FINANCIAL STATEMENTS

SAM RAYBURN MUNICIPAL POWER AGENCY

For the Years Ended
September 30, 2022 and 2021

C O N T E N T S

AXLEY & RODE LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' 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, 2022 and 2021, 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, 2022 and 2021, 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
February 17, 2023

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, 2022 and 2021. 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 the 2022 year, the Agency paid off the 2012 bonds in the RPSA fund and has no long-term debt at year end. There is nothing of significance for 2021.

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		DOLLAR	PERCENTAGE
	2022	2021	CHANGE	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		DOLLAR	PERCENTAGE
	2022	2021	CHANGE	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.

Comparison of 2021 to 2020

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 2021	RPSA 2020	DOLLAR CHANGE	PERCENTAGE CHANGE
Capital assets, net	$ 11 441 574	$ 11 103 676	$ 337 898	3.0
Current assets	5 781 978	5 625 877	156 101	3.0
Other noncurrent assets	36 116 917	37 583 461	(1 466 544)	(3.8)
TOTAL ASSETS	53 340 469	54 313 014	(972 545)	(1.8)
Deferred outflows	1 802 402	9 203 246	(7 400 844)	(80.4)
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 55 142 871	$ 63 516 260	$ (8 373 389)	(13.2)
Current liabilities	$ 16 490 366	$ 16 316 760	$ 173 606	1.1
Long-term liabilities	-	14 850 000	(14 850 000)	(100.0)
TOTAL LIABILITIES	16 490 366	31 166 760	(14 676 394)	(47.1)
Deferred inflows	-	384 440	(384 440)	(100.0)
TOTAL LIABILITIES AND DEFERRED INFLOWS	16 490 366	31 551 200	(15 060 834)	(47.7)
Net Position:				
Net investment in capital assets	(1 606 024)	(6 557 326)	4 951 302	75.5
Restricted	34 741 754	33 137 463	1 604 291	4.8
Unrestricted	5 516 775	5 384 923	131 852	2.4
TOTAL NET POSITION	38 652 505	31 965 060	6 687 445	20.9
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	$ 55 142 871	$ 63 516 260	$ (8 373 389)	(13.2)

	CAMBRIDGE 2021	CAMBRIDGE 2020	DOLLAR CHANGE	PERCENTAGE CHANGE
Current assets	$ 37 745 550	$ 20 398 876	$ 17 346 674	85.0
TOTAL ASSETS	37 745 550	20 398 876	17 346 674	85.0
Deferred outflows	3 907 926	4 168 455	(260 529)	(6.3)
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 41 653 476	$ 24 567 331	$ 17 086 145	69.5
Current liabilities	$ 18 466 702	$ 2 569 726	$ 15 896 976	618.6
TOTAL LIABILITIES	18 466 702	2 569 726	15 896 976	618.6
Net Position:				
Net investment in capital assets	3 907 926	4 168 455	(260 529)	(6.3)
Unrestricted	19 278 848	17 829 150	1 449 698	8.1
TOTAL NET POSITION	23 186 774	21 997 605	1 189 169	5.4
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	$ 41 653 476	$ 24 567 331	$ 17 086 145	69.5

	TOTALS 2021	TOTALS 2020	DOLLAR CHANGE	PERCENTAGE CHANGE
Capital assets, net	$ 11 441 574	$ 11 103 676	$ 337 898	3.0
Current assets	43 527 528	26 064 087	17 463 441	67.0
Other noncurrent assets	36 116 917	37 544 127	(1 427 210)	(3.8)
TOTAL ASSETS	91 086 019	74 711 890	16 374 129	21.9
Deferred outflows	5 710 328	13 371 701	(7 661 373)	(57.3)
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 96 796 347	$ 88 083 591	$ 8 712 756	9.9
Current liabilities	$ 34 957 068	$ 18 886 486	$ 16 070 582	85.1
Long-term liabilities	-	14 850 000	(14 850 000)	(100.0)
TOTAL LIABILITIES	34 957 068	33 736 486	1 220 582	3.6
Deferred inflows	-	384 440	(384 440)	(100.0)
TOTAL LIABILITIES AND DEFERRED INFLOWS	34 957 068	34 120 926	836 142	2.5
Net Position:				
Net investment in capital assets	2 301 902	(2 388 871)	4 690 773	196.4
Restricted	34 741 754	33 137 463	1 604 291	4.8
Unrestricted	24 795 623	23 214 073	1 581 550	6.8
TOTAL NET POSITION	61 839 279	53 962 665	7 876 614	14.6
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	$ 96 796 347	$ 88 083 591	$ 8 712 756	9.9

Condensed statement of net position highlights are as follows:

- Capital assets, net increased by approximately $338 thousand during 2021 due primarily to construction exceeding depreciation.
- Current assets increased by approximately $17.5 million from 2020 to 2021. 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 $17.3 million, which was the result of increase in power sales in 2021.
- Other noncurrent assets decreased by approximately $1.4 million from 2020 to 2021. This was due to the amortization of the Requirements Power Supply Agreement. Other noncurrent assets primarily include the Restricted Power Supply Agreement, restricted cash and cash equivalents being used for operating, maintenance, working capital, debt, and construction needs of the Agency.
- Deferred outflows decreased by approximately $7.7 million from 2020 to 2021. 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 $16.1 million from 2020 to 2021, 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.
- Long-term liabilities decreased by approximately $14.9 million from 2020 to 2021, which was due entirely to debt payments made during the year.
- Deferred inflows decreased by approximately $0.4 million from 2020 to 2021, which was due primarily to amortization on the $15 million bond premium incurred as result of the 2012 refunding. Deferred inflows represent deferred credits and the premium on bonds issued by the Agency, net of related amortization.

- The assets of the Agency exceeded its liabilities at the close of 2021 by approximately $61.8 million as compared to $53.9 million at the end of 2020. This was the result of a combined net change in position of approximately $7.9 million, consisting of an approximate $6.7 million increase in the RPSA Fund and an approximate $1.2 million increase 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, 2022 and 2021:

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

	RPSA		DOLLAR	PERCENTAGE
	2022	2021	CHANGE	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		DOLLAR	PERCENTAGE
	2022	2021	CHANGE	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		DOLLAR	PERCENTAGE
	2022	2021	CHANGE	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.

The following table summarizes the changes in net position of each major fund of the Agency for the years ended September 30, 2021 and 2020:

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

	RPSA 2021	RPSA 2020	DOLLAR CHANGE	PERCENTAGE CHANGE
Operating revenues, power sales	$ 33 644 811	$ 34 426 668	$ (781 857)	(2.3)
Other nonoperating revenues	6 632	255 344	(248 712)	(97.4)
TOTAL REVENUES	33 651 443	34 682 012	(1 030 569)	(3.0)
Operating expenses	18 661 401	20 488 512	1 827 111	8.9
Other nonoperating expenses	9 235 210	11 099 072	1 863 862	16.8
TOTAL EXPENSES	27 896 611	31 587 584	3 690 973	11.7
Transfers	932 613	357 132	575 481	161.1
CHANGE IN NET POSITION	6 687 445	3 451 560	3 235 885	93.8
Beginning net position	31 965 060	28 513 500	3 451 560	12.1
ENDING NET POSITION	$ 38 652 505	$ 31 965 060	$ 6 687 445	20.9

	CAMBRIDGE 2021	CAMBRIDGE 2020	DOLLAR CHANGE	PERCENTAGE CHANGE
Operating revenues, power sales	$ 214 074 509	$ 177 348 209	$ 36 726 300	20.7
Other nonoperating revenues	8 133	184 257	(176 124)	(95.6)
TOTAL REVENUES	214 082 642	177 532 466	36 550 176	20.6
Operating expenses	191 533 818	155 118 263	(36 415 555)	(23.5)
Other nonoperating expenses	20 427 042	19 272 633	(1 154 409)	(6.0)
TOTAL EXPENSES	211 960 860	174 390 896	(37 569 964)	(21.5)
Transfers	(932 613)	(357 132)	(575 481)	161.1
CHANGE IN NET POSITION	1 189 169	2 784 438	(1 595 269)	(57.3)
Beginning net position	21 997 605	19 213 167	2 784 438	14.5
ENDING NET POSITION	$ 23 186 774	$ 21 997 605	$ 1 189 169	5.4

	TOTALS 2021	TOTALS 2020	DOLLAR CHANGE	PERCENTAGE CHANGE
Operating revenues, power sales	$ 247 719 320	$ 211 774 877	$ 35 944 443	17.0
Other nonoperating revenues	14 765	439 601	(424 836)	(96.6)
TOTAL REVENUES	247 734 085	212 214 478	35 519 607	16.7
Operating expenses	210 195 219	175 606 775	(34 588 444)	(19.7)
Other nonoperating expenses	29 662 252	30 371 705	709 453	2.3
TOTAL EXPENSES	239 857 471	205 978 480	(33 878 991)	(16.4)
CHANGE IN NET POSITION	7 876 614	6 235 998	1 640 616	26.3
Beginning net position	53 962 665	47 726 667	6 235 998	13.1
ENDING NET POSITION	$ 61 839 279	$ 53 962 665	$ 7 876 614	14.6

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

- Operating revenues increased by approximately $35.5 million from 2020 to 2021, as a result of an approximate $36.7 million increase in power sales from the Cambridge Project and an approximate $0.8 million decrease in power sales from the RPSA Fund. Accordingly, the operating expense increase of approximately $34.6 million from 2020 to 2021 resulted primarily from an increase in purchased power costs of approximately $34.6 million.

- Other nonoperating revenues decreased approximately $0.4 million.
- Other nonoperating expenses decreased approximately $0.7 million, due entirely to a decrease in refunds paid to member cities.

Capital Asset and Debt Administration

As of September 30, 2022, the Agency had net capital assets of approximately $11.0 million, which consisted primarily of hydro-electric plant, substations, and lines. Refer to Note 2 for detail of activity.

As of September 30, 2022, 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, 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
Restricted Assets:			
Cash and cash equivalents	-	-	-
TOTAL RESTRICTED ASSETS	-	-	-
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 NET POSITION
September 30, 2021

	RPSA FUND 2021	CAMBRIDGE FUND 2021	TOTAL 2021
Capital Assets:			
Electric plant	$ 21 956 269	$ -	$ 21 956 269
Substations and lines	23 360 698	-	23 360 698
Furniture and fixtures	2 195	-	2 195
Construction in progress	1 351 273	-	1 351 273
Less accumulated depreciation	(35 228 861)	-	(35 228 861)
TOTAL CAPITAL ASSETS, NET	11 441 574	-	11 441 574
Restricted Assets:			
Cash and cash equivalents	36 116 917	-	36 116 917
TOTAL RESTRICTED ASSETS	36 116 917	-	36 116 917
TOTAL NONCURRENT ASSETS	47 558 491	-	47 558 491
Current Unrestricted Assets:			
Cash and cash equivalents	1 070 782	11 287 384	12 358 166
Cash and cash equivalents - Reserved	-	7 534 330	7 534 330
Accounts receivable	4 148 115	18 923 836	23 071 951
Due from other fund	563 081	-	563 081
TOTAL CURRENT UNRESTRICTED ASSETS	5 781 978	37 745 550	43 527 528
TOTAL ASSETS	53 340 469	37 745 550	91 086 019
Deferred Outflows:			
Cost of debt issued in excess of debt refunded	148 309	-	148 309
Costs to be recovered from future revenues	1 654 093	3 907 926	5 562 019
TOTAL DEFERRED OUTFLOWS	1 802 402	3 907 926	5 710 328
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 55 142 871	$ 41 653 476	$ 96 796 347
Liabilities:			
Current Liabilities:			
Accounts payable from unrestricted assets	$ 265 203	$ 17 903 621	$ 18 168 824
Due to other fund	-	563 081	563 081
Current Liabilities from Restricted Assets:			
Accounts payable	1 003 905	-	1 003 905
Accrued interest payable	371 258	-	371 258
Current portion of long-term debt	14 850 000	-	14 850 000
TOTAL CURRENT LIABILITIES FROM RESTRICTED ASSETS	16 225 163	-	16 225 163
TOTAL CURRENT LIABILITIES	16 490 366	18 466 702	34 957 068
Net Position:			
Net investment in capital assets	(1 606 024)	3 907 926	2 301 902
Restricted assets net of related liabilities	34 741 754	-	34 741 754
Unrestricted assets net of related liabilities	5 516 775	19 278 848	24 795 623
TOTAL NET POSITION	38 652 505	23 186 774	61 839 279
TOTAL LIABILITIES AND NET POSITION	$ 55 142 871	$ 41 653 476	$ 96 796 347

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 REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended September 30, 2021

	RPSA FUND 2021	CAMBRIDGE FUND 2021	TOTAL 2021
Operating revenues	$ 33 644 811	$ 214 074 509	$ 247 719 320
Operating Expenses:			
Purchased power	13 315 151	186 967 200	200 282 351
Operations and maintenance	1 489 614	-	1 489 614
General and administrative	268 041	-	268 041
Outside services	483 687	4 566 618	5 050 305
Depreciation and amortization	3 104 908	-	3 104 908
TOTAL OPERATING EXPENSES	18 661 401	191 533 818	210 195 219
OPERATING INCOME	14 983 410	22 540 691	37 524 101
Nonoperating Revenues (Expenses):			
Interest and investment income	6 632	8 133	14 765
Interest expense	(742 500)	-	(742 500)
Amortization of bond premium	384 440	-	384 440
Refunds and distributions to Members	(1 476 306)	(20 166 513)	(21 642 819)
Amortization of the cost of debt issued in excess of debt refunded	(1 578 662)	-	(1 578 662)
Costs to be recovered from future revenues	(5 822 182)	(260 529)	(6 082 711)
TOTAL NONOPERATING REVENUES (EXPENSES)	(9 228 578)	(20 418 909)	(29 647 487)
TRANSFERS	932 613	(932 613)	-
CHANGE IN NET POSITION	6 687 445	1 189 169	7 876 614
Total net position, beginning of year	31 965 060	21 997 605	53 962 665
TOTAL NET POSITION, END OF YEAR	$ 38 652 505	$ 23 186 774	$ 61 839 279

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.

SAM RAYBURN MUNICIPAL POWER AGENCY
STATEMENTS OF CASH FLOWS
For the Year Ended September 30, 2021

	RPSA FUND 2021	CAMBRIDGE FUND 2021	TOTAL 2021
Cash Flows from Operating Activities:			
Received from Members and participants	$ 33 990 601	$ 200 909 298	$ 234 899 899
Payments to employees	(212 000)	-	(212 000)
Payments to suppliers	(15 527 387)	(176 118 401)	(191 645 788)
NET CASH PROVIDED BY OPERATING ACTIVITIES	18 251 214	24 790 897	43 042 111
Cash Flows from Noncapital Financing Activities:			
Increase (decrease) in due to other fund	(481 559)	481 559	-
Operating transfers in (out)	932 613	(932 613)	-
Refunds and distributions to Members	(1 476 306)	(20 166 513)	(21 642 819)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(1 025 252)	(20 617 567)	(21 642 819)
Cash Flows from Capital and Related Financing Activities:			
Principal paid on bonds	(14 140 000)	-	(14 140 000)
Payment of interest	(1 096 000)	-	(1 096 000)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(15 236 000)	-	(15 236 000)
Cash Flows from Investing Activities:			
Purchases of substations and lines	(932 614)	-	(932 614)
Interest and investment income	6 632	8 133	14 765
NET CASH PROVIDED BY INVESTING ACTIVITIES	(925 982)	8 133	(917 849)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1 063 980	4 181 463	5 245 443
Cash and cash equivalents at beginning of year	36 123 719	14 640 251	50 763 970
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 37 187 699	$ 18 821 714	$ 56 009 413
Cash Components:			
Cash and cash equivalents	$ 1 070 782	$ 11 287 384	$ 12 358 166
Cash and cash equivalents - Reserved	-	7 534 330	7 534 330
Restricted cash and cash equivalents	36 116 917	-	36 116 917
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 37 187 699	$ 18 821 714	$ 56 009 413
Cash Flows from Operating Activities:			
Operating income	$ 14 983 410	$ 22 540 691	$ 37 524 101
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and amortization	3 104 908	-	3 104 908
Changes in Assets and Liabilities:			
Accounts receivable	345 790	(13 165 211)	(12 819 421)
Accounts payable - Restricted assets	(167 809)	-	(167 809)
Accounts payable - Unrestricted assets	(15 085)	15 415 417	15 400 332
TOTAL ADJUSTMENTS	3 267 804	2 250 206	5 518 010
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 18 251 214	$ 24 790 897	$ 43 042 111

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 1980, the Agency executed a Joint Ownership Participation and Operating Agreement to acquire a 20% undivided ownership interest in Nelson Coal Unit No. 6, a 550 megawatt coal-fired steam electric generating unit located near the Houston River near Westlake, Louisiana constructed by Gulf States Utilities Company ("Gulf States"), which became a wholly-owned subsidiary of Entergy Corporation in 1994. In November 1998, the Agency sold its 20% interest in the Nelson Coal Unit No. 6 and exited the generation business. 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 allows the Agency to purchase its power requirements at a fixed price sufficient to service the retail loads and normal load growth of the Members it currently serves under the terms of its existing contracts until September 30, 2022 (Notes 6 and 7). There are additional contractual arrangements for power supply as further discussed in Note 7.

During 2002, VPPA and the Agency entered into a participation exit agreement in conjunction with the Agency's refunding of outstanding bonds (Note 5). In consideration of the payment of $15,778,548 by VPPA, along with the assignment of certain power supply resources, the power sales agreement between the VPPA and the Agency was terminated. The payment of $15,778,548 was placed into an escrow account and used to defease the 1993 bonds (Note 5).

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 will cover the cost of operating and maintaining the generating system. 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.

In December, 2011, the Agency finalized the "Cambridge Project", which allowed it to enter into contractual power supply and purchase arrangements with Entergy operating companies and Entergy affiliates. It also resulted in the Agency obtaining a supplemental arrangement to the afore-mentioned RPSA. This resulted in the Agency being able to obtain new wholesale loads and provide firm power supply for its Member cities. The Cambridge Project is further explained in Note 7.

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 associated with operations of the Agency under the *Required Power Supply Agreement* with EWOM and the hydro-electric power agreements discussed in Notes 1 and 6. The Agency's long-term debt is required to be recorded in and serviced from this fund. 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.

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

Capital Assets

Capital assets are recorded at cost, including capitalized interest on borrowed funds during construction. 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, 2022 and 2021 was approximately $435,000 and $595,000, respectively.

Capitalized Interest

The Agency capitalizes interest in connection with debt to finance major construction projects. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. The Agency did not have any capitalized interest for the years ended September 30, 2022 and 2021.

Restricted and/or Reserved Cash and Cash Equivalents

The Agency's bond resolution requires the segregation of bond proceeds and prescribes the application of the Agency's revenues. Amounts classified as restricted cash and cash equivalents on the Statements of Net Position for the RPSA Fund represent cash and cash equivalents whose use is restricted by the bond resolution. Reserved cash in the Cambridge Fund represents amounts internally-reserved by action of the Board of Directors pursuant to an agreement with VPPA (Note 7).

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). Pursuant to ASC 980, certain costs, primarily depreciation of property and equipment and the amortization of the cost of debt issued in excess of debt refunded, do not require current funding and are not included as costs in the determination of current rates. To the extent that these costs will be recovered through future rates, the Agency defers these costs. Cost of debt in excess of debt refunded is amortized under the provisions of ASC 980 utilizing a regulatory method based on the bonds outstanding method over the life of the related bond issue. Other costs to be recovered from future revenues are either amortized by this same method or they 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 rates.

Bond Premium

The premium on the 2012 bonds is amortized using the effective interest method over the life of the bond issue. Premium amortization is required by generally accepted accounting principles to be recognized as a component of interest expense. Amortization approximated $-0- and $384,000 in fiscal years 2022 and 2021, respectively.

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.

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

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.

Refunds and Distributions to Member Cities

In accordance with the 2012 bond indenture of trust, if the Agency meets its covenant of net revenues being greater than 1.2 times the aggregate debt service requirements, Member cities are eligible to receive a refund from the RPSA fund of certain amounts contained in the refund account held by the Bank of New York. Refunds during the years ended September 30, 2022 and 2021 amounted to approximately $11,990,000 and $1,476,000, respectively.

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 $14,232,000 and $20,167,000 during the years ended September 30, 2022 and 2021, 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 February 17, 2023, the date the financial statements were available to be issued.

NOTE 2 - CAPITAL ASSETS

Capital assets activity was as follows:

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

2021	BALANCE 10/01/2020	ADDITIONS	DELETIONS	BALANCE 09/30/2021
Nondepreciable Assets:				
Construction in progress	$ 418 659	$ 932 615	$ -	$ 1 351 274
TOTAL NONDEPRECIABLE ASSETS	418 659	932 615	-	1 351 274
Capital Assets Being Depreciated:				
Hydroelectric plant	21 956 269	-	-	21 956 269
Substations and transmission	23 360 697	-	-	23 360 697
Furniture and fixtures	2 195	-	-	2 195
TOTAL CAPITAL ASSETS BEING DEPRECIATED	45 319 161	-	-	45 319 161
Less accumulated depreciation for assets in service	(34 634 144)	(594 717)	-	(35 228 861)
TOTAL CAPITAL ASSETS, NET	$ 11 103 676	$ 337 898	$ -	$ 11 441 574

In 1989, the Agency purchased substations, which included the related equipment belonging to each Member. The associated substation of each Member was leased back to the Member for an initial lease term of 10 years at a nominal rate of $10 per year. At any time, the Members may repurchase the substations from the Agency at the original amount paid plus capital improvements made by the Agency, less the accumulated depreciation on such assets.

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

The bond resolution, under which the 2012 Revenue Bonds were issued, provides for the creation and maintenance of certain funds and accounts. The funds and accounts consist principally of deposits and investments in accordance with the bond resolution and applicable state law including the Public Funds Investment Act, Texas Government Code 2256. The aggregate amount of assets in each of the Agency's funds and accounts is as follows:

		SEPTEMBER 30, 2022				
UNRESTRICTED FUNDS		RPSA FUND		CAMBRIDGE FUND		TOTAL
Held by Agency:						
Demand Deposit Accounts	$	10 797 308	$	-	$	10 797 308
Certificates of Deposit		300 000		-		300 000
Cash Management Fund		-		16 534 865		16 534 865
	$	11 097 308	$	16 534 865	$	27 632 178

		SEPTEMBER 30, 2021				
UNRESTRICTED FUNDS		RPSA FUND		CAMBRIDGE FUND		TOTAL
Held by Agency:						
Demand Deposit Accounts	$	770 784	$	-	$	770 784
Certificates of Deposit		300 000		-		300 000
Cash Management Fund		-		18 821 714		18 821 714
	$	1 070 784	$	18 821 714	$	19 892 498
RESTRICTED FUNDS						
Held by the Trustee:						
Revenue Fund Account	$	890 441	$	-	$	890 441
Operating Reserve Fund Account		5 011 531		-		5 011 531
Bond Fund Debt Service Account		15 550 245		-		15 550 245
Bond Fund Reserve Account		12 975 467		-		12 975 467
Rate Stabilization Account		1 689 228		-		1 689 228
Bond Escrow Fund Account		5		-		5
TOTAL	$	36 116 917	$	-	$	36 116 917
Restricted Funds are Comprised of:						
Cash and Cash Equivalents	$	36 116 917	$	-	$	36 116 917
	$	36 116 917	$	-	$	36 116 917

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). At September 30, 2022 and 2021, the Agency had demand deposits that were not within the insurable limits established by the FDIC nor were they covered by pledged collateral.

Restricted assets held by the Trustee in the Bond Fund Debt Service Account and the Bond Fund Reserve Account are only available to meet the principal and interest payments on revenue bonds. Other assets held by the Trustee are available to meet the operating, operating reserve, and reserve and contingency requirements of its bond indenture agreements.

NOTE 4 - COST OF DEBT ISSUED IN EXCESS OF DEBT REFUNDED, COSTS TO BE RECOVERED FROM FUTURE REVENUES, AND OTHER DEFERRED OUTFLOWS AND INFLOWS

		SEPTEMBER 30,		
		2022		2021
Cost of debt issued in excess of debt refunded (Note 5)	$	46 365 237	$	46 365 237
Less accumulated amortization		(46 365 237)		(46 216 928)
	$	-	$	148 309

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

		SEPTEMBER 30,		
		2022		2021
Advances to SRDEC for generating facilities at Sam Rayburn Dam (Note 8)	$	1 613 104	$	1 654 093
Transmission facilities upgrade by Entergy for MISO system - Cambridge Fund		3 647 397		3 907 926
	$	5 260 501	$	5 562 019

NOTE 4 - COST OF DEBT ISSUED IN EXCESS OF DEBT REFUNDED, COSTS TO BE RECOVERED FROM FUTURE REVENUES, AND OTHER DEFERRED OUTFLOWS AND INFLOWS - CONTINUED

Advances to SRDEC (Sam Rayburn Dam Electric Cooperative)(refer to Note 1) 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 thru 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 $40,990 in fiscal years 2022 and 2021, respectively.

Transmission facilities upgrade by Entergy for the MISO system (Note 8) 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). This project was completed at the end of fiscal year 2016, and is being amortized straight-line over a period of 20 years. Amortization was $260,529 in fiscal years 2022 and 2021.

NOTE 5 - LONG-TERM DEBT

Principal and interest on bonds are payable from and secured by a pledge of the revenues of the Agency and assignment of a security interest in certain restricted funds.

On January 1, 1993, the Agency issued $153,420,000 of Power Supply System Revenue Refunding Bonds, Series 1993A (the 1993A Bonds). The net proceeds, after issuance costs, from the 1993A 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 $5,225,000 in 1982 Bonds and $123,400,765 in 1985 Bonds previously issued by the Agency.

Subsequently, on February 15, 1993, the Agency issued $89,595,000 of Power Supply System Revenue Refunding Bonds, Series 1993N (the 1993B Bonds). The net proceeds, after issuance costs, from the 1993B 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 of $38,375,000 in 1985 Bonds and $42,400,000 in 1985A Bonds.

On July 25, 2002, the Agency issued $185,310,000 of Power Supply System Revenue Refunding Bonds, Series 2002A through 2002D (the 2002 Bonds). The net proceeds, after issuance costs, from the 2002 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 $132,220,000 in Series 1993A Bonds and $83,320,000 in Series 1993B Bonds previously issued by the Agency. The Series 2002A Bonds and the Series 2002B Bonds were subject to optional redemption on October 1, 2013.

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 Agency estimates the 2012 refunding will result in approximately $28,122,000 of net savings in debt service over the life of the issue and an economic gain of approximately $21,222,000.

As a result of the above mentioned transactions, the Agency defeased all of its remaining previously issued bonds. 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 refundings was deferred for recovery in future periods. The unamortized portion of this deferral is reflected 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, 2022 and 2021 was as follows:

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)	$ -

LONG-TERM LIABILITIES AS OF SEPTEMBER 30, 2021	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE
Bonds Payable:				
2012 Bonds	$ 28 990 000	$ -	$ (14 140 000)	$ 14 850 000
LONG-TERM LIABILITIES	$ 28 990 000	$ -	$ (14 140 000)	$ 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 remain in effect until all outstanding bonds of the Agency have been retired (Note 5). Thereafter, the contracts will extend until either the Agency or a Member has given three years notice of the intent to cancel. In no event will the contracts expire before October 1, 2022. The power sales by the Agency to the Members were $24,283,870 and $30,392,432 for the years ended September 30, 2022 and 2021, 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)*

RPSA

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 allows the Agency to purchase its power requirements at a fixed price sufficient to service the retail loads and normal load growth of the Members it currently serves under the terms of its existing power sales contracts (Note 6) until September 30, 2021. The Agency currently purchases all power not supplied by the Robert Douglas Willis Hydro Project and Sam Rayburn Dam Project from EKT through EKT's assignee without novation, EWO Marketing, L.P. (EWOM), under the RPSA. Power supplies delivered under the RPSA are now administered by Entergy Asset Management (EAM). The value assigned to the RPSA of $59,605,565 is being amortized on a straight-line basis over the life of the agreement. Amortization expense for each of the years ended September 30, 2021 and 2020 totaled $2,510,192.

In July 2010, the Agency and EWOM entered into the SRMPA Full Requirements Power Supply Agreement for the City of Liberty/Boomerang Load. Liberty and Boomerang Tube, L.L.C. ("Boomerang"), a large industrial customer of Liberty, are parties to the certain Retail Power Purchase Agreement (the "Boomerang Retail Contract") to which Liberty will provide Boomerang with all electrical loads up to 35 MW, or upon request such greater amount not to exceed 40 MW, required by Boomerang to operate its steel pipe and tube production facility. The Agency entered into this agreement, in parallel to the RPSA, to supply Liberty with the electric energy that Liberty needs to satisfy its obligations under the Boomerang Retail Contract. The cost-based agreement will be in effect until September 30, 2021. Power sales under this agreement approximated $2,097,861 and $4,578,312 for the years ended September 30, 2021 and 2020, respectively; power purchases approximated $1,825,000 and $2,182,000, respectively. The power sale revenues and power purchases related to the Boomerang Retail Contract are not includable as "revenues" or "cost of revenues" under the Series 2012 bonds indenture (Note 5) and are not pledged as "net revenues" securing the 2012 Bonds.

Supplemental RPSA and Cambridge Project

The terms of the RPSA obligate EPMC to serve the Agency's load, net of the above-mentioned hydro-electric power arrangements, and normal load growth measured from a benchmark of 78 MW of which the Agency is entitled to 70.676 MW and VPPA, as part of the exit agreement mentioned in Note 1, is 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. The new contracts 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 (under the SRPSA). The wholesale loads are with VPPA and Entergy Texas, Inc. ("ETI"). The additional power supply resources to the Agency include unit generation from third parties and power supply purchases from Entergy Gulf States Louisiana, LLC ("EGSL") and from EWOM. In addition, the Agency entered into contractual arrangements with EGSL and EWOM for power supply management and delivery.

The Cambridge Project supplements the existing Agency systems and the VPPA systems. VPPA will serve the three industrial loads with power provided by the Agency and purchased from an Entergy company. Under the Cambridge Project, the wholesale power supply to VPPA for the industrial load was reconfigured in part. Under the SRPSA with EWOM, 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 2% annual growth rate is applied to the 2010 reference year's peak load as the basis for determining the maximum load service obligation. 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. Should any of the Cambridge Project contractual arrangements be terminated, all Cambridge contracts will terminate and the Agency and VPPA systems will revert to their original condition with wholesale energy provided under the RPSA for the Agency to serve its participating Member cities.

The Cambridge Project is independent from the Agency's existing operations that secure the Agency's debt service obligations to holders of the 2012 Bonds (Note 5). The Agency's Net Revenues and funds and accounts established under the 2012 Bond Indenture are not commingled with Cambridge Project accounts and are not available to the Cambridge Project. Cambridge funds do not secure the 2012 Bonds.

In accordance with the afore-mentioned, the Agency is under contract to VPPA for 9.39% of the Cambridge Project's net revenues. The Agency accounts for 100% of the revenues and expenses of the Cambridge Project and records as a power supply expense the 9.39% of net revenues allocable to VPPA.

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

In accordance with a protocol agreement between the Agency and VPPA, 90.61% of $1.5 million of net revenues from the Cambridge Project were placed in operating reserves for the first 5 years of the contracts; however, this agreement is subject to change by mutual consent of the two parties. Beginning in fiscal year 2017, pursuant to the agreement, the Agency is required to annually contribute 90.61% of $150,000 of net revenues from the Cambridge Project into operating reserves. The Agency had approximately $7,500,000 cash reserved for each of the two years ended September 30, 2021 and 2020 under this agreement.

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, 2022, 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.

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.

NOTE 8 - COMMITMENTS AND CONTINGENCIES - CONTINUED

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 RPSA and Supplemental RPSA, further explained in Note 7, provide the Agency with a delivered fixed cost power supply. As a result, the Agency is not faced with market driven increases in power supply, fuel, or delivery costs. In addition, that power supply backs up the Agency's hydropower supply. Management believes that the above factors will enable it to meet current and future obligations.

Power Costs

The Agency was able to reduce its annual debt service requirements through the refundings of its debt in 2002 and again in 2012. The Agency adjusts its coverage requirements to collect true coverage on debt service in order to demonstrate financial responsibility. The Agency also 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, 2022 and 2021, and are included in general and administrative expenses in the statements of revenues, expenses, and changes in net position.

NOTE 8 - COMMITMENTS AND CONTINGENCIES - CONTINUED

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

YEAR ENDING SEPTEMBER 30,		
2023	$	4 000
TOTAL LEASE OBLIGATION	$	4 000

Other Contingencies

In December 2016, the Agency was notified that the Louisiana Public Service Commission will be conducting a review (Docket No. S-34332) of Special Order 01-2001 to determine if it remains in the best interest of Louisiana ratepayers. The review of this order will encompass the provisions of the Cambridge Project (Note 7). While the Agency cannot predict with certainty when the review will be completed or the outcome, there is a possibility that it could adversely impact the continuation of the Cambridge Project.

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, 2022 and 2021, funds net of $35,777 and $932,613, 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.

In addition this re-class was also reflected in the related notes to the financial statements (Note 2).

NOTE 11 - SUBSEQUENT EVENTS

The Agency transferred land and equipment related to some substations with a value of $10,916,843 net of depreciation to the Member Cities on October 1, 2022.