Bryan Texas Utilities

City Electric System

Annual Financial Report

For the Fiscal Years Ended September 30, 2020 and 2019

Bryan Texas Utilities
City Electric System
An Enterprise Fund of the City of Bryan
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Introduction

Bryan Texas Utilities (BTU) is pleased to present its Annual Financial Report for the fiscal years ended September 30, 2020 and 2019. This report is published to provide the BTU Board of Directors (Board), the City of Bryan, the Bondholders, representatives of financial institutions, and other interested parties detailed information concerning the financial condition of BTU.

BTU is an enterprise activity of the City of Bryan, Texas. BTU operates a "City" and "Rural" electric system, (the "City Electric System" and the "Rural Electric System," respectively). Each system, while operated by a common staff, is maintained separately for internal and external accounting and reporting purposes. The accompanying financial statements present only the City Electric System and its blended component unit, BTU QSE Services, Inc. (QSE), a separate legal entity. These financial statements are not intended to present the financial position or results of operations of the Rural Electric System or the City of Bryan, Texas.

The City Electric System is managed by the General Manager with oversight by the BTU Board of Directors. The BTU Board, established on June 12, 2001, is appointed by the Bryan City Council and is empowered with oversight of BTU. The Bryan City Council retains authority for approval of the annual budget, including fund transfers to the City, rates for electric service, condemnations, debt financing and the purchase of real property.

BTU management has prepared and is responsible for the financial statements and related information included in this report. Management believes that the policies and procedures in place provide guidance and reasonable assurance that BTU operations are conducted according to management's intentions and to a high standard of business ethics. In management's opinion the financial statements present fairly, in all material respects, the net position, changes in net position and cash flows of the City Electric System in conformity with accounting principles generally accepted in the United States of America.

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Independent Auditor's Report

To the City Council of City of Bryan, Texas
and Board of Directors of Bryan Texas Utilities
Bryan, Texas

We have audited the accompanying financial statements of the City Electric System of Bryan Texas Utilities (BTU), an enterprise fund of the City of Bryan, Texas, as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the City Electric System of BTU's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City Electric System of Bryan Texas Utilities as of September 30, 2020 and 2019, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the City Electric System of BTU, and do not purport to, and do not, present fairly the financial position of the Rural Electric System of BTU or City of Bryan, Texas, as of September 30, 2020 and 2019, the changes in its financial position or, where applicable its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and other postemployment information as listed in the table of contents 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City Electric System of BTU's basic financial statements. The introduction section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introduction section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Houston, Texas
January 13, 2021

Bryan Texas Utilities
City Electric System
An Enterprise Fund of the City of Bryan

Management's Discussion and Analysis

This discussion and analysis of the City Electric System financial performance provides an overview of financial activities for the fiscal years ended September 30, 2020 (FY2020) and 2019 (FY2019). Please read this information in conjunction with the accompanying financial analysis, the financial report, and the accompanying notes to financial statements.

Overview of Annual Financial Report

The financial statements report information about the City Electric System and its blended component unit, BTU QSE Services, Inc. The QSE exists to perform qualified scheduling services of electrical generation, load and energy transactions for BTU according to the Electric Reliability Council of Texas (ERCOT) protocols. Although the QSE is a separate legal entity, it is considered a blended component unit and is reported as if it were a part of the City Electric System.

The financial statements are prepared using accrual accounting methods as utilized by similar business activities in the private sector. The City Electric System annual reporting period (fiscal year) ends September 30 of each year.

The Statements of Net Position include the City Electric System assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). They also provide the basis for the evaluation of capital structure, liquidity, and flexibility of the City Electric System.

The Statements of Revenues, Expenses and Changes in Net Position present the results of the business activities (revenues and expenses) over the course of the fiscal year and can provide information about the City Electric System's recovery of costs.

The Statements of Cash Flows present cash receipts, cash disbursements and net changes in cash resulting from operating, financing and investing activities. This statement provides information such as where cash came from, what cash was used for and what the changes in cash balances were during the reporting period.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the City Electric System accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

The Required Supplementary Information contains important information about the changes in the Net Pension Liability for the City of Bryan and the City Electric System's associated portion of that liability. Also presented in this section are the changes to the City's Other Post Employment Benefits (OPEB) liability including the City Electric System's associated liability.

Condensed Statements of Net Position

	September 30, 2020	2019	2018
Current assets	$ 107,373,654	$ 110,254,925	$ 103,868,643
Capital assets, net	381,291,121	351,541,781	328,697,287
Restricted assets	62,077,680	86,399,825	48,820,482
Other	26,856,688	26,856,688	5,175,538
Total assets	577,676,001	575,053,219	486,561,950
Deferred outflows of resources	2,857,508	7,184,738	3,375,028
Current liabilities	25,169,788	20,429,264	12,574,453
Current liabilities payable from restricted assets	22,380,503	24,828,272	40,888,367
Non-current liabilities	268,621,196	293,188,538	228,717,749
Total liabilities	316,171,486	338,446,074	282,180,569
Deferred inflows of resources	7,337,186	2,858,840	4,585,079
Net position:			
Net investment in capital assets	150,327,214	126,152,078	125,967,009
Restricted	10,025,617	12,492,834	15,017,045
Unrestricted	96,672,006	102,288,131	62,187,276
Total net position	$ 257,024,837	$ 240,933,043	$ 203,171,330

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

	Fiscal Year Ended September 30,		
	2020	**2019**	**2018**
Operating revenues	$ 185,889,665	$ 204,747,110	$ 199,082,844
Operating expenses	133,583,315	150,593,994	162,522,523
Operating income	52,306,350	54,153,116	36,560,321
Investment income	3,318,858	4,909,309	776,947
Interest expense	(8,609,788)	(9,724,116)	(8,200,308)
Income before operating transfers	47,015,420	49,338,309	29,136,960
Transfers, net	(30,923,626)	(11,576,596)	(10,738,229)
Changes in net position	16,091,794	37,761,713	18,398,731
Net position, beginning of period	240,933,043	203,171,330	184,772,599
Net position, end of period	$ 257,024,837	$ 240,933,043	$ 203,171,330

Customer Count

FY2020 - The City Electric System's retail customer base of 39,536 increased by 778 customers, or 2.0%, compared to FY2019. The local economy continues to expand which has caused the City Electric System's total load in increase.

FY2019 - The City Electric System's retail customer base of 38,758 increased by 1,098 customers, or 2.9%, compared to FY2018.

Operating Revenue

FY2020 - Operating revenues of $185,889,665 were $18,857,445, or 9.2%, below the FY2019 total of $204,747,110. Year over year variances in operating revenue were primarily attributable to the following activity:

	Impact ($ millions)
Base, fuel, & regulatory revenue from customer growth	$ 3.0
Impact of COVID on wholesale & retail sales	(9.0)
Fuel rate reductions	(5.6)
Off-system fuel revenue (lower market prices)	(5.5)
Regulatory rate increase	1.9
Transmission cost of service revenue	0.8
Lower net TMPA revenue	(4.1)
All other	(0.4)
	$ (18.9)

FY2019 - Operating revenues of $204,747,110 were $5,664,266, or 2.8%, above the FY2018 total of $199,082,844. Year over year variances in operating revenue were primarily attributable to the following activity:

	Impact ($ millions)
Base retail revenue (customer growth)	$ 1.2
Rural System Wholesale revenues (reduced base & fuel rates)	(10.4)
Off-system revenue (reduced base rate & contract expiration)	(1.5)
Fuel revenue (increased market & ancillary sales)	4.0
Higher transmission cost of service revenue	1.4
Net TMPA revenue	9.6
All other	1.4
Total	$ 5.7

Operating Expenses

FY2020 - Operating expenses of $133,583,315 were $17,010,679, or 11.3%, below the FY2019 total of $150,593,994. Year over year variances in operating expenses were primarily attributable to the following activity:

	Impact ($ millions)
Lower fuel and purchased power costs	$ (16.1)
Increased transmission cost of service expenses	1.8
Higher capacity costs	0.6
Higher departmental operating & maintenance expenses	1.4
Reduced depreciation expense	(4.7)
	$ (17.0)

FY2019 - Operating expenses of $150,593,994 were $11,928,529, or 7.3%, below the FY2018 total of $162,522,523. Year over year variances in operating expenses were primarily attributable to the following activity:

	Impact ($ millions)
Higher fuel and purchased power costs	$ 4.0
Decreased TMPA demand charges	(17.1)
Lower transmission cost of service expense	(0.6)
Higher departmental operating & maintenance expense	3.4
Lower depreciation expense	(1.3)
All other	(0.3)
Total	$(11.9)

Capital Assets

FY2020 - Net utility plant at September 30, 2020, of $381,291,121 was $29,749,340, or 8.5%, higher than the balance of $351,541,781 at September 30, 2019. The increase in capital assets was primarily the result of transmission and distribution expenditures to support customer growth and reliability. Transmission projects are addressed under Significant Events.

FY2019 - Net utility plant at September 30, 2019, of $351,541,781 was $22,844,494, or 7.0%, higher than the balance of $328,697,287 at September 30, 2018. The increase in capital assets was primarily the result of transmission and distribution expenditures to support customer growth and reliability. Transmission projects are addressed under Significant Events.

Net Position

FY2020 - Net position at September 30, 2020, was $257,024,837, of which $96,672,006 was available to meet the City Electric System's ongoing obligations. The change in net position for the fiscal year ended September 30, 2020, was $16,091,794.

FY2019 - Net position at September 30, 2019, was $240,933,043, of which $102,288,131 was available to meet the City Electric System's ongoing obligations. The change in net position for the fiscal year ended September 30, 2019, was $37,761,713.

Significant Events

Long-Term Debt –

The City Electric System did not issue bonds in the 2020 fiscal year.

At September 30, 2020, there was $190,250,000, $28,790,000, and $4,060,000 of City Electric System revenue bonds, certificates of obligation, and general obligation refunding bonds, respectively, outstanding payable from revenues of the City Electric System.

At September 30, 2019, there was $198,050,000, $29,880,000, and $4,800,000 of City Electric System revenue bonds, certificates of obligation, and general obligation refunding bonds, respectively, outstanding payable from revenues of the City Electric System.

For the fiscal year ended September 30, 2019, the City of Bryan issued revenue bonds ("2018 Revenue Bonds") totaling $40,590,000 for the City Electric System. The 2018 Revenue Bonds mature serially beginning July 1, 2020, through July 1, 2043, with coupon rates of 4.0% and 5.0%. The proceeds from the sale of the 2018 Revenue Bonds are restricted to financing costs or expenses incurred in relation to the acquisition or construction of improvements, additions, or extensions to the City Electric System and capital assets, facilities, and equipment incident and related to the operation, maintenance, or administration of the City Electric System.

Rates –

On January 1, 2020, BTU implemented retail rate changes to its power supply adjustment and regulatory charges. The City Electric System power supply adjustment decreased by 8.5% due to lower net energy costs. The City Electric System's regulatory charges, including those billed to the Rural Electric System, increased by 15% due to increases in ERCOT system-wide transmission cost of service expenses. The overall effect of these changes reduced retail rates by 0.8%, on average. The City Electric System also reduced its power supply adjustment by 50% for the months of April 2020 through June 2020 to provide relief to customers stemming from the COVID pandemic.

At the beginning of fiscal year 2019, the Rural Electric System wholesale rate decreased by 38% to reflect capacity cost reductions from TMPA. BTU also implemented minor changes to regulatory charges and fuel rates at that time which were revenue neutral to the City System.

Power Supply – Texas Municipal Power Agency (TMPA)

Effective October 17, 2017, TMPA's Gibbons Creek power plant entered into a seasonal operations mode, operating during the summer months only (June-September). Due to the significant decline in the service utility of the generation assets, such assets were deemed impaired and the TMPA recognized $227,278,000 in impairment losses in its Statement of Revenues, Expenses and Changes in Net Position through September 30, 2018. On June 6, 2019, the TMPA Board of Directors voted to permanently retire the power plant. TMPA is now engaged in the decommissioning of the power plant.

In 2016 and 2017, TMPA issued requests for proposals ("RFPs") regarding the proposed sale of Gibbons Creek power plant and certain transmission assets. Proposals received in connection with the 2016 and 2017 RFP's were pursued, but negotiations were ultimately discontinued. In 2019, TMPA issued an RFP involving only the sale of generation assets. Proposals were received in August 2019 and TMPA is currently in negotiations with one of the proposers.

Power Supply – Other

On November 15, 2018, BTU executed forward market power purchases for the years 2023 through 2027, to support BTU's projected baseload energy requirements over those respective years. BTU transacted with one counterparty for the total purchase of approximately 440,785 MWh.

On October 8, 2018, BTU entered into a 15 year power purchase agreement with an energy developer that will construct a photovoltaic solar power plant in northeast Texas. Under the agreement, which has an expected commercial operation date of June 2022, BTU will purchase the output from 100MW of generating capacity.

Transmission Construction –

During 2020, BTU completed construction of additional transmission projects, including line rebuilds, pole replacements, transformer additions, relay upgrades, breaker replacements, and improvements to warehouses and storage yards. All system improvements contributed to increasing system reliability and allowing BTU to better serve system growth. Transmission projects in 2020 added $40.4 million to Plant in Service.

During 2019, BTU completed construction of additional transmission projects, including line rebuilds, pole replacements, transformer additions, relay upgrades, breaker replacements, and improvements to warehouses and storage yards. All system improvements contributed to increasing system reliability and allowing BTU to better serve system growth. Transmission projects in 2019 added $0.9 million to Plant in Service.

Prepaid Energy Costs, Impairment of Prepaid Energy Costs and Regulatory Assets –

On June 6, 2019 the TMPA Board of Directors approved the cessation of the production of power and energy from the Gibbons Creek power plant. The unit was removed from the ERCOT system on October 30, 2019. These actions triggered the TMPA to record a decommissioning/environmental remediation liability and a corresponding discounted receivable from the member cities. The member cities are obligated to pay all costs associated with the decommissioning of the generating assets of TMPA. As of September 30, 2019 the calculated liability associated with decommissioning/environmental remediation was $126,443,000 of which each member city is responsible for its share. Decommissioning is estimated to take 5 years and the related maintenance is estimated to be fully complete after 30 years. The City Electric System's allocated share of TMPA's decommissioning/remediation liability is 21.24%. At September 30, 2020 and 2019, the City Electric System recognized a Regulatory Asset in the amount of $26,856,688. Of this amount, $18,573,088 is associated with the decommissioning obligation and $8,283,600 is associated with the ongoing maintenance. Because of the nature of the obligation, a liability for the City Electric System was recognized at September 30, 2020 and 2019. The Regulatory Asset will be amortized in future periods when its costs are included in electric rates. See Note 11 below for further information regarding the obligation due to TMPA.

Other-

BTU experienced an all-time high summer peak load of 343.2MW on August 28, 2020. This surpassed the prior all-time high summer peak load of 340.6MW realized on July 23, 2018. BTU experienced a winter peak load of 250.3MW on February 27, 2020, which was slightly lower than 2019's winter peak load of 253.7MW on January 24, 2019.

BTU experienced a summer peak load of 339.9MW on August 19, 2019. This was just below BTU's all-time high summer peak load of 340.6MW realized on July 23, 2018. BTU experienced a winter peak load of 253.7MW on January 24, 2019, which was significantly lower than 2018's winter peak load of 320.1MW which was an all-time high winter peak.

The City Electric System did not transfer any amounts from the Rate Stabilization Fund for the fiscal years ended September 30, 2020 or 2019.

During fiscal year 2020, the City Electric System transferred $20,000,000 to the City of Bryan from funds held by the utility. The transfer is a part of a newly implemented process that allows the City Electric System to transfer funds to the City of Bryan once certain key financial metrics are achieved.

Subsequent Events –

In 2019, TMPA issued a request for proposal (RFP) involving the sale of generation assets. In 2019 and throughout 2020, TMPA was in negotiations regarding the proposal from Gibbons Creek Environmental Redevelopment Group, LLC. (GCERG). In December 2020, TMPA and GCERG came to an agreement on terms for the sale of the Gibbons Creek Steam Electric Station and the assumption of all environmental liabilities. At that time the TMPA BOD authorized the TMPA General Manager to take the necessary steps to compete the transaction. Remaining actions include approval by the governing bodies of the four member cities and the finalization of closure related documents. The successful completion of the sale is expected to occur before March 31, 2021. The sale of the Gibbons Creek Steam Electric Station under the terms of the agreement would result in a significant reduction in BTU's portion of TMPA's decommissioning liability.

During fiscal year 2020, BTU completed construction of additional transmission projects, including new substations, substation additions, new poles, new lines, line upgrades, breaker replacements, switch upgrades, and improvements to substation access roads. All system improvements contributed to increasing system reliability and allowing BTU to better serve system growth. Transmission projects in fiscal year 2020 added $40.7 million to plant in service. BTU filed an application on December 15, 2020 with the Texas Public Utility Commission for recovery through its transmission cost of service rates for a portion of these transmission expenditures, along with other transmission system additions since January 1, 2018.

On November 19, 2020, the City of Bryan issued General Obligation Pension Bonds, Taxable Series 2020, (the "Bonds") for $54,700,000. The Bonds mature serially beginning August 15, 2022, through August 15, 2040, with coupon rates from .449% to $2.894%. The proceeds from the sale of the Bonds are restricted to fund the unfunded portion of the City's pension liability with the Texas Municipal Retirement System.

Requests for Information

This financial report is designed to provide readers with a general overview of BTU's City Electric System finances. For questions concerning any of the information provided in this report or requests for additional information, contact Bryan Texas Utilities, P.O. Box 1000, Bryan, Texas 77805, or http://www.btutilities.com/contact-us/

BTU General Manager:
Gary Miller

BTU Executive Directors:
Randy Trimble
David Werley
Wes Williams

City of Bryan:
Kean Register, City Manager
Joe Hegwood, Chief Financial Officer

Bryan Texas Utilities
City Electric System
An Enterprise Fund of the City of Bryan
Statements of Net Position
At September 30, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	$ 72,921,783	$ 6,310,258
Investments	4,293,752	75,853,416
Accounts receivable	21,962,804	21,422,088
Less allowance for uncollectible accounts	(348,841)	(376,655)
Derivative financial instruments - current portion	312,005	-
Accrued interest receivable	398,927	212,841
Inventory	1,167,284	1,238,721
Due from other funds	3,645,308	3,438,992
Under-recovered regulatory fee	185,970	523,068
Other assets	2,834,662	1,632,196
Total current assets	107,373,654	110,254,925
Non-current assets:		
Restricted assets:		
Cash and cash equivalents	-	554,036
Investments	62,077,680	85,845,789
Derivative financial instruments	76,858	-
Capital assets	586,869,306	541,523,150
Less accumulated depreciation	(205,578,185)	(189,981,369)
TMPA decommissioning	26,856,688	26,856,688
Total noncurrent assets	470,302,346	464,798,294
Total assets	$ 577,676,001	$ 575,053,219

	2020	2019
Deferred Outflows of Resources		
Accumulated decrease in fair value of hedging derivatives	$ -	$ 883,111
Pensions	2,182,388	5,957,240
Benefits	675,120	344,387
Total deferred outflows of resources	$ 2,857,508	$ 7,184,738

The accompanying notes are an integral part of the financial statements

Bryan Texas Utilities
City Electric System
An Enterprise Fund of the City of Bryan
Statement of Net Position - continued
At September 30, 2020 and 2019

	2020	2019
Liabilities		
Current liabilities:		
Accounts payable	$ 14,276,786	$ 14,845,466
Accrued liabilities	784,382	691,228
Due to other funds	1,613,692	1,350,783
Derivative financial instruments - current portion	-	790,658
TMPA decommissioning - current portion	7,357,637	1,864,507
Other current liabilities	1,137,290	886,622
Total current liabilities	25,169,788	20,429,264
Current liabilities payable from restricted assets:		
Accrued interest	2,267,741	2,434,701
Over-recovered fuel	5,328,224	8,053,948
Bonds - current portion	10,070,000	9,630,000
Customer deposits	4,714,537	4,709,623
Total current liabilities payable from restricted assets	22,380,503	24,828,272
Non-current liabilities:		
Bonds payable	213,030,000	223,100,000
Bond premium, net	22,510,652	23,807,177
Derivative financial instruments	-	92,453
TMPA decommissioning	17,634,544	24,992,181
Net pension liability	11,819,322	17,466,601
Other post employment benefits	3,320,327	3,423,775
Other noncurrent liabilities	306,351	306,351
Total noncurrent liabilities	268,621,196	293,188,538
Total liabilities	$ 316,171,486	$ 338,446,074
Deferred Inflows of Resources		
Deferred regulatory liability	$ 4,084,588	$ 2,794,699
Accumulated increase in fair value of hedging derivatives	388,863	-
Pensions	2,538,202	64,141
Benefits	325,534	-
Total deferred inflows of resources	$ 7,337,186	$ 2,858,840
Net Position		
Net investment in capital assets	$ 150,327,214	$ 126,152,078
Restricted for:		
Debt reserve	6,177,462	8,107,586
Debt service	2,125,833	2,115,715
Rate stabilization	1,722,322	1,715,497
Collateral deposits	-	554,036
Unrestricted	96,672,006	102,288,131
Total net position	$ 257,024,837	$ 240,933,043

The accompanying notes are an integral part of the financial statements

Bryan Texas Utilities
City Electric System
An Enterprise Fund of the City of Bryan
Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended September 30, 2020 and 2019

	FY2020	FY2019
Operating revenues:		
Electrical system	$ 183,888,530	$ 202,865,738
Other	2,001,135	1,881,372
Total operating revenues	185,889,665	204,747,110
Operating expenses:		
Personnel services	12,322,140	12,317,512
Electric operations	90,557,707	104,908,962
Maintenance	4,837,801	3,705,615
Other services and charges	3,805,786	3,639,121
Other expenses	2,023,073	2,455,081
General and administrative	3,147,281	1,938,435
Depreciation and amortization	16,889,527	21,629,268
Total operating expenses	133,583,315	150,593,994
Operating income	52,306,350	54,153,116
Non-operating revenues (expenses):		
Investment income	3,318,858	4,909,309
Interest expense	(8,609,788)	(9,724,116)
Total non-operating revenues (expenses)	(5,290,930)	(4,814,807)
Income before operating transfers	47,015,420	49,338,309
Transfers:		
City of Bryan administrative payment	2,010,483	1,774,062
Transfers to City of Bryan General Fund	(32,934,109)	(13,350,658)
	(30,923,626)	(11,576,596)
Change in net position	16,091,794	37,761,713
Net position, beginning of period	240,933,043	203,171,330
Net position, end of period	$ 257,024,837	$ 240,933,043

The accompanying notes are an integral part of the financial statements

Bryan Texas Utilities
City Electric System
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Statements of Cash Flows
For the Fiscal Years Ended September 30, 2020 and 2019

	FY2020	FY2019
Cash flows from operating activities		
Receipts from customers	$ 184,948,052	$ 204,073,010
Payments to suppliers	(106,110,788)	(110,100,569)
Payments to employees	(11,387,517)	(10,760,134)
Net cash provided by operating activities	67,449,747	83,212,307
Cash flows from non-capital financing activities		
Operating subsidies and transfers from other funds	2,010,483	1,774,062
Operating subsidies and transfers to other funds	(32,934,109)	(13,350,658)
Net cash used by non-capital financing activities	(30,923,626)	(11,576,596)
Cash flows from capital and related financing activities		
Purchases of capital assets	(49,272,154)	(32,676,251)
Proceeds from capital debt	-	43,859,965
Principal paid on capital debt	(9,630,000)	(29,810,000)
Interest paid on capital debt	(10,073,273)	(10,589,968)
Bond issuance costs	-	(513,812)
Net cash used by capital and related financing activities	(68,975,427)	(29,730,066)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	245,537,289	180,379,789
Purchases of investments	(148,225,290)	(228,616,163)
Interest and dividends received	1,194,796	1,480,973
Net cash provided (used) by investing activities	98,506,795	(46,755,401)
Net increase/(decrease) in cash and cash equivalents	66,057,489	(4,849,756)
Balance-beginning of the year	6,864,294	11,714,050
Balance-end of the year	$ 72,921,783	$ 6,864,294
Reconciliation of Ending Cash Balance		
Cash and cash equivalents	$ 72,921,783	$ 6,310,258
Cash and cash equivalents – restricted	-	554,036
Balances-end of the year	$ 72,921,783	$ 6,864,294

The accompanying notes are an integral part of the financial statements

Bryan Texas Utilities
City Electric System
An Enterprise Fund of the City of Bryan
Statements of Cash Flows - continued
For the Fiscal Years Ended September 30, 2020 and 2019

Reconciliation of operating income to net cash provided by operating activities:

	FY2020	FY2019
Operating income	$ 52,306,350	$ 54,153,116
Adjustments to reconcile operating income		
to net cash provided by operating activities:		
Depreciation and amortization	16,889,527	21,629,268
Bad debts	188,999	120,896
Loss on disposal of assets	-	168,400
Change in assets and liabilities:		
Accounts receivable	(946,527)	(4,603,420)
Inventory	71,438	3,998,942
Under-recovered regulatory fee	337,097	(523,068)
Other assets	(1,202,050)	(605,168)
Deferred outflows/inflows of resources - pensions	6,587,723	(5,620,988)
Deferred outflows/inflows of resources - benefits	-	(85,899)
Due from other funds	1,727,235	2,378,605
Accounts payable	1,322,715	985,616
Accrued liabilities	240,374	291,844
Over-recovered fuel	(2,725,724)	3,648,692
Customer deposits	4,914	280,627
TMPA Decommissioning	(1,864,507)	-
Net pension liability		
and other post-employment benefits	(5,750,727)	6,972,421
Due to other funds	262,910	22,423
Net cash provided by operating activities	$ 67,449,747	$ 83,212,307

Noncash Investing, Capital and Financing Activities	**FY2020**	**FY2019**
Capital asset acquisitions included in accounts payable	$ 4,302,062	$ 4,581,836

The accompanying notes are an integral part of the financial statements

1. Summary of Significant Accounting Policies

Reporting Entity - Bryan Texas Utilities (BTU) is a municipally owned utility system that operates as an enterprise activity of the City of Bryan, Texas (the City). BTU operates a city and rural electric system. Each system, while operated by a common staff, is maintained separately for accounting and reporting purposes. BTU's City Electric System (the City Electric System) is the reporting entity and includes BTU's Qualified Scheduling Entity (QSE), a separate legal entity considered a blended component unit because its primary purpose is to provide a service to BTU. The BTU Board of Directors serves as the board of the QSE. The financial statements present only the City Electric System of BTU and are not intended to present the financial position of BTU's Rural Electric System or the City and the results of their operations and cash flows in conformity with generally accepted accounting principles.

The condensed combined statements of net position for the City Electric System and QSE as of September 30, 2020 are as follows:

	September 30, 2020		
	BTU City	QSE	Combined
Current assets	$ 104,404,533	$ 2,657,116	$ 107,061,649
Capital assets, net	380,997,149	293,972	381,291,121
Restricted assets	62,077,680	-	62,077,680
Other	26,856,688	-	26,856,688
Total assets	574,336,049	2,951,089	577,287,138
Deferred outflows of resources	2,857,508	-	2,857,508
Current liabilities	24,027,326	830,456	24,857,783
Current liabilities payable from restricted assets	22,380,503	-	22,380,503
Noncurrent liabilities	268,544,338	-	268,544,338
Total liabilities	314,952,167	830,456	315,782,623
Deferred inflows of resources	7,337,186	-	7,337,186
Net position:			
Net investment in capital assets	150,033,241	293,972	150,327,214
Restricted	10,025,617	-	10,025,617
Unrestricted	94,845,346	1,826,660	96,672,006
Total net position	$ 254,904,205	$ 2,120,632	$ 257,024,837

The condensed combined statements of net position for the City Electric System and QSE as of September 30, 2019 are as follows:

	September 30, 2019		
	BTU City	**QSE**	**Combined**
Current assets	$ 108,501,945	$ 1,752,980	$ 110,254,925
Capital assets, net	351,162,067	379,714	351,541,781
Restricted assets	86,399,825	-	86,399,825
Other	26,856,688	-	26,856,688
Total assets	572,920,525	2,132,694	575,053,219
Deferred outflows of resources	7,184,738	-	7,184,738
Current liabilities	20,417,202	12,062	20,429,264
Current liabilities payable from restricted asets	24,828,272	-	24,828,272
Noncurrent liabilities	293,188,538	-	293,188,538
Total liabilities	338,434,012	12,062	338,446,074
Deferred inflows of resources	2,858,840	-	2,858,840
Net position:			
Net investment in capital assets	125,772,364	379,714	126,152,078
Restricted	12,492,834	-	12,492,834
Unrestricted	100,547,213	1,740,918	102,288,131
Total net position	$ 238,812,411	$ 2,120,632	$ 240,933,043

The condensed combined statements of revenues, expenses, and changes in net position for the City Electric System and QSE for the year ended September 30, 2020, are as follows:

	Fiscal Year Ended September 30, 2020		
	BTU City	QSE	Combined
Operating revenues	$ 184,217,948	$ 1,671,717	$ 185,889,665
Operating expenses	131,911,598	1,671,717	133,583,315
Operating income	52,306,350	-	52,306,350
Investment income	3,318,858	-	3,318,858
Interest expense	(8,609,788)	-	(8,609,788)
Income before operating transfers	47,015,420	-	47,015,420
Transfers, net	(30,923,626)	-	(30,923,626)
Changes in net position	16,091,794	-	16,091,794
Net position, beginning of period	238,812,411	2,120,632	240,933,043
Net position, end of period	$ 254,904,205	$ 2,120,632	$ 257,024,837

The condensed combined statements of revenues, expenses, and changes in net position for the City Electric System and QSE for the year ended September 30, 2019, are as follows:

	Fiscal Year Ended September 30, 2019		
	BTU City	QSE	Combined
Operating revenues	$ 203,295,523	$ 1,451,587	$ 204,747,110
Operating expenses	149,142,407	1,451,587	150,593,994
Operating income	54,153,116	-	54,153,116
Investment income	4,909,309	-	4,909,309
Interest expense	(9,724,116)	-	(9,724,116)
Income before operating transfers	49,338,309	-	49,338,309
Transfers, net	(11,576,596)	-	(11,576,596)
Changes in net position	37,761,713	-	37,761,713
Net position, beginning of period	201,050,698	2,120,632	203,171,330
Net position, end of period	$ 238,812,411	$ 2,120,632	$ 240,933,043

Financial Statements - The financial statements for the City Electric System (a proprietary fund) are reported using the economic resources measurement focus and the accrual basis of accounting. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) are included on the Statements of Net Position. The Statements of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Statements of Revenues, Expenses and Changes in Net Position distinguish 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 a proprietary fund's principal ongoing operations. Operating expenses for the City Electric System include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Basis of Accounting - The City Electric System is accounted for on the flow of economic resources measurement focus and uses the accrual basis of accounting. Accounting records are maintained in accordance with accounting principles generally accepted in the United States of America. The City Electric System prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

New Accounting Pronouncements, Changes in Accounting Principles -

For the fiscal year ended September 30, 2020, the City Electric System adopted the following accounting pronouncements:

GASB Statement No. 84, *Fiduciary Activities.* The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

GASB Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61.* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

GASB Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance.* The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The implementation of GASB Statements No. 84, No. 90, and No.95 did not have a significant impact on the City Electric System's financial statements.

The following guidance issued by GASB is effective for years following the fiscal year ended September 30, 2020 and is expected to be applicable to the City Electric System:

GASB Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

GASB Statement No. 91, *Conduit Debt Obligations.* The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021.

GASB Statement No. 92, *Omnibus 2020.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about various statements. The requirements of this statement are effective for reporting periods beginning after June 15, 2021 and upon issuance of Statement 87.

GASB Statement No. 93, *Replacement of Interbank Offered Rates.* Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, Leases, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap

- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend

The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The requirements of this statement are effective for reporting periods beginning June 15, 2022.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements.* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

Restricted Funds - Restricted funds consist of construction funds derived from debt issues, system revenues that have been designated for specific purposes by the BTU Board or other funds with legal or contractual constraints. When both restricted and unrestricted resources are available for use, it is BTU’s policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates - In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from these estimates.

Utility Revenues, Fuel Recovery, and Regulatory Recovery - Customers are billed on the basis of monthly cycle billings. At year end, the City Electric System accrues estimated unbilled revenues for the period ended September 30. These unbilled revenues amounted to $2,435,072 and $2,818,455 at September 30, 2020 and 2019 respectively, and are included in accounts receivable. The difference between fuel revenue billed and fuel expense incurred is recorded as an addition or a reduction to fuel and purchased power expense, with a corresponding entry to accounts payable – over-recovered fuel, or accounts receivable – under-recovered fuel, whichever is appropriate. At September 30, 2020 and 2019, the City Electric System reported a current liability – over-recovered fuel of $5,328,224 and $8,053,948, respectively.

The difference between regulatory revenue billed and regulatory expense incurred is recorded as an addition or a reduction to transmission cost of service expense, with a corresponding entry to accounts payable – over-recovered regulatory fee, or accounts receivable – under-recovered regulatory fee, whichever is appropriate. At September 30, 2020 and 2019, the City Electric System reported a current asset – under-recovered regulatory fee of $185,970 and $523,068, respectively.

Prepaid Energy Costs, Impairment of Prepaid Energy Costs and Regulatory Assets

On June 6, 2019 the TMPA Board of Directors approved the cessation of the production of power and energy from the Gibbons Creek power plant. The unit was removed from the ERCOT system on October 30, 2019. These actions triggered TMPA to record a decommissioning/environmental remediation liability and a corresponding discounted receivable from the member cities. The member cities are obligated to pay all associated costs associated with the decommissioning of the generating assets of TMPA. As of September 30, 2019 the calculated liability associated with decommissioning/environmental remediation was $126,443,000 of which each member city is responsible for its share. Decommissioning is estimated to take 5 years and the related maintenance is estimated to be fully complete after 30 years. The City Electric System's allocated share of TMPA's decommissioning/remediation liability is 21.24%. At September 30, 2020 and 2019, the City Electric System recognized a Regulatory Asset in the amount of $26,856,688. Of this amount, $18,573,088 is associated with the decommissioning obligation and $8,283,600 is associated with the ongoing maintenance. Because of the nature of the obligation a liability for the City Electric System was recognized at September 30, 2020 and 2019. The Regulatory Asset will be amortized in future periods when its costs are included in electric rates. See Note 5 below for further information regarding the liability due to TMPA.

Capital Assets - Capital assets are stated at historical cost. Also, to the extent the construction is performed by the City Electric System, the cost includes payroll and related costs and certain general and administrative expenses. Assets constructed utilizing funds collected from customers and developers as contributions of aid in construction (AIC) are also capitalized. Interest is not capitalized in these accounts because interest is recovered concurrently in the utility rate structure. Maintenance, repairs and minor renewals and replacements are charged to operating expense, while major property replacements are capitalized. Except for certain assets that may become impaired, the cost of depreciable plant retired, plus removal cost and less salvage, is charged to accumulated depreciation. Per the financial reporting requirements of GASB Statement No. 42, any losses associated with capital asset impairments will be charged to operations, not accumulated depreciation. Depreciation is recorded on a straight-line basis over estimated service lives ranging from 5 to 40 years.

Cash and Cash Equivalents - For purposes of cash flows, the City Electric System considers all highly liquid investments with an original maturity of three months or less to be cash equivalents, except for balances in the investment pools which are reported as investments.

Inventory - Inventory is valued at average cost and is accounted for using the consumption method.

Bond Issuance Expenses – According to the financial reporting requirements of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* bond issuance expenses are to be expensed as incurred. Issuance expenses are reported on the Statements of Revenues, Expenses and Changes in Net Position in interest expense and totaled $0 and $513,812 for the fiscal years ended September 30, 2020 and 2019, respectively.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined using the flow of economic resources measurement focus and the full accrual basis of accounting. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

OPEB - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about fiduciary net position of the City of Bryan Post-employment Benefits Plan (the Plan) and additions to/deductions from the Plan's fiduciary net positon have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Plan member contributions are recognized when due, and the City Electric System's contributions are recognized when due. Benefits and any refunds are recognized when due and payable according to the terms of the plan. Assets held by the Trust are valued at fair value.

Deferred Regulatory Liability – To better align certain benefits received with BTU's retail rate design, the City Electric System utilizes regulatory accounting treatment for the funds it collects from customers and developers as contributions of aid in construction (AIC) under GASB Statement No. 62. The City Electric System recognizes AIC received as a deferred regulatory liability in the deferred inflows section of the Statements of Net Position. The deferred regulatory liability is amortized to accumulated depreciation over the life of the asset constructed.

During the fiscal years ended September 30, 2020 and 2019, the City Electric System collected $1,417,532 and $213,329, respectively, of AIC. The amortization of the deferred regulatory liability was $127,643 and $87,334 for 2020 and 2019, respectively.

Accrued Vacation Pay - Employees earn vacation pay at rates of 10 to 25 days per year and may accumulate an unlimited number of days, depending on their length of employment. Upon termination, the respective employees are paid for any unused accumulated vacation pay, up to a maximum of two times their annual accrual rate. The City Electric System accrues vacation pay when the liability is incurred.

2. Cash and Investments

City Electric System cash managed by BTU is deposited into separate insured money market, revenue, and operating accounts in the name of the BTU City Electric System. All City Electric System cash is deposited in accounts that receive interest credit, a fee allowance, or is invested in permissible securities pursuant to BTU's investment policy. Investments are stated at fair value based on quoted market prices provided by the custodian.

Deposits

State statutes require that all deposits in financial institutions be fully collateralized with depository insurance or by U.S. Government obligations or its agencies and instrumentalities; or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. City Electric System demand deposits for the fiscal years ended September 30, 2020 and 2019 were held at Branch Banking & Trust Company. These deposits were entirely covered by federal depository insurance or by collateral equal to at least 102% of the deposits. For deposits that were collateralized, the securities were in accordance with the Texas Public Funds Collateral Act.

Investments

The BTU investment program is guided by Texas state statutes, by various City ordinances, and by City of Bryan investment policy which amplifies those guidelines and prescribes how the City Electric System will operate its investment program in accordance with applicable laws and regulations. The City's policy, which was adopted on August 27, 2019 for the fiscal year ended September 30, 2020, sets forth (1) the basic principles governing the investment of funds; (2) the objectives of the investment program; and (3) the authority, responsibilities, limitations, documentation, and requirements to be used in the administration and operation of the investment program.

Investments authorized by the investment policy are subject to any limitations otherwise imposed by applicable law, regulations, bond indentures or other agreements, the Texas Government Code and the Public Funds Investment Act, Chapter 2256. These investments include the following:

a. Direct obligations of the United States government or its agencies and instrumentalities;

b. Debentures or discount notes issued by, guaranteed by, or for which the credit of any Federal Agencies and Instrumentalities is pledged for payment;

c. Bonds or other obligations, the principal and interest of which is guaranteed by the full faith and credit of the United States;

d. Certificates of Deposit issued by state and national banks within the State of Texas that are secured by obligations qualified as acceptable collateral;

e. Repurchase agreements and reverse repurchase agreements are allowable only as part of a Public Investing Pool and in compliance with the Public Fund Investment Act limitations;

f. Bankers Acceptances eligible for discounting with the Federal Reserve maturing within 90 days;

g. Commercial Paper maturing within 365 days carrying a rating of A-1, P-1, F-1;

h. Money Market Mutual Funds meeting each of the following criteria:

   - Is registered with and regulated by the Securities and Exchange Commission;
   - Provides the investing entity with a prospectus and other information required by the Securities and Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.);
   - Complies with federal Securities and Exchange Commission rule 2a-7 (17 C.F.R. Section 270.2a-7, Promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.);
   - Charges no commission fee on purchases or sales of shares;
   - Has a maximum stated maturity of 13 months and dollar-weighted average stated maturity of no more than 90 days;
   - Is rated "AAA" or its equivalent by a nationally recognized investment ratuing firm; and,
   - Is comprised exclusively of investments as described in sections "A" through "H" above.

   A list of Money Market Funds approved by the City of Bryan's Investment Officer, respectively, or their designee shall be kept by the City Secretary for the Investment Committee.

i. Public Funds Investment Pools organized under the Texas Interlocal Cooperation Act that follow the requirements in the Public Funds Investment Act, and have been specifically approved by the Investment Committee through approved broker/dealers. A public funds investment pool must be continuously rated no lower than AAA or AAA-m, or at an equivalent rating by at least one nationally recognized rating service.

j. Direct obligations of the State of Texas and any political subdivisions thereof which are rated as to investment quality by a nationally recognized investment rating firm not less than "AA" or its equivalent;

k. Hedging contracts and related security and insurance agreements in relation to fuel oil, natural gas, coal, nuclear fuel, and electric energy to protect against loss due to price fluctuations. "Hedging" means the buying and selling of fuel oil, natural gas, coal, nuclear fuel, and electric energy futures or options or similar contracts on those commodities and related transportation costs as a protection against loss due to price fluctuation. A hedging transaction must comply with the regulations of the Commodity Futures Trading Commission and the Securities and Exchange Commission. A payment under a hedging contract or related agreement in relation to fuel supplies or fuel reserves is a fuel expense, and BTU shall credit any amounts it receives under the contract or agreement against fuel expenses.

The carrying value of the City Electric System's cash, cash equivalents and investments at September 30, 2020 and 2019 is summarized as follows:

	FY2020	**FY2019**
Demand deposits	$ 72,921,783	$ 6,310,258
Investment pools	21,204,835	122,735,555
Collateral deposits with counterparty	-	554,036
Treasuries	10,166,600	19,963,650
Municipal Bonds	31,940,057	-
Agency securities	3,059,940	19,000,000
Total	$ 139,293,215	$ 168,563,499

The City Electric System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72 provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement. The City Electric System has recurring fair value measurements as presented in the table below.

The investment balances at September 30, 2020 are as follows:

		Fair Value Measurements		
	Value at FYE	**Level 1 Inputs**	**Level 2 Inputs**	**Level 3 Inputs**
Investments measured at net asset value (NAV)				
Investment Pools				
TexStar	$ 2,349,316	$ -	$ -	$ -
Texas CLASS	18,855,519	-	-	-
Investments by fair value level				
Municipal Bonds	31,940,057	-	31,940,057	-
Treasuries	10,166,600	10,166,600	-	-
U.S. Agency Bonds	3,059,940	-	3,059,940	-
Total	$ 66,371,432	$ 10,166,600	$ 34,999,997	$ -

The investment balances at September 30, 2019 are as follows:

		Fair Value Measurements		
	Value at FYE	**Level 1 Inputs**	**Level 2 Inputs**	**Level 3 Inputs**
Investments measured at net asset value (NAV)				
Investment Pools				
TexStar	$ 86,077,366	$ -	$ -	$ -
Texas CLASS	36,658,189	-	-	-
Investments by fair value level				
Treasuries	19,963,650	19,963,650	-	-
U.S. Agency Bonds	19,000,000	-	19,000,000	-
Total	$ 161,699,205	$ 19,963,650	$ 19,000,000	$ -

The investment in TexStar and Texas CLASS is measured at net asset value which approximates fair value. Investments recorded at net asset value are exempt from reporting in the fair value hierarchy. U.S. Government Agency Securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Municipal bonds classified in Level 2 of the fair value hierarchy are valued using the present value of expected future cash flows.

In accordance with GASB Statement No. 40, additional disclosures are provided below that address investment exposure to interest rate risk and credit risk including custodial credit risk and concentrations of credit risk. Because the City Electric System does not hold foreign investments, foreign currency risk is not discussed.

As of September 30, 2020, the City Electric System had the following investments:

		Investment Maturity (in Years)		
Investment Types	**Fair Value**	**Less Than 1**	**1 - 5**	**Greater Than 5**
Investment Pools	$ 21,204,835	$ 21,204,835	$ -	$ -
Municipal Bonds	31,940,057	-	31,940,057	-
Treasuries	10,166,600	5,028,700	5,137,900	-
U.S. Agency Bonds	3,059,940	-	3,059,940	-
Total fair value	$ 66,371,432	$ 26,233,535	$ 40,137,897	$ -

As of September 30, 2019, the City Electric System had the following investments:

		Investment Maturity (in Years)		
Investment Types	**Fair Value**	**Less Than 1**	**1 - 5**	**Greater Than 5**
Investment Pools	$ 122,735,555	$ 122,735,555	$ -	$ -
Treasuries	19,963,650	9,966,200	9,997,450	-
U.S. Agency Bonds	19,000,000	9,987,520	9,012,480	-
Total fair value	$ 161,699,205	$ 142,689,275	$ 19,009,930	$ -

The City Electric System's investment in investment pools includes deposits in TexStar and Texas CLASS. The pools are 2a7-like pools, which are not registered with the Securities and Exchange Commission (SEC) as an investment company, but have a policy that they will, and do, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

TexStar is a local government investment pool created by local governments and administered by Hilltop Securities, and J.P. Morgan Investment Management, Inc, to invest funds on behalf of Texas political subdivisions. TexStar operates on a $1.00 net asset value basis and allows same day or next day redemptions and deposits. Interest is allocated daily based on portfolio earnings and participant account balances. The City Electric System's investment in TexStar is stated at net asset value, which approximates fair value. The fair value of the City Electric System's investment is the same as the value of the pool shares. This pool is not managed by the City Electric System and the City Electric System does not possess securities that exist in either physical or book entry form. The investment in TexStar is rated AAAm by Standard and Poors. TexStar has a redemption notice of one day, no maximum transaction amount, and the investment pool authority cannot impose liquidity fees.

Texas CLASS is a local government investment pool established under the authority of the Public Funds Investment act and is administered by Public Trust Advisors, LLC. Wells Fargo Bank, N.A. serves as custodian for Texas CLASS. Texas CLASS operates two funds in which the City Electric System participates.

- Texas CLASS is an investment option that utilizes all eligible investments as defined by the Public Funds Investment Act.
- Texas CLASS Government is an investment option that utilizes only investments that are backed or collateralized with U.S. Treasury or U.S. Government Agency obligations.

The intent of Texas CLASS is to operate on a $1.00 net asset value basis. Texas CLASS allows same day or next day redemptions and deposits. Interest is allocated daily based on portfolio earnings and participant account balances. The portfolio is valued daily using the amortized cost valuation method. This pool is not managed by the City Electric System and the City Electric System does not possess securities that exist in either physical or book entry form. Texas CLASS is rated AAAm by Standard and Poors Global Ratings.

Interest rate risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, BTU's investment policy limits investments in securities of more than five years, unless matched by a specific cash flow. Additionally, in accordance with its investment policy, BTU manages its exposure to interest rate risk by limiting its investments to those held to maturity.

Credit Risk – As described above, it is BTU's policy to limit its investments to high grade instruments including obligations of the United States or its agencies and commercial paper holding the top ratings issued by nationally recognized statistical rating organizations.

BTU's investment policy limits investments in external investment pools to pools rated as to investment quality not less than "AAA" or "AAA-m" or an equivalent rating by at least one nationally recognized rating service. The investment policy limits investments in direct obligations of the State of Texas and any political subdivisions thereof which are rated as to investment quality by a nationally recognized investment rating firm not less than "AA" or its equivalent. Direct obligations of the United States government or its agencies and instrumentalities and bonds or other obligations, the principal and interest of which is guaranteed by the full faith and credit of the United States are permitted by the investment policy.

The City Electric System's investments as of September 30, 2020 were rated as follows:

Investment Type	Rating	Rating Agency
Investment Pools	AAA-m	Standard & Poor's
Municipal Bonds	Aa2 to Aaa	Moody's
	AA to AAA	Standard & Poor's
	AA to AAA	Fitch
Treasuries	Aaa	Moody's
	AAA	Standard & Poor's
U.S. Agency Bonds	Aaa	Moody's
	AA+	Standard & Poor's
	AAA	Fitch

Custodial Credit Risk – For deposits, custodial credit risk is the risk that in an event of a bank failure, the government's deposits may not be returned to it. Demand deposits held in BTU's name are required to be collateralized with securities equal to at least 102% of deposits held in a custodian bank, or be covered by federal depository insurance. For investments, this is the risk that in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. BTU's investment policy requires that all security transactions be conducted on a delivery versus payment basis and that all securities be held by a third party custodian and evidenced by safekeeping receipts.

Concentration of Credit Risk – BTU's investment policy places some limits on the amount that may be invested in any one issuer. Investments in any single money market fund or investment pool shall never exceed ten percent of the total assets of the money market fund or pool.

<u>Restricted Cash and Investments</u>

In 2020, cash and investments of $139.3 million exceeded amounts required to be restricted by $77.2 million. In 2019 cash and investments of $168.6 million exceeded amounts required to be restricted by $82.2 million.

Amounts required to be restricted at September 30, 2020 and 2019 are as follows:

	FY2020	**FY2019**
Rate stabilization fund	$ 1,722,322	$ 1,715,497
Debt reserve	6,177,462	8,107,586
Debt service	4,393,574	4,550,416
Bond funds for construction	23,032,979	40,135,631
TMPA decommissioning fund	16,708,582	18,573,088
Over-recovered fuel expense	5,328,224	8,053,948
Customer deposits	4,714,537	4,709,623
Collateral deposits		554,036
Restricted cash and investments	$ 62,077,680	$ 86,399,825

3. Capital Assets

General Description – Total capital assets include production, transmission, distribution and general plant facilities. At September 30, 2020, production plant included Dansby and Atkins power plants located in Brazos County, which are solely owned and operated by BTU. In total, BTU production plants include four gas-fired generating units representing 226 megawatts of available generating capacity.

Impairments – BTU annually evaluates capital assets as required by GASB Statement No. 42. The statement provides guidance for determining if any assets have been impaired and for calculating the appropriate write-downs in value for any assets found to be impaired. An internal company-wide review of capital assets, in accordance with GASB Statement No. 42, concluded that the City Electric System had no impaired capital assets at September 30, 2020.

Bryan Texas Utilities
City Electric System
An Enterprise Fund of the City of Bryan
Notes to Financial Statements - continued
For the Fiscal Years Ended September 30, 2020 and 2019

Capital asset activity for the fiscal year ended September 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 6,031,481	$ 1,444,778	$ -	$ 7,476,259
Construction in Progress	49,308,355	44,339,918	55,345,609	38,302,664
Retirement in Progress	245,778	1,249,937	759,161	736,554
Total capital assets, not being depreciated	55,585,614	47,034,632	56,104,770	46,515,477
Capital assets, being depreciated:				
Production Plant	107,725,850	1,347,132	-	109,072,982
Transmission Plant	181,263,141	40,725,173	279,969	221,708,344
Distribution Plant	164,678,536	9,386,189	232,795	173,831,930
General Plant (including QSE)	31,829,580	3,907,163	436,599	35,300,144
Non-Utility Plant	440,429	-	-	440,429
Total capital assets, being depreciated	485,937,536	55,365,657	949,363	540,353,829
Less accumulated depreciation for:				
Production Plant	56,559,060	3,549,350	-	60,108,410
Transmission Plant	47,212,616	5,599,498	526,128	52,285,986
Distribution Plant	67,595,130	5,303,451	472,423	72,426,158
General Plant (including QSE)	18,601,217	2,551,526	421,805	20,730,938
Non-Utility Plant	13,346	13,346	-	26,692
Total accumulated depreciation	189,981,369	17,017,170	1,420,355	205,578,184
Total capital assets, being depreciated, net	295,956,167	38,348,488	(470,992)	334,775,645
Total capital assets, net	$ 351,541,781	$ 85,383,120	$ 55,633,778	$ 381,291,122

Capital asset activity for the fiscal year ended September 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 6,031,481	$ -	$ -	$ 6,031,481
Construction in Progress	18,078,015	38,531,283	7,300,943	49,308,355
Retirement in Progress	132,507	371,844	258,572	245,778
Total capital assets, not being depreciated	24,242,003	38,903,127	7,559,516	55,585,614
Capital assets, being depreciated:				
Production Plant	107,177,701	548,149	-	107,725,850
Transmission Plant	180,380,841	894,240	11,940	181,263,141
Distribution Plant	159,755,768	5,014,536	91,768	164,678,536
General Plant (including QSE)	30,692,225	1,618,113	480,758	31,829,580
Non-Utility Plant	440,429	-	-	440,429
Total capital assets, being depreciated	478,446,964	8,075,038	584,466	485,937,536
Less accumulated depreciation for:				
Production Plant	53,045,171	3,513,889	-	56,559,060
Transmission Plant	41,815,379	5,414,934	17,697	47,212,616
Distribution Plant	62,737,474	5,078,976	221,320	67,595,130
General Plant (including QSE)	16,393,656	2,519,918	312,357	18,601,217
Non-Utility Plant	-	13,346	-	13,346
Total accumulated depreciation	173,991,680	16,541,063	551,374	189,981,369
Total capital assets, being depreciated, net	304,455,284	(8,466,025)	33,092	295,956,167
Total capital assets, net	$ 328,697,287	$ 30,437,102	$ 7,592,607	$ 351,541,781

Depreciation and amortization totals $16.9 million and $21.6 million, for the fiscal years ended September 30, 2020 and 2019, respectively, which includes $0.0 million and $5.2 million for the fiscal years ended September 30, 2020 and 2019, respectively related to the amortization of the TMPA regulatory asset. Cash paid for removal costs were approximately $1,250,000 and $372,000 for the years ended September 30, 2020 and 2019, respectively.

4. Long-Term Debt

The City Electric System did not issue bonds in the 2020 fiscal year. For the fiscal year ended September 30, 2019, the City of Bryan issued revenue bonds dated November 29, 2018 ("2018 Revenue Bonds") totaling $40,590,000 for the City Electric System. The 2018 Revenue Bonds mature serially beginning July 1, 2020, through July 1, 2043, with coupon rates ranging from 4.0% to 5.0%. The proceeds from the sale of the 2018 Revenue Bonds were restricted to the acquisition or construction of improvements, additions, or extensions to the City Electric System, including facilities for the generation, transmission, or distribution of electric power and energy, and capital assets, facilities and equipment incident and related to the operation, maintenance, or administration of the City Electric System.

In prior fiscal years, the City Electric System defeased certain outstanding revenue bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City Electric System's financial statements. As of September 30, 2020 and 2019, no City Electric System outstanding revenue bonds were defeased.

Changes to long term debt during fiscal year 2020, including current portion are as follows:

	Interest Rates (%)	Series Matures	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Revenue Bonds:							
Series 2012	3.125 - 5.000	2037	$ 36,625,000	$ -	$ 2,125,000	$ 34,500,000	$ 2,230,000
Series 2016	3.000 - 5.000	2041	68,720,000	-	2,060,000	66,660,000	2,165,000
Series 2017	3.000 - 5.000	2034	52,115,000	-	2,700,000	49,415,000	2,830,000
Series 2018	4.000 - 5.000	2043	40,590,000	-	915,000	39,675,000	965,000
Total Revenue Bonds			198,050,000	-	7,800,000	190,250,000	8,190,000
Certificates of Obligation:							
Series 2014	2.000 - 5.000	2039	29,880,000	-	1,090,000	28,790,000	1,115,000
Total Certificates of Obligation			29,880,000	-	1,090,000	28,790,000	1,115,000
General Obligation Bonds							
Series 2015	2.000 - 4.000	2025	4,800,000	-	740,000	4,060,000	765,000
Total General Obligation Bonds			4,800,000	-	740,000	4,060,000	765,000
Total long-term debt			$ 232,730,000	$ -	$ 9,630,000	$ 223,100,000	$ 10,070,000

Changes to long term debt during fiscal year 2019, including current portion are as follows:

	Interest Rates (%)	Series Matures	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Revenue Bonds:							
Series 2010	5.000	2019	$ 20,975,000	$ -	$ 20,975,000	$ -	$ -
Series 2012	3.125 - 5.000	2037	39,130,000	-	2,505,000	36,625,000	2,125,000
Series 2016	3.000 - 5.000	2041	70,680,000	-	1,960,000	68,720,000	2,060,000
Series 2017	3.000 - 5.000	2034	54,690,000	-	2,575,000	52,115,000	2,700,000
Series 2018	4.000 - 5.000	2043	-	40,590,000	-	40,590,000	915,000
Total Revenue Bonds			185,475,000	40,590,000	28,015,000	198,050,000	7,800,000
Certificates of Obligation:							
Series 2014	2.000 - 5.000	2039	30,950,000	-	1,070,000	29,880,000	1,090,000
Total Certificates of Obligation			30,950,000	-	1,070,000	29,880,000	1,090,000
General Obligation Bonds							
Series 2015	2.000 - 4.000	2025	5,525,000	-	725,000	4,800,000	740,000
Total General Obligation Bonds			5,525,000	-	725,000	4,800,000	740,000
Total long-term debt			$ 221,950,000	$ 40,590,000	$ 29,810,000	$ 232,730,000	$ 9,630,000

All net revenues of the City Electric System are pledged for the payment of debt service of the revenue bonds. Net revenues, as defined by the bond resolution include all of the revenues and expenses of the City Electric System other than certain interest income and expense and depreciation and amortization. The bond resolutions further require that the net revenues, as defined, equal at least 1.10 times the annual debt service on all revenue bonds. The City Electric System is in compliance with these requirements at September 30, 2020 and 2019.

Under the terms of the revenue bond covenants, the City Electric System is required to maintain minimum reserve fund requirements equal to approximately one year of revenue bond debt service requirements. The reserve fund requirements may be satisfied by cash, a letter of credit or an insurance policy. The reserve fund requirements for the Series 2010, 2012, and 2018 Bonds are satisfied with restricted funds which are reported on the City Electric System's Statements of Net Position as debt reserve. The reserve fund requirements for the Series 2016 and Series 2017 Bonds are satisfied with insurance policies. There are no reserve fund requirements for the 2014 Certificates of Obligation or 2015 General Obligation Bonds.

Debt service requirements to maturity for the City Electric System's revenue bonds, certificates of obligation, and general obligation bonds are summarized as follows:

Revenue Bonds

Year Ending September 30	Principal	Interest	Total
2021	$ 8,190,000	$ 8,510,057	$ 16,700,057
2022	8,615,000	8,100,557	16,715,557
2023	8,025,000	7,693,257	15,718,257
2024	8,400,000	7,319,288	15,719,288
2025	8,800,000	6,925,538	15,725,538
2026 - 2030	51,050,000	27,572,438	78,622,438
2031 - 2035	49,905,000	15,128,731	65,033,731
2036 - 2040	35,220,000	6,178,675	41,398,675
2041 - 2043	12,045,000	782,250	12,827,250
Total	$ 190,250,000	$ 88,210,791	$ 278,460,791

Certificates of Obligation

Year Ending September 30	Principal	Interest	Total
2021	$ 1,115,000	$ 998,041	$ 2,113,041
2022	1,145,000	964,591	2,109,591
2023	1,175,000	930,241	2,105,241
2024	1,215,000	894,991	2,109,991
2025	1,275,000	834,241	2,109,241
2026 - 2030	6,975,000	3,567,411	10,542,411
2031 - 2035	8,200,000	2,343,899	10,543,899
2036 - 2039	7,690,000	740,145	8,430,145
Total	$ 28,790,000	$ 11,273,560	$ 40,063,560

General Obligation Bonds

Year Ending September 30	Principal	Interest	Total
2021	$ 765,000	$ 123,775	$ 888,775
2022	780,000	108,475	888,475
2023	810,000	77,275	887,275
2024	835,000	52,975	887,975
2025	870,000	19,575	889,575
Total	$ 4,060,000	$ 382,075	$ 4,442,075

Total Debt

Year Ending September 30	Principal	Interest	Total
2021	$ 10,070,000	$ 9,631,873	$ 19,701,873
2022	10,540,000	9,173,623	19,713,623
2023	10,010,000	8,700,773	18,710,773
2024	10,450,000	8,267,254	18,717,254
2025	10,945,000	7,779,354	18,724,354
2026 - 2030	58,025,000	31,139,849	89,164,849
2031 - 2035	58,105,000	17,472,630	75,577,630
2036 - 2040	42,910,000	6,918,820	49,828,820
2041 - 2043	12,045,000	782,250	12,827,250
Total	**$ 223,100,000**	**$ 99,866,426**	**$ 322,966,426**

In the Statements of Revenues, Expenses and Changes in Net Position for the fiscal years ended September 30, 2020 and 2019, interest expense is recorded in the amount of $8,609,788 and $9,724,116, respectively, and is included as a non-operating expense.

5. TMPA Decommissioning Liability

On June 6, 2019, the TMPA Board of Directors approved the cessation of the production of power and energy from TMPA's Gibbons Creek Steam Electric Station ("GCSES"). The unit was removed from the ERCOT system on October 30, 2019. These actions triggered TMPA to record a decommissioning/environmental remediation liability and a corresponding discounted receivable from the TMPA Member Cities, as they are obligated to pay all associated costs.

See Note 11 – Texas Municipal Power Agency.

For the year ending September 30, 2020, the City Electric System recorded a short-term and long-term liability to TMPA for its percentage share of the remediation liabilities of $7,357,637 and $17,634,544, respectively.

Changes to the liability to TMPA during fiscal year 2020, including current portion are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
TMPA decommisioning liability	$ 26,856,688	$ -	$ 1,864,507	$ 24,992,181	$ 7,357,637

For the year ending September 30, 2019, the City Electric System recorded a short-term and long-term liability to TMPA for its percentage share of the remediation liabilities of $1,864,507 and $24,992,181, respectively.

Changes to the liability to TMPA during fiscal year 2019, including current portion are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
TMPA decommissioning liabilitiy	$ -	$26,856,688	$ -	$26,856,688	$1,864,507

6. Retirement Plan

BTU is an integral part of the City of Bryan, TX, and as such, provides pension benefits for all its full-time employees through the City retirement plan. The following covers the City's retirement plan as a whole, unless indicated otherwise.

Plan Description

The City of Bryan participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percentage had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Employees covered by benefit terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	630
Inactive employees entitled to but not yet receiving benefits	482
Active employees	889
Total	2,001

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Bryan were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 14.99% and 15.19% in calendar years 2019 and 2020, respectively. The City Electric System's contributions to TMRS for the years ended September 30, 2020 and 2019 were $2,186,086 and $2,081,673, respectively, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by an additional factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for the time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30%	5.30%
Core Fixed Income	10%	1.25%
Non-Core Fixed Income	20%	4.14%
Real Return	10%	3.85%
Real Estate	10%	4.00%
Absolute Return	10%	3.48%
Private Equity	10%	7.75%
Total	100%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2018	$346,540,831	$ 278,467,182	$ 68,073,649
Changes for the year:			
Service Cost	9,823,079	-	9,823,079
Interest	23,265,601	-	23,265,601
Change of benefit terms	-	-	-
Difference between expected and actual experience	26,678	-	26,678
Changes of assumptions	719,741	-	719,741
Contributions - employer	-	9,290,815	(9,290,815)
Contributions - employee	-	4,335,533	(4,335,533)
Net investment income	-	43,051,984	(43,051,984)
Benefit payments, including refunds of employee contributions	(13,553,597)	(13,553,597)	-
Administrative expense	-	(243,255)	243,255
Other changes	-	(7,307)	7,307
Net changes	20,281,502	42,874,173	(22,592,671)
Balance at 12/31/2019	$ 366,822,333	$ 321,341,355	$ 45,480,978

Balance at 12/31/2019 – City Electric System **$ 11,819,322**

The portion of the net pension liability, deferred inflows, deferred outflows, and pension expense allocated to the City Electric System was determined by the ratio of the City Electric System contributions to TMRS as a percentage of City-wide contributions to TMRS. The ratio was approximately 26% for the years ended September 30, 2020 and 2019.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate 5.75%	Discount Rate 6.75%	1% Increase in Discount Rate 7.75%
City Electric System's net pension liability	$ 25,884,715	$ 11,819,322	$ 325,527

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

Pension Expense and Deferred Outflows/Inflows of Resources related to Pensions

For the years ended September 30, 2020 and 2019, the City Electric System recognized pension expense of $601,633 and $3,582,700, respectively.

At September 30, 2020, the City Electric System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 142,474	$ -
Changes in actuarial assumptions	143,442	-
Difference between projected and actual investment earnings	-	(2,538,202)
Contributions subsequent to the measurement date	1,896,472	-
Total	$ 2,182,388	$ (2,538,202)

Deferred outflows of resources of $1,896,472 related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ending September 30
2021	$ (619,443)
2022	(642,089)
2023	256,780
2024	(1,247,534)
Total	$ (2,252,286)

At September 30, 2019 the City Electric System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual economic experience	$	240,309	$	(64,141)
Changes in actuarial assumptions		126,634		0
Difference between projected and actual investment earnings		3,828,454		0
Contributions subsequent to the measurement date		1,761,843		0
Total	$	5,957,240	$	(64,141)

7. Other Post-Employment Benefits

Effective January 1, 1991, by action of the City Council, the City began offering post-retirement health care benefits to employees. Effective January 1, 1993, retiree spouses were granted eligibility for benefits. Dependents were granted eligibility effective January 1, 1994. This plan is a single employer defined benefit, other post-employment benefit plan. A separate, audited GAAP-basis post-employment benefit plan report is not available.

On February 28, 2017, the City established the City of Bryan Post-employment Benefits Trust (Trust). The Trust is a single employer irrevocable trust established by action of the City Council. This trust is held by Public Agency Retirement Services (PARS) who is the administrator of the plan. US Bank serves as the trustee.

To qualify for healthcare an employee must be at least 60 years of age and have five years of TMRS service credit or have at least 20 years of service credit. In order to be eligible, employees must elect to retire at time of separation, must elect in writing to continue health benefits coverage at the time of separation, and must pay the appropriate premium. Coverage can continue for life.

Employees terminating before normal retirement conditions are not eligible for retiree health coverage. Employees who retire under a disability retirement are not eligible for retiree health coverage.

Eligible retirees may continue health insurance benefits for eligible spouses and dependents covered at the time of retirement. A dependent not covered under the plan at this time is not eligible for coverage. If the retiree elects to continue coverage for any dependent and on any subsequent date elects to discontinue coverage, the dependent is no longer eligible for coverage.

Survivors of employees who die while actively employed are not eligible for retiree health coverage. However, surviving spouses and dependents of Texas public officers (as defined by Texas Government Code, Chapter 615) killed in the line of duty are entitled to purchase continued health insurance benefits. The surviving spouse is entitled to continue to purchase health insurance coverage until the date the surviving spouse becomes eligible for federal Medicare benefits. Surviving dependent minor children are entitled to continue health insurance coverage until the dependent reaches the age of 18 years or a later date to the extent required by state or federal law. A surviving dependent who is not a minor child is entitled to continue health insurance coverage until the earlier of: (1) the date the dependent becomes eligible for group health insurance through another employer or (2) the date the dependent becomes eligible for federal Medicare benefits. Eligible survivors are entitled to purchase the continued coverage at the group rate for that coverage that exists at the time of payment.

Surviving covered spouses and dependents of deceased retired employees may continue health care coverage for up to 36 months through COBRA.

Once the retiree or spouse is enrolled in Medicare, the City's plan becomes the secondary payer. The retiree is responsible for payment of any Medicare premiums. The City does not provide any cash payment in lieu of electing the City's health care plan. Retirees who do not elect to continue coverage at time of separation are not eligible to opt back in.

The City does not offer life insurance coverage for retirees or their dependents. Employees who retire are eligible to convert their group life insurance coverage to a Whole Life Policy without accidental death and dismemberment until the employee reaches age 100 or a Group Term Life with AD&D until the employee reaches age 70.

The City's health care plan includes medical, dental, and prescription coverage. Retiree health plan coverage is the same as coverage provided to active City employees in accordance with the terms and conditions of the current City of Bryan Health Plan. The City also offers a fully insured optional vision plan that retirees and their dependents may purchase. The City Council reserves the right to modify premium amounts, to modify eligibility requirements and to modify or discontinue retiree health benefits.

In the year ended September 30, 2020, retirees paid $657,086 in premiums and $2,457,009 in claims and premiums were paid for post-retirement health care and administrative charges. As of September 30, 2020, the City has 80 retirees and beneficiaries participating in the plan.

The City also provides health benefits as required by the Federal Government under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"). COBRA requires employers that sponsor group health plans to provide continuation of group coverage to employees and their dependents under certain circumstances where coverage would otherwise end. Terminated employees who qualify under COBRA pay premium costs for themselves and dependents.

COBRA participants are reimbursed at the same levels as active employees. Participants paid premiums of $14,315 and incurred claims and administrative expenses of $42,850 during the year ended September 30, 2020. As of September 30, 2020, the City has 1 COBRA participant.

Future year estimated claims for all health plan participants are actuarially determined by the reinsurer. All assets of the Employee Benefits Trust Fund are available for future claim payments for health plan participants.

Prior to January 1, 2010, all retirees electing health plan coverage received a health premium subsidy averaging 40%. Beginning January 1, 2010, the City implemented new eligibility requirements for subsidized retiree premiums. The new eligibility requirements require retirees to meet the 'Rule of 80' (sum of age plus years of service at retirement must equal at least 80), in order to receive the subsidized retiree premium. Retirees not meeting the 'Rule of 80' may still elect the City's retiree health plan coverage, but will not receive a subsidy.

Funding Policy and Annual OPEB Cost

During FY 2017, the City Council adopted a funding policy for the City's OPEB liability. During FY 2020 and 2019, $500,000 and $375.000 were contributed to the Trust, respectively. The long term policy of the City is to contribute $500,000 every year until the liability is fully funded, subject to annual appropriations and availability of funds.

The following is a summary of the employees covered by the Plan at December 31, 2019 (the measurement date):

Inactive plan members or beneficiaries currently receiving benefits	79
Inactive plan members entitled but not yet receiving benefits	0
Active plan members	879
Total plan members	958

Contributions to the Plan

For the year ended September 30, 2020, the City's contribution rate was $2,072,827, or 3.30% of covered-employee payroll and the City Electric System's contributions were $444,501. (See the Required Supplementary section of this report for more information on contributions to the Plan). Employees are not required to contribute to the plan.

Net OPEB Liability

The City's net OPEB liability was measured as of December 31, 2019 (the measurement date), and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. As of the measurement date the total OPEB liability was $17,496,567 and the net OPEB liability (net of plan fiduciary net position of $1,803,830) was $15,692,737.

The total OPEB liability, and the Actuarial Determined Contribution (ADC) at the measurement date were determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date:	December 31, 2019
Methods and Assumptions:	
Actuarial Cost Method	Individual Entry-Age Normal
Single Discount Rate	6.25% as of December 31, 2019
Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS)
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements.
Health Care Trend Rates	Initial rate of 7.00% declining to an ultimate rate of 4.15% after 15 years
Participation Rates	Rule of 80: 60% of pre-65 retirees and 6% of post-65 retirees; 90% of retirees are assumed to lapse coverage at age 65. Under Rule of 80: 10% pre-65 and 0% post-65
Other Information:	
Notes	Changes of assumptions reflect lower participation assumptions, updates to the health care trend assumption to reflect the repeal of the "Cadillac Tax", a change in the Single Discount Rate from 6.50% as of December 31, 2018 to 6.25% as of December 31, 2019, and revised TMRS demographic and salary increase assumptions.

The actuarial assumptions used at the measurement date valuation were based on the results of an actuarial experience study performed as of December 31, 2017 and a measurement date of December 31, 2019.

For the purposes of the valuation performed as of December 31, 2019, the expected rate of return on OPEB portfolio investments is 6.50% (see the table below). The municipal bond rate is 2.75% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). Based on the most recent expected rate of return from the City's Investment Manager for the OPEB Trust (Highmark Capital) of 6.33%, management, in consultation with the City's actuary (GRS Consulting), has taken a conservative approach in assuming a rate of return on Trust assets resulting in a Single Discount Rate of 6.25%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal or in excess of the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Allocation-weighted Long-term Expected Real Rate of Return
Domestic Equity - Large Cap	26.50%	5.58%	1.48%
Domestic Equity - Small/Mid Cap	12.50%	5.92%	0.74%
Non-US Equity - Developed	6.00%	5.71%	0.34%
Non-US Equity - Emerging	3.25%	6.80%	0.22%
US Corporate Bonds - Core	43.50%	2.27%	0.99%
US Corporate Bonds - High Yield	1.50%	4.50%	0.07%
US Treasuries (Cash Equivalents)	5.00%	0.84%	0.04%
Real Estate	1.75%	4.44%	0.08%
Total	100.00%		3.96%
Expected Inflation			2.50%
Total Return			6.46%
Total Return, rounded			6.50%

Changes in the Net OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning Balance at 12/31/2018	$ 17,265,479	$ 1,090,337	$ 16,175,142
Service cost	546,768	-	546,768
Interest on the total OPEB liability	1,103,438	-	1,103,438
Changes of benefit terms	-	-	-
Difference between expected and actual experience	1,378,181	-	1,378,181
Changes of assumptions	(1,671,518)	-	(1,671,518)
Employer contributions	-	1,625,781	(1,625,781)
Net investment income (loss)	-	221,183	(221,183)
Benefits payments	(1,125,781)	(1,125,781)	-
Administrative expense	-	(7,690)	7,690
Other	-	-	-
Net changes	231,088	713,493	(482,405)
Ending Balance	$ 17,496,567	$ 1,803,830	$ 15,692,737
Balance at 12/31/2019 - City Electric System			$ 3,320,327

The portion of the net OPEB liability, deferred inflows, deferred outflows and OPEB expense allocated to the City Electric System was determined by the ratio of full time equivalent employees of BTU as a percentage of full time equivalent employees at the City. The ratio was approximately 21% for the year ended September 30, 2020.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following shows the sensitivity of the net OPEB liability to a 1.0% increase and a 1.0% decrease in the discount rate assumption:

	1.0% Decrease 5.25%	Discount Rate 6.25%	1.0% Increase 7.25%
City Electric System Net OPEB Liability	$ 3,729,442	$ 3,320,327	$ 2,962,728

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following shows the sensitivity of the net OPEB liability to a 1.0% increase and a 1.0% decrease in the healthcare cost trend rate assumption:

	1.0% Decrease	Current Rate Assumption	1.0% Increase
City Electric System Net OPEB Liability	$ 2,898,836	$ 3,320,327	$ 3,827,864

OPEB Expense and Deferred Outflows of Resources

For the year ended September 30, 2020, the City Electric System recognized OPEB expense of $335,855. At September 30, 2020, the City Electric System reported deferred outflows of resources related to OPEB from the following sources and in the following amounts:

	Deferred Outflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience, asset	$ 311,446	$ 0
Changes in actuarial assumptions, liability	0	(316,186)
Difference between projected and actual experience, liability	0	(9,348)
Contributions subsequent to the measurement date, asset	363,675	0
Total	$ 675,120	$ (325,534)

The $363,675 reported as deferred outflows of resources related to OPEB resulting from contributions made after the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2021. Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30	Net Deferred Outflows (Inflows)
2021	$ (1,038)
2022	(1,038)
2023	(1,166)
2024	(5,645)
2025	115
Thereafter	(5,317)
Total	$ (14,089)

At September 30, 2019 the City Electric System reported deferred outflows of resources and deferred inflows of resources related to the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience, asset	$ 58,278	$ -
Difference between projected and actual experience, asset	18,300	-
Contributions subsequent to the measurement date	267,809	-
Total	$ 344,387	$ -

The statement of fiduciary net position for the OPEB plan, which is included as a fiduciary fund in the City of Bryan financial statements, is as follows:

Statement of Fiduciary Net Position

	December 31, 2019
Assets	
Investments (fair value)	$ 1,803,830
Total Assets	$ 1,803,830
Liabilities	
Total Liabilities	$ 0
Net Position Restricted for OPEB	$ 1,803,830

8. Risk Management

The City Electric System is covered for risk of losses related to general liability and workers' compensation through the City's risk management program. The City has established an Insurance Fund whereby the costs of providing claims servicing and claims payment are funded by charging a premium to each City department based upon a percentage of estimated current year payroll and management's estimate of projected current costs. For the years ended September 30, 2020 and 2019, the City Electric System paid the City $825,194 and $714,182, respectively, for participation in the City's risk management program.

9. Financial Hedging

BTU's Energy Risk Management Policy (Risk Policy) allows for the purchase and sale of certain financial instruments defined as hedge instruments. The essential goal of the Risk Policy is to provide a framework for the operation of a fuel and energy purchasing and hedging program to better manage BTU's risk exposures in order to stabilize pricing and costs for the benefit of BTU's customers.

BTU applies GASB Statement No. 53 – *Accounting and Financial Reporting for Derivative Instruments* ("GASB 53"), which addresses the recognition, measurement, and disclosures related to derivative instruments. BTU utilizes natural gas commodity swaps to hedge its exposure to fluctuating fuel prices. Since these derivatives are entered into for risk mitigation purposes, the instruments are considered potential hedging derivative instruments under GASB 53.

In accordance with the requirements of GASB 53, the City Electric System reports all fuel hedges on the Statements of Net Position at fair value. The fair value of swap transactions is calculated as the difference between the closing futures price at the end of the reporting period, and the futures price at the time the positions were established, less applicable commissions.

BTU evaluated all potential hedging derivative instruments for effectiveness as of September 30, 2020, and determined the derivatives to be effective in substantially offsetting the changes in cash flows of the hedgeable items. BTU's hedgeable items are expected HSC natural gas purchases to serve budgeted load. BTU projects total natural gas needs as part of a 5-year forecast. This forecast is the basis for the procurement amount of the hedgeable item. BTU's potential hedging derivatives are NYMEX and HSC indexed commodity swaps. These derivatives act as cash flow hedges.

BTU utilized regression analysis to test effectiveness of its NYMEX hedges. Testing was based on the extent of correlation between historical NYMEX index and HSC natural gas prices for the prompt months of January 2003, to September 2020. The correlation coefficient of (0.8666) exceeds the minimum standard established by GASB 53 and indicates a strong linear relationship between the NYMEX and HSC prices. The calculated R^2 value of 0.9612 indicates that the changes in cash flows of the hedge substantially offset the changes in cash flows of the hedgeable item. The City Electric System also utilizes HSC indexed gas commodity swaps to hedge its open exposure after a NYMEX-based swap contract month settles. The City Electric System entered into Platts Gas Daily daily swaps to hedge this exposure. These HSC indexed swaps are hedging the physical purchases of natural gas also based on the HSC index and are effective cash flow hedges under the consistent critical terms method as defined by GASB 53. The swap is for the purchase of virtually the same quantity of the hedgeable item, has zero fair value at inception, and the reference rate of the swap and the hedgeable item are the same (HSC index).

For the fiscal years ended September 30, 2020 and 2019, the total fair value of outstanding hedging derivative instruments was a net asset of $388,863 and a net liability of $883,111, respectively. The fair value of those derivative financial instruments maturing within one year are reported on the Statements of Net Position as current assets of $312,005 and current liabilities of $790,658 at September 30, 2020 and 2019, respectively. The fair value of those derivative financial instruments with maturities exceeding one year are reported on the Statements of Net Position as noncurrent assets of $76,858 and noncurrent liabilities of $92,453 at September 30, 2020 and 2019, respectively.

Hedge accounting treatment outlined in GASB 53 and GASB 63 requires changes in the fair value of derivative instruments deemed effective in offsetting changes in cash flows of hedged items be reported as deferred (inflows) outflows of resources on the Statements of Net Position. During the fiscal year ended September 30, 2020, the fair value of the City Electric System's hedging derivative instruments - NYMEX-based commodity swaps - increased by $1,271,974; which is reported in the Statements of Net Position as a decrease of deferred outflows of resources and increase in deferred inflows of resources. The deferred balances are reported until respective contract expirations occur in conjunction with hedged expected physical fuel purchases. When fuel purchase transactions occur, the deferred balance associated with the expired fuel hedging contract is recorded as an adjustment to fuel expense. Reported on the Statements of Net Position, at September 30, 2020, the deferred inflows of resources related to hedging derivatives was $388,863, and at September 30, 2019, the deferred outflows of resources related to hedging derivatives was $883,111.

The following information details the City Electric System's hedging derivative instruments as of September 30, 2020:

Type	Terms	Volume Hedged (MMBtu)	Execution Dates	Maturity Dates	Reference Index	Fair Value
Commodity Swaps	BTU pays prices of $2.412 – 2.925	1,563,500	Oct 2015 - Jun 2020	Oct 2020 - Dec 2021	NYMEX	$388,863

The following information details the City Electric System's hedging derivative instruments as of September 30, 2019:

Type	Terms	Volume Hedged (MMBtu)	Execution Dates	Maturity Dates	Reference Index	Fair Value
Commodity Swaps	BTU pays prices of $2.412 – 2.925	2,983,500	Oct 2015 - Aug 2019	Oct 2019 - Dec 2020	NYMEX	$(883,111)

The estimated fair value of the hedging derivative instruments is classified as a level 2 measurement under the hierarchy estimated by GASB 72 and are valued at the difference between the closing futures price at the end of the reporting period, and the futures price at the time the positions were established, less applicable commissions.

Fuel swap contracts represent a financial obligation to buy or sell the underlying settlement point price. If held to expiration, as is BTU's policy, the financial difference determined by mark-to-market valuation must be settled on a cash basis.

Credit Risk - BTU's hedging derivative instruments generate exposure to a certain amount of risk that could give rise to financial loss. Since current hedges have a net asset position, BTU is exposed to counterparty credit risk. However, BTU has the ability to require collateralization of the fair value of derivative instruments in asset positions as defined by the credit terms in counterparty contracts.

Basis Risk - BTU is exposed to basis risk because the expected gas purchases being hedged will settle based on a pricing point (HSC) different than the pricing point of the hedge transactions (NYMEX). For September 2020, prompt month prices were $2.579/MMBtu and $1.990/MMBtu, for NYMEX and HSC, respectively.

Termination Risk - Exposure to termination risk occurs because BTU or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. BTU's fuel hedges are exchange-traded instruments, and consequently, termination risk is mitigated by rules established by NYMEX, which is governed by the Commodity Futures Trade Commission.

10. Employee Health Benefits

The City established the Employee Benefits Trust Fund effective October 1, 1986, covering health benefits for eligible employees. At that time the Council approved a formal trust agreement establishing the Fund. Employee premium costs are shared by the City and the employee, while dependent coverage is paid by the employee. The City's contract with its third party administrator and reinsurer sets an individual stop loss deductible in the amount of $170,000 and a maximum aggregate stop loss deductible of $12,570,193 for the twelve month period which began January 1, 2020 and ends December 31, 2020. These stop loss levels apply to both medical and prescription drug coverage. Dental coverage is not included. There were no significant reductions in insurance coverage in the current year from coverage in the prior year. For the City's aggregate stop loss coverage, there have been no settlements that have exceeded insurance coverage for the past three calendar years. The City's insurance carrier has paid out $682,405 for calendar year 2018, $165,186 for calendar year 2019 and $300,904 for calendar year 2020, to date in settlements that exceeded the deductible applicable to individual stop loss coverage.

The following schedule represents the changes in claims liabilities for the year:

	FY 2020	FY 2019
Beginning balance unpaid claims	$ 1,395,116	$ 1,382,976
Incurred claims	12,926,255	10,982,473
Claim payments	(12,207,272)	(10,970,333)
Ending balance unpaid claims	$ 2,114,099	$ 1,395,116
Amounts due in one year	$ 2,114,099	$ 1,395,116

11. Texas Municipal Power Agency

The Texas Municipal Power Agency ("TMPA") was created in July 1975 by concurrent ordinances of the Texas cities of Bryan, Denton, Garland, and Greenville ("Member Cities") pursuant to Acts 1995 64th Leg. Ch. 143, sec 1 (the "Act"). Under the provisions of the Act, TMPA is a separate municipal corporation. TMPA is exempt from federal income tax under section 115 of the Internal Revenue Code.

Until September 18, 2018, TMPA operated the Gibbons Creek power plant, a coal-fired generating plant located in Grimes County, Texas with a net generating capability of 470 megawatts. The plant began commercial operation on October 1, 1983. On June 6, 2019, the TMPA Board of Directors voted to permanently retire the plant and TMPA is now engaged in the decommissioning of the plant. Additionally, TMPA owns and operates approximately 350 circuit miles of transmission lines and 14 substations within ERCOT. TMPA also owns approximately 10,500 acres of land adjacent to the plant previously used to mine lignite for generation.

TMPA is governed by a Board of Directors made up of two representatives from each Member City and is empowered to plan, finance, acquire, construct, own, operate and maintain facilities to be used in the business of generation, transmission and sale of electric energy to each Member City. Each of the Member Cities entered into separate but identical Power Sales Contracts with TMPA (as amended, the "TMPA Agreements"). For more than 40 years, the TMPA Agreement governed the relationship between, and the rights and obligations of, TMPA and each of the Member Cities with respect to, among other items, generation, including Gibbons Creek, transmission and sale of electric energy to each Member City. Under the terms of the TMPA Agreement, each of the Member Cities was unconditionally obligated to pay to TMPA, without offset or counterclaim and without regard to whether energy was delivered by TMPA to the Member Cities, its percentage of TMPA's Annual System Cost as defined in the TMPA Agreement, including the payment of TMPA's debt service requirements and operating and maintenance expenses in the following percentages: City of Bryan – 21.7%; City of Denton – 21.3%; City of Garland – 47.0% and City of Greenville – 10.0%. On September 1, 2018 TMPA made the final debt service payment on TMPA's generation debt which extinguished the Member City's unconditional obligation with respect to such TMPA debt. The TMPA Agreement has expired by its terms and none of the Member Cities elected to extend the TMPA Agreement beyond September 30, 2018.

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

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

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

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

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

Unless terminated earlier through the mutual consent of all parties, the JOA remains in effect until the dissolution of TMPA.

Gibbons Creek power plant's operational status with ERCOT transitioned to: Seasonal Operations, effective September 26, 2017 (operated from May 21, 2018 through September 18, 2018); Reserve Shutdown, effective October 1, 2018; and Indefinite Mothball, effective June 1, 2019. On June 28, 2019, a notification to ERCOT was made to remove Gibbons Creek from the ERCOT system, effective October 23, 2019. The unit was actually removed from the ERCOT system on October 30, 2019. Due to the significant decline in the service utility of the generation assets, such assets were largely impaired as of September 30, 2017, with a final impairment on September 30, 2018. Effective September 1, 2018, the only debt remaining at TMPA is Transmission Debt.

A decommissioning assessment study was performed in 2018. The study was used to calculate a decommissioning/environmental remediation liability of $126,443,000 as of September 30, 2019. The decommissioning/environmental remediation liability as of September 30, 20 is $125,920,000. Decommissioning is estimated to take 5 years and related maintenance will be required for at least 30 years after the decommissioning is complete. BTU's TMPA decommissioning obligation as of September 30, 2020 and September 30, 2019 is $24,992,181 and $26,856,688, respectively.

In 2016 and 2017, TMPA issued requests for proposals ("RFPs") regarding the proposed sale of Gibbons Creek power plant and certain transmission assets. Proposals received in connection with the 2016 and 2017 RFP's were pursued, but negotiations were ultimately discontinued. In 2019, TMPA issued an RFP involving only the sale of generation assets. Proposals were received in August 2019 and TMPA is currently in negotiations with one of the proposers.

At September 30, 2020, BTU's portion of outstanding TMPA bonds and note purchase agreement was approximately $46.8 million. At September 30, 2019, BTU's portion of outstanding TMPA bonds and commercial paper was approximately $47.2 million.

During the years ended September 30, 2020 and 2019, the City Electric System paid TMPA $3,650,090 and $2,448,981 respectively for power purchases and related activity under the contract. As of September 30, 2020 and 2019, the City Electric System had payables to TMPA amounting to $20,167 and $19,753 respectively.

TMPA's Annual Financial Report for the year ended September 30, 2020 reported the following:

	FY2020
Total Assets	$368,164,000
Total Liabilities	$380,362,000
Total Net Position	$ (12,198,000)
Change in Net Position for year ended September 30, 2020	$ 3,275,000

TMPA's audited financial statements may be obtained by writing TMPA, P.O. Box 7000, Bryan, TX 77805.

12. Related Party Transactions

BTU operates the Rural Electric System which provides electric service to the immediate rural area outside the City of Bryan, extending to most of Brazos County, adjacent to and including portions of the City of College Station, and parts of Burleson, and Robertson counties in a radius of nearly 20 miles from the City of Bryan. BTU's Rural Electric System purchases all of its energy from the City Electric System. BTU's common staff is employed by the City Electric System and is either direct billed to the Rural Electric System or is billed through the City Electric System's purchased power rates. Generally, all power supply, customer service, administrative services, and regulatory fees are billed through purchased power and regulatory charge rates, while distribution services are direct billed. Rural purchased power and regulatory charge rates are established through City ordinance. Fuel rates are adjusted monthly to reflect actual cost.

For the fiscal years ended September 30, 2020 and 2019, the Rural Electric System's purchased power, fuel, and regulatory charges were the following:

	FY2020	**FY2019**
Purchased power cost	$ 10,800,431	$ 10,880,802
Fuel cost	14,128,872	13,863,294
Regulatory charges	5,979,346	5,386,196
Total	$ 30,908,649	$ 30,130,292

The Rural Electric System had payables to the City Electric System, as of September 30, 2020 and 2019, in the amount of $3,645,308 and $3,438,992 respectively.

In addition to the $12,934,109 and $13,350,658 transferred to the City of Bryan for right of way in 2020 and 2019, respectively, the City Electric System paid the City of Bryan $3,751,430 and $3,569,291 for administrative functions performed by City personnel for the years ended September 30, 2020 and 2019, respectively. These amounts are included in the other expenses in the accompanying financial statements.

During fiscal year 2020, the City Electric System transferred $20,000,000 to the City of Bryan from funds held by the utility. The transfer is a part of a newly implemented process that allows the City Electric System to transfer funds to the City of Bryan once certain key financial metrics are achieved.

The City of Bryan transferred to City Electric System $2,010,483 and $1,774,062 in 2020 and 2019, respectively, for billing services performed by the City Electric System for water, wastewater and solid waste services and joint capital projects that benefited both BTU's and City of Bryan's customers.

13. Commitments and Contingencies

BTU purchase and construction commitments were $426.7 million at September 30, 2020. This amount primarily includes provisions for future fuel and energy purchases.

On April 5 and November 15, 2018, BTU executed forward market power purchases for a 5-year term from 2023 to 2027, to support BTU's projected baseload energy requirements over those respective years. BTU transacted with two counterparties for the total power purchase of approximately 5,106,820 MWh.

On October 8, 2018, BTU entered into a 15 year power purchase agreement with an energy developer that will construct a photovoltaic solar power plant in northeast Texas. Under the agreement, which has an expected commercial operation date of June 2022, BTU will purchase the output from 100MW of generating capacity.

On May 24, 2017, BTU executed forward market power purchases for the years 2018 through 2022, to replace BTU's share of expected capacity from Gibbons Creek over those respective years. BTU transacted with two counterparties for the total purchase of approximately 5,747,840 MWh.

On October 6, 2015, following a resource planning study, BTU executed forward market power purchases for the years 2018 through 2022. Spread over five years, BTU transacted with four counterparties for the total purchase of approximately 949,000 MWh.

On August 28, 2014, BTU entered into a 25-year power purchase agreement with Los Vientos Windpower, LLC, a subsidiary of Duke Energy. Under the agreement, BTU purchases 33% of the output from wind turbines with a generating capacity of 110 MW from the Los Vientos V wind project in Starr County, Texas; which began commercial operation in December, 2015.

On October 14, 2010, BTU entered into a 15-year power purchase agreement with Peñascal II Wind Power, LLC, a subsidiary of Iberdrola Renewables; now known as Avangrid Texas Renewables, LLC (Avangrid). Under the agreement, which extends from January 1, 2011 to December 31, 2025, BTU will purchase the output from wind turbines representing 30MW of generating capacity from Avangrid's existing Peñascal 2 Wind Project in Kenedy County, Texas.

On April 30, 2010, BTU entered into a 25 year power purchase agreement with Fotowatio Renewable Ventures (FRV). FRV owns and operates a photovoltaic solar power plant in Presidio County, Texas. Under the agreement, which extends from 2013 to 2037, BTU will purchase the output from the 10MW facility.

There is currently pending one litigation matter in which the City Electric System is involved. The City attorney and BTU management are of the opinion that the settlement of this pending litigation will not have a material adverse impact on the City Electric System's financial position.

14. Subsequent Events

In 2019, TMPA issued a request for proposal (RFP) involving the sale of generation assets. In 2019 and throughout 2020, TMPA was in negotiations regarding the proposal from Gibbons Creek Environmental Redevelopment Group, LLC. (GCERG). In December 2020, TMPA and GCERG came to an agreement on terms for the sale of the Gibbons Creek Steam Electric Station and the assumption of all environmental liabilities. At that time the TMPA BOD authorized the TMPA General Manager to take the necessary steps to compete the transaction. Remaining actions include approval by the governing bodies of the four member cities and the finalization of closure related documents. The successful completion of the sale is expected to occur before March 31, 2021. The sale of the Gibbons Creek Steam Electric Station under the terms of the agreement would result in a significant reduction in BTU's portion of TMPA's decommissioning liability.

During fiscal year 2020, BTU completed construction of additional transmission projects, including new substations, substation additions, new poles, new lines, line upgrades, breaker replacements, switch upgrades, and improvements to substation access roads. All system improvements contributed to increasing system reliability and allowing BTU to better serve system growth. Transmission projects in fiscal year 2020 added $40.7 million to plant in service. BTU filed an application on December 15, 2020 with the Texas Public Utility Commission for recovery through its transmission cost of service rates for a portion of these transmission expenditures, along with other transmission system additions since January 1, 2018.

On November 19, 2020, the City of Bryan issued General Obligation Pension Bonds, Taxable Series 2020, (the "Bonds") for $54,700,000. The Bonds mature serially beginning August 15, 2022, through August 15, 2040, with coupon rates from .449% to $2.894%. The proceeds from the sale of the Bonds are restricted to fund the unfunded portion of the City's pension liability with the Texas Municipal Retirement System.

Bryan Texas Utilities
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City of Bryan Schedule of Contributions – Texas Municipal Retirement System

Last Ten Fiscal Years (will ultimately be displayed – see note below)

	2015	2016	2017	2018	2019	2020
Actuarially Determined Contribution	$ 7,686,872	$ 8,279,509	$ 8,521,169	$ 8,887,727	$ 9,224,947	$ 9,525,048
Contributions in relation to the actuarially determined contribution	7,686,872	8,279,509	8,521,169	8,887,727	9,224,947	9,525,048
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 48,991,679	$ 54,614,239	$ 55,894,466	$ 58,312,792	$ 61,308,968	$ 62,882,877
Contributions as a percentage of	15.69%	15.16%	15.25%	15.24%	15.05%	15.15%
BTU contributions in relation to the actuarially determined contribution	$ 1,997,618	$ 2,149,227	$ 2,152,828	$ 2,219,516	$ 2,081,673	$ 2,186,086
BTU Covered payroll	$ 12,723,543	$ 14,171,272	$ 14,136,800	$ 14,549,172	$ 13,835,024	$ 14,438,486
Contributions as a percentage of	15.70%	15.17%	15.23%	15.26%	15.05%	15.14%

Notes to Schedule of Contributions

For the fiscal year ended September 30, 2020, included in the City of Bryan’s contributions to TMRS of $9,525,048, were $2,186,086 in contributions from BTU. For the fiscal year ended September 30, 2019, included in the City of Bryan’s contributions to TMRS of $9,224,947, were $2,081,673 in contributions from BTU.

Only six years of data are presented in accordance with GASB Standard No. 68 as the data for the years other than what is presented is not available. Additionally, GASB Standard No. 68 requires that the information on this schedule correspond with the period covered as of the City's fiscal year end of September 30, not the measurement date of the Actuary's report.

Methods and Assumptions Used to Determine the Contribution Ratio

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	26 Years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information

Notes: There were no benefits changes this year. The actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Bryan Texas Utilities
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City of Bryan Schedule of Changes in the City's Net Pension Liability & Related Ratios – Texas Municipal Retirement System

The ratio of the City Electric System contributions to TMRS as a percentage of City-wide contributions to TMRS was 25% for the years ended September 30, 2018, 2017, 2016, 2015, and 2014.

The net pension liability allocated to the City Electric System was $17,466,601 which was determined by the ratio of the City Electric System contributions to TMRS as a percentage of City-wide contributions to TMRS. The ratio was approximately 25% for the year ended September 30, 2019.

Last Ten Calendar Years (will ultimately be displayed – see note below)

	2014	2015	2016	2017	2018	2019
Total Pension Liability						
Service Cost	$ 7,088,933	$ 7,796,505	$ 8,498,467	$ 8,991,102	$ 9,355,492	$ 9,823,079
Interest (on the Total Pension Liability)	18,281,849	19,160,943	19,655,455	20,795,590	21,996,726	23,265,601
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	(1,764,543)	(1,545,768)	450,762	395,105	631,794	26,678
Change of assumptions	-	3,577,731	-	-	-	719,741
Benefit payments, including refunds of employee contributions	(11,117,789)	(11,685,311)	(12,067,133)	(11,853,082)	(13,285,700)	(13,553,597)
Net Change in Total Pension Liability	12,488,450	17,304,100	16,537,551	18,328,715	18,698,312	20,281,502
Total Pension Liability - Beginning	263,183,703	275,672,153	292,976,253	309,513,804	327,842,519	346,540,831
Total Pension Liability - Ending (a)	$ 275,672,153	$ 292,976,253	$ 309,513,804	$ 327,842,519	$ 346,540,831	$ 366,822,333
Plan Fiduciary Net Position						
Contributions - Employer	$ 7,667,195	$ 7,727,068	$ 8,035,947	$ 8,656,073	$ 8,972,275	$ 9,290,815
Contributions - Employee	3,312,987	3,490,130	3,741,223	3,964,541	4,123,958	4,335,533
Net Investment Income	12,827,812	349,403	15,980,505	34,922,324	(8,610,807)	43,051,984
Benefit payments, including refunds of employee contributions	(11,117,789)	(11,685,311)	(12,067,133)	(11,853,082)	(13,285,700)	(13,553,597)
Administrative expense	(133,929)	(212,814)	(180,465)	(180,962)	(166,408)	(243,255)
Other	(11,011)	(10,511)	(9,723)	(9,171)	(8,694)	(7,307)
Net Change in Plan Fiduciary Net Position	12,545,265	(342,034)	15,500,354	35,499,723	(8,975,376)	42,874,173
Plan Fiduciary Net Position - Beginning	224,239,250	236,784,515	236,442,481	251,942,835	287,442,558	278,467,182
Plan Fiduciary Net Position - Ending (b)	$ 236,784,515	$ 236,442,481	$ 251,942,835	$ 287,442,558	$ 278,467,182	$ 321,341,355
Net Pension Liability - Ending (a) - (b)	$ 38,887,638	$ 56,533,772	$ 57,570,969	$ 40,399,961	$ 68,073,649	$ 45,480,978
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	85.89%	80.70%	81.40%	87.68%	80.36%	87.60%
Covered Payroll	$ 47,328,382	$ 49,849,779	$ 53,382,332	$ 56,512,266	$ 58,913,678	$ 61,936,186
Net Pension Liability as a Percentage of Covered Payroll	82.17%	113.41%	107.85%	71.49%	115.55%	73.43%
BTU Net Pension Liability - Ending	$ 10,004,206	$ 14,584,858	$ 14,846,900	$ 10,563,906	$ 17,466,601	$ 11,819,322
BTU Covered Payroll	$ 12,191,818	$ 12,969,411	$ 13,762,330	$ 14,228,102	$ 13,835,024	$ 14,001,986
BTU Net Pension Liability as a Percentage of Covered Payroll	82.06%	112.46%	107.88%	74.25%	126.25%	84.41%

City of Bryan Schedule of Changes in the City’s Net Pension Liability & Related Ratios – Texas Municipal Retirement System - Continued

Notes to Schedule of Changes in the City’s Net Pension Liability and Related Ratios

Only six years of data is presented in accordance with GASB Standard No. 68 as the data for the years other than what is presented is not available. Additionally, GASB Standard No. 68 requires that the information on this schedule correspond with the period covered as of December 31, the measurement date of the City's net pension liability.

The net pension liability allocated to the City Electric System was $11,819,322 which was determined by the ratio of the City Electric System contributions to TMRS as a percentage of City-wide contributions to TMRS. The ratio was approximately 26% for the year ended September 30, 2020.

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City of Bryan Schedule of Contributions in the City's Other Post Employment Benefits (OPEB)

Last Ten Fiscal Years (will ultimately be displayed – see note below)

	2018	2019	2020
Actuarially Determined Contribution	$ 1,498,635	$ 1,528,513	$ 1,559,061
Actual Contributions	1,471,374	1,624,112	2,072,827
Contribution deficiency (excess)	$ 27,261	$ (95,599)	$ (513,766)
Covered Employee Payroll	$ 58,312,792	$ 61,308,698	$ 62,882,877
Actual Contribution as a % of Covered Employee Payroll	2.52%	2.65%	3.30%
BTU Actual Contributions	$ 315,524	$ 348,278	$ 444,501
BTU Covered Employee Payroll	$ 14,549,172	$ 13,835,024	$ 14,438,486
BTU Actual Contributions as a % of BTU Covered Employee	2.17%	2.52%	3.08%

Notes to Schedule of Contributions

Only three years of data are presented in accordance with GASB Standard No. 75 as the data for the years other than what is presented is not available. Additionally, GASB Standard No. 75 requires that the information on this schedule correspond with the period covered as of the City's fiscal year end of September 30, not the measurement date of the Actuary's report.

City of Bryan Schedule of Contributions in the City's Other Post Employment Benefits (OPEB) - Continued

Methods and Assumptions Used to Determine the Contribution Ratio

Actuarial Cost Method	Individual Entry-Age Normal
Amortization Method	Level percentage of payroll
Amortization Period	Closed, 28 years as of September 30, 2020
Asset Valuation	Market Value
Investment Rate of Return	6.50%, net of investment expenses, including inflation
Inflation	2.50%
Salary Increases	3.50% to 10.50%, including inflation
Payroll Growth	1.50%
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2014 as conducted for the Texas Municipal Retirement System (TMRS).
Mortality	For healthy retirees, the gender-distinct RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates being multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.
Participation Rates	It was assumed that 65% of retirees who are eligible for the rule of 80 discount and 10% of those who are not eligible for the rule of 80 discount would choose to receive coverage through the City.
Health Care Cost Trend Rates	Initial rates of 7.50% declining to ultimate rates of 5.25% after 11 years; Ultimate trend rate includes a 1.00% adjustment for the excise tax.

Valuation Date: The actuarially determined contribution for fiscal year ending September 30,2020 was developed in the December 31, 2017 valuation.

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City of Bryan Schedule of Changes in the City's Net OPEB Liability and Related Ratios in the City's Other Post Employment Benefits (OPEB)

Last Ten Calendar Years (will ultimately be displayed – see note below)

	2017	2018	2019
Total OPEB Liability			
Service Cost	$ 478,077	$ 492,419	$ 546,768
Interest (on the Total OPEB Liability)	1,021,963	1,052,909	1,103,438
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	306,887	1,378,181
Change of assumptions	-	-	(1,671,518)
Benefit payments, including refunds of employee contributions	(983,981)	(1,078,262)	(1,125,781)
Net Change in Total OPEB Liability	516,059	773,953	231,088
Total OPEB Liability - Beginning	15,975,467	16,491,526	17,265,479
Total OPEB Liability - Ending (a)	$ 16,491,526	$ 17,265,479	$ 17,496,567
Plan Fiduciary Net Position			
Contributions - Employer	$ 1,608,981	$ 1,578,262	$ 1,625,781
Contributions - Non-employer contributing entities	-	-	-
Contributions - Employee	-	-	-
Net Investment Income	17,311	(46,639)	221,183
Benefit payments	(983,981)	(1,078,262)	(1,125,781)
Plan administrative expense	(770)	(4,565)	(7,690)
Other	-	-	-
Net Change in Plan Fiduciary Net Position	641,541	448,796	713,493
Plan Fiduciary Net Position - Beginning	-	641,541	1,090,337
Plan Fiduciary Net Position - Ending (b)	$ 641,541	$ 1,090,337	$ 1,803,830
Net OPEB Liability - Ending (a) - (b)	$ 15,849,985	$ 16,175,142	$ 15,692,737
Liability	3.89%	6.32%	10.31%
Covered Employee Payroll	$ 56,523,781	$ 58,936,756	$ 61,961,283
Net OPEB Liability as a Percentage of Covered Employee Payroll	28.04%	27.44%	25.33%
Net BTU OPEB Liability - Ending	$ 3,354,049	$ 3,423,775	$ 3,320,327
BTU Covered Employee Payroll	$ 14,228,102	$ 14,375,640	$ 14,001,986
Net OPEB Liability as a Percentage of Covered Employee Payroll	23.57%	23.82%	23.71%

City of Bryan Schedule of Changes in the City's Net OPEB Liability and Related Ratios in the City's Other Post Employment Benefits (OPEB) - Continued

Note to Schedule of Changes in the City's Net OPEB Liability and Related Ratios

Only three years of data are presented in accordance with GASB Standard No. 75 as the data for the years other than calendar years that are presented are not available. Additionally, GASB Standard No. 75 requires that the information on this schedule correspond with the period covered as of December 31, the measurement date of the City's net OPEB liability.

The net OPEB liability allocated to the City Electric System was $3,320,327 which was determined by the ratio of full time equivalent employees of BTU as a percentage of full time equivalent employees at the City. The ratio was approximately 21% for the year ended September 30, 2020.

The net OPEB liability allocated to the City Electric System was $3,423,775 which was determined by the ratio of full time equivalent employees of BTU as a percentage of full time equivalent employees at the City. The ratio was approximately 21% for the year ended September 30, 2019.