management and delivery.

The new contracts also enabled the Agency to obtain new wholesale loads and the wholesale power supply to VPPA for the industrial load was reconfigured in part. ~~In accordance with the afore mentioned, t~~The Agency ~~would~~ accounts for 100% of the revenues and expenses of the Cambridge Project. VPPA would be entitled to 9.39% of the Cambridge Project's net revenues and the Agency would record the 9.39% of net revenues allocable to VPPA as a power supply expense.

In April 2023, two generation plants involved in the Cambridge Project ceased operations. Since that time, the recognition of operating revenues and expenses~~All power sales and purchases~~ related to the Cambridge Project ~~since April 2023~~ have been deferred ~~until parties to the Cambridge Project can negotiate a final settlement~~until an ultimate disposition of the results can be made.. Net deferred inflows totaled $8,457,281 as of September 30, 2023.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Environmental

Electric utilities are subject to continuing environmental regulation. Federal, state, and local standards and procedures that regulate the environmental impact of electric utilities are subject to change. These changes may arise from legislative, regulatory, and continuous judicial action regarding such standards and procedures. The Agency does not own nor lease any generation and is not aware of any noncompliance with current environmental regulations with respect to any of the units constituting its contract power supply.

Regulation

*Electric Utility Restructuring*

In 1999, the Texas Legislature approved Senate Bill 7, *Electric Utility Restructuring* (SB7), which provided for the restructuring of the Texas electric industry for the purpose of creating a competitive electric power market. The legislation provided that the pricing and supply of the generation of electricity would be unregulated beginning in January 2002. Under special provisions for cooperatives and municipally-owned utilities, the Agency's rates for the sale of wholesale power are no longer regulated by the Public Utility Commission of Texas ("PUCT"). Similarly, the rates of the Members for the sale of electricity are no longer regulated by the PUCT. The law permits the respective boards of directors to set rates.

Investor-owned utilities in the Electric Reliability Council of Texas ("ERCOT") were required to allow their retail customers to select generation suppliers of electricity as of January 2002. The law gives municipally-owned utilities boards of directors sole authority to allow, or not allow, generating suppliers to attempt to sell electricity to retail customers of a municipally-owned utility. Allowing retail customer choice is called "opting in". Even if a municipally-owned utilities board decides to opt in, retail customers will continue to use the transmission and distribution facilities of the utility. The Agency will closely monitor whether any of its Members will decide to opt in and thus evaluate the potential effects of a change in generation sales. The law allows the Agency to recover stranded costs if it experiences a loss of load which would impair payment of debt service and payment of purchased power fixed charges. As of September 30, 2023, none of the Members who are served by the Agency have elected to opt in.

In consideration of the aforementioned, it should be noted that Jasper and Livingston are surrounded by the service areas of electric cooperatives, which, as noted above, are not required to participate in retail competition under SB7, but which also have competed for years with these Members by proximity of their service areas. Similarly, EGS surrounds Liberty and, although having already made its SB7 rate reduction, EGS continues to be noncompetitive with Liberty in Liberty's *dual certified* area. As a result, the Members have 1) already engaged in retail competition with the *dual certified* annexed portions of their municipal service areas, 2) experienced and withstood retail competition at their retail service area boundaries, and 3) retained loads in their respective single certified portions of their respective service areas sufficient to meet their obligations.

NOTE 8 - COMMITMENTS AND CONTINGENCIES - CONTINUED

*Renewable Energy Credits*

On June 1, 2001, the Agency filed with the PUCT an application to certify the Sam Rayburn Dam Project and the R. D. Willis Project as existing renewable resources and nominate the Renewable Energy Credit (REC) offsets. The Public Utility Regulatory Act established a renewable energy credits trading program that will ensure that 2,000MW of new renewable energy capacity is built in Texas as of 2009. Although the Agency is not obligated to purchase REC offsets if not participating in retail competition, generation of renewable resources and REC offsets may be sold by such a resource to competitive retailers. The application was approved in August 2001. The Agency is entitled to earn the 44,711 MWh and 26,374 MWh annual REC offsets for the Sam Rayburn Dam Project and the R.D. Willis Project respectively, as nominated. Senate Bill 20, enacted in August 2005, expanded the goal from 2,000 MW to 5,000 MW of new renewable energy capacity to be built by 2015 and includes a target of 500 MW of renewable capacity from non-wind renewable resources. The PUCT had requested comments be filed for the purpose of conducting rulemaking to implement Senate Bill 20. The Agency had filed comments in response to this request.

PUCT legal comments have since amended §25.173 rules regarding renewable energy resources and enhanced the goal set out in Senate Bill 20 by raising the ceiling for qualification of hydropower as a small producer from 2 MW to 10 MW. For a renewable energy facility to be eligible to produce RECs for use in the renewable energy credits trading program, it must be either a new facility or a small power producer. Under the new definition, existing small hydropower units under 10 MW will be eligible to produce RECs and are no longer limited to election as REC Offsets. The R.D. Willis Project qualifies as a small hydroelectric facility and is eligible for participation in the renewable energy credits trading program. Renewable energy credits may be generated, transferred, and retired by renewable energy power generators. The Agency was in the process of considering an application to the PUCT for the R.D. Willis Project to participate in the renewable energy credits trading program. In January 2011, an additional proposal for rulemaking by the PUCT addressing the removal of REC Offsets at both hydropower facilities and re-registration and treatment as REC's was commented on by the Agency in support of this proposal to the PUCT. As of July 2011 (six months after the order), no action had been taken, causing the project to become automatically considered closed. The PUCT believes it will not be revived in the near future; therefore, the Agency will continue to hold the REC Offsets for each hydro as before until any further future updates occur.

*Transmission*

The regulated energy industry continues to experience significant changes. The Midcontinent Independent System Operators (MISO) is the FERC-approved Regional Transmission Organization (RTO) responsible for coordinating transmission service, maintaining reliability, and administering wholesale power markets. FERC continues to support the establishment of large RTOs, which affect the structure of the wholesale market. To this end, on December 19, 2013, a four-state region of the electric grid across the South integrated into MISO's existing footprint in the Midwest adding over 18,000 miles of transmission and 50,000 megawatts of generation capacity. The integration added 10 new transmission owning companies, six local balancing authorities, and 33 new market participants from Mississippi, Louisiana, Arkansas, Texas, and Missouri to MISO. This new region - referred to as MISO South - includes the following transmission owners and local balancing authorities: Entergy (Arkansas, Mississippi, Louisiana, Texas, Gulf States, and New Orleans), CLECO Corp., Lafayette Utilities System, Louisiana Energy and Power Authority, Louisiana Generating, South Mississippi Electric Power Association, and East Texas Electric Cooperative. Also on December 19, 2013, among other market participants, the Agency entered MISO South as a load serving entity member on behalf of the cities of Jasper, Liberty and Livingston, Texas, plus Vinton, Louisiana. MISO membership will provide the Agency and its customers with a reliable, cost-effective option for its operations. Customers will obtain the benefits of a combined operation of a larger pool of power resources across a larger footprint, while also maintaining access to low-cost, clean and reliable power resources.

Among other functions, MISO administers a market-based platform for valuing transmission congestion premised upon a Locational Marginal Price (LMP) system. The LMP system includes the ability to mitigate or eliminate congestion costs through Auction Revenue Rights (ARRs) and Financial Transmission Rights (FTRs). ARRs are allocated to market participants by MISO and FTRs are purchased through auctions. The resulting ARR valuation and the secured FTRs are expected to mitigate transmission congestion risk for the period covered by the ARR/FTR. The Agency endeavors to secure sufficient ARRs to mitigate transmission congestion risk associated with scheduled deliveries from the Agency's generation resources to its load. The Agency does not otherwise engage in FTR-related transactions. Although the Agency has reserved firm transmission from its generation resources to serve its load and believes it is fully hedged against congestion costs, given the way in which ARRs are allocated under current MISO rules there is an inherent, unavoidable risk that the Agency potentially could be exposed at a given time to an ARR shortfall. The Agency believes the completion of certain transmission upgrades on the Entergy system (for which it has already paid) will further mitigate the Agency's exposure to congestion costs.

Power Supply

The SRPSA backs up the Agency's hydropower supply enabling the Agency to meet current and future needs of its Members.

NOTE 8 - COMMITMENTS AND CONTINGENCIES - CONTINUED

Power Costs

The Agency retains the right to refund all collections above those needed to meet operating requirements and debt service to its Members on an annual basis. The Agency's wholesale power cost is therefore a function of monthly energy and demand charges as well as this refund.

Other Commitments

In fiscal year 2017, the Agency signed a lease agreement to lease office space in Liberty, Texas, at a rate of $800 per month for a period of five years, with an option to renew for an additional five year period at an agreed upon rate. The initial agreement ended on February 28, 2022 and was renewed. Lease payments totaled $9,600 for each of the years ended September 30, 2023 and 2022, and are included in general and administrative expenses in the statements of revenues, expenses, and changes in net position.

Commitments under the lease agreement provide for minimum future lease payments as of year-end are as follows:

| YEAR ENDING SEPTEMBER 30, | | |
|---|---|---|
| 2024 | $ | 9 600 |
| 2025 | | 9 600 |
| 2026 | | 9 600 |
| 2027 | | 9 600 |
| 2028 | | 4 800 |
| TOTAL LEASE OBLIGATION | $ | 43 200 |

Other Contingencies

The Agency is a party in pending legal proceedings that management and the Agency's legal counsel believe are not material to its financial condition, results of its operations, or cash flows.

NOTE 9 - RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Management believes these risks are adequately covered by commercial insurance purchased from independent third parties.

NOTE 10 - TRANSFERS AND INTERFUND BALANCES

During the fiscal years ended September 30, 2023 and 2022, funds net of $425,221 and $35,777, respectively, were transferred from the Cambridge Fund to the RPSA Fund to be used for ongoing capital projects. The Agency also reported $1,366,052 and $563,081 as due from the Cambridge Fund to the RPSA Fund as of September 30, 2021 and 2020, respectively. These interfund balances are related to expenses of the Cambridge Fund which were paid by the RPSA Fund, and are expected to be repaid within one year.

NOTE 11 - PRIOR PERIOD ADJUSTMENT

Net position as of December 31, 2022 has been restated from $41,030,053 to $47,158,659 to record a correction to payables.