Bryan Texas Utilities

City Electric System

Annual Financial Report

For the Fiscal Years Ended September 30, 2022 and 2021

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, 2022 and 2021. 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 City Manager and the Bryan City Council. The BTU Board, established on June 12, 2001, is appointed by the Bryan City Council and is empowered with limited oversight of contracts, power adjustment rates, and regulatory charges to customers. The Bryan City Council retains authority for approval of the annual budget, 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 the highest 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.

Independent Auditor's Report

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

Opinion

We have audited the financial statements the City Electric System of Bryan Texas Utilities (BTU), an enterprise fund of the City of Bryan, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the City Electric System of BTU as of September 30, 2022, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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 the City of Bryan, Texas as of September 30, 2022, the changes in its financial position or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

The financial statements of the City Electric System for the year ended September 30, 2021 were audited by another auditor whose report dated January 18, 2022, included an emphasis-of-matter paragraph that described the City Electric System reporting entity discussed in Note 1 to the financial statements, and expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

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

Weaver and Tidwell, L.L.P.
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The City Council of the City of Bryan, Texas
and Board of Directors of Bryan Texas Utilities

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5-13 and the pension and postemployment benefit schedules on pages 63-70 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

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

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the Introduction but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
January 13, 2023

Bryan Texas Utilities
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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, 2022 (FY 2022) and 2021 (FY 2021). 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 (QSE). 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.

Bryan Texas Utilities
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Condensed Statements of Net Position

	September 30, 2022	2021	2020
Current assets	$ 136,418,056	$ 196,142,055	$ 107,373,654
Capital assets, net	452,639,672	419,562,866	381,291,121
Restricted assets	173,503,541	31,523,576	62,077,680
Other	17,737,838	10,752,274	26,933,546
Total assets	780,299,108	657,980,770	577,676,001
Deferred outflows of resources	3,050,408	3,103,596	2,857,508
Current liabilities	16,616,057	17,513,378	25,169,788
Current liabilities payable from restricted assets	111,516,560	23,286,165	23,677,028
Non-current liabilities	312,188,954	330,777,546	267,324,671
Total liabilities	440,321,571	371,577,089	316,171,487
Deferred inflows of resources	16,463,924	9,611,946	7,337,186
Net position:			
Net investment in capital assets	202,318,185	95,252,928	150,327,214
Restricted	17,116,712	13,758,535	10,025,617
Unrestricted	107,129,123	170,883,867	96,672,006
Total net position	$ 326,564,021	$ 279,895,330	$ 257,024,837

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

	Fiscal Year Ended September 30, 2022	2021	2020
Operating revenues	$ 237,447,855	$ 362,660,519	$ 185,889,665
Operating expenses	163,161,346	304,791,901	133,583,315
Operating income	74,286,509	57,868,618	52,306,350
Investment income	3,130,470	993,459	3,318,858
Interest expense	(11,353,314)	(8,952,675)	(8,609,788)
Investment Mark to Market	(6,240,305)	(630,213)	-
Income before operating transfers	59,823,360	49,279,188	47,015,420
Transfers, net	(13,154,669)	(12,109,173)	(30,923,626)
Extraordinary item: - 2021 Winter Weather Event	-	(14,299,522)	-
Change in net position	46,668,691	22,870,493	16,091,794
Net position, beginning of period	279,895,330	257,024,837	240,933,043
Net position, end of period	$ 326,564,021	$ 279,895,330	$ 257,024,837

Customer Count

FY 2022 - The City Electric System's retail customer base of 41,416 increased by 934 customers, or 2.3%, compared to FY 2021. The local economy continues to expand which has caused the City Electric System's customer count to increase.

FY 2021 - The City Electric System's retail customer base of 40,482 increased by 946 customers, or 2.4%, compared to FY 2020. The local economy continues to expand which has caused the City Electric System's customer count to increase.

Operating Revenue

FY 2022 - Operating revenues of $237,447,855 were $125,212,664, or 34.6%, below the FY 2021 total of $362,660,519. Year over year variances in operating revenue were primarily attributable to the following activity:

	Impact ($ millions)
Base, fuel, & regulatory revenue from customer growth	3.4
Base, fuel, & regulatory due to extreme summer weather	7.2
Lower wholesale sales compared to FY21 Winter Storm	(147.2)
Transmission cost of service revenue	1.9
Income from TMPA	8.9
All other	0.6
	$ (125.2)

FY 2021 - Operating revenues of $362,660,519 were $176,770,854, or 95.1%, above the FY 2020 total of $185,889,665. Year over year variances in operating revenue were primarily attributable to the following activity:

	Impact ($ millions)
Base, fuel, & regulatory revenue from customer growth	$ 3.2
Impact of Winter Storm Event on wholesale sales	159.3
COVID reductions eliminated for FY 2021	11.7
Transmission cost of service revenue	3.7
Lower net TMPA revenue	(0.8)
All other	(0.4)
	$ 176.8

Operating Expenses

FY 2022 - Operating expenses of $163,161,346 were $141,630,555, or 46.5%, lower than the FY 2021 total of $304,791,901. Year over year variances in operating expenses were primarily attributable to the following activity:

	Impact ($ millions)
Lower fuel and purchased power compared to Winter Storm Event	(144.6)
Increased transmission cost of service expenses	3.4
All Other	(.4)
	$ (141.6)

FY 2021 - Operating expenses of $304,791,901 were $171,208,586, or 128.2%, higher than the FY 2020 total of $133,583,315. Year over year variances in operating expenses were primarily attributable to the following activity:

	Impact ($ millions)
Higher fuel and purchased power costs from Winter Storm Event	172.2
Increased transmission cost of service expenses	0.4
Reduction to pension obligation	(1.4)
	$ 171.2

Capital Assets

FY 2022 - Net utility plant at September 30, 2022, of $452,639,672 was $33,076,806, or 7.9%, higher than the balance of $419,562,866 at September 30, 2021. 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.

FY 2021 - Net utility plant at September 30, 2021, of $419,562,866 was $38,271,745, or 10.0%, higher than the balance of $381,291,121 at September 30, 2020. 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

FY 2022 - Net position at September 30, 2022, was $326,564,021, of which $107,129,123 was available to meet the City Electric System's ongoing obligations. The change in net position for the fiscal year ended September 30, 2022,was $46,668,691.

FY 2021 - Net position at September 30, 2021, was $279,895,330, of which $173,793,374 was available to meet the City Electric System's ongoing obligations. The change in net position for the fiscal year ended September 30, 2021 was $22,870,493.

Significant Events

Power Supply -

On April 5, 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 4,666,035 MWh.

On October 8, 2018, BTU entered into a 15 year power purchase agreement with Invenergy to construct a solar power plant in northeast Texas. Under the agreement, which has an expected commercial operation date of December 2022, BTU will purchase the output from 150MW of the generating capacity.

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

Power Supply – Texas Municipal Power Agency (TMPA)

TMPA sold the mine land at the former Gibbons Creek power plant during December 2021. BTU received $15,025,532 of proceeds from the sale on December 23, 2021, of which $10,713,204 was attributed to the City System and $4,312,328 was attributed to the Rural System (See note 10, page 57).

On February 10, 2021, TMPA's Gibbons Creek power plant was sold to Gibbons Creek Environmental Redevelopment Group, LLC (GCERG). BTU removed the decommissioning/environmental remediation liability and the associated regulatory asset as of that date. Additionally, BTU established a regulatory asset in the amount of $7,842,767 associated with the power plant sale on February 10, 2021. The regulatory asset will be amortized in future periods when their costs are included in electric rates.

Long-Term Debt –

For the fiscal year ended September 30, 2022, the City of Bryan issued revenue refunding bonds dated July 28, 2022 ("2022 Revenue Bonds") totaling $25,510,000 for the City Electric System. The 2022 Revenue Bonds mature serially beginning July 1, 2023, through July 1, 2035, with a coupon rate of 5.000%. The proceeds from the sale of the 2022 Revenue Bonds were restricted to refunding portions of the City Electric System's outstanding bonds for debt service savings. Proceeds from the sale of the bonds refunded $29,925,000 of the Series 2012 revenue bonds. The refunding represented debt service savings of $6,320,010, and a net present value benefit savings of $1,457,436.

For the fiscal year ended September 30, 2021, the City of Bryan issued revenue bonds dated May 26, 2021 ("2021 Revenue Bonds") totaling $18,664,781, which includes a net premium of $2,964,781, for the City Electric System. The 2021 Revenue Bonds mature serially beginning July 1, 2022, through July 1, 2046, with coupon rates ranging from 4.000% to 5.000%. The proceeds from the sale of the 2021 Revenue Bonds are restricted to the planning and construction costs of the Distribution Service Center.

For the fiscal year ended September 30, 2021, the City of Bryan issued revenue bonds dated September 23, 2021 ("2021A Revenue Bonds") totaling $73,882,257, which includes a net premium of $7,087,257, for the City Electric System. The 2021A Revenue Bonds mature serially beginning July 1, 2022, through July 1, 2046, with coupon rates ranging from 2.500% to 5.000%. The proceeds from the sale of the 2021A Revenue Bonds are 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's Transmission System and the capital assets, facilities, and equipment incident and related to the operation, maintenance, or administration of the City Electric System. A receivable was recognized at September 30, 2021 for the bond sale proceeds which were received on October 20, 2021.

At September 30, 2022, the following amounts were outstanding payables from revenues of the City Electric System.

	Revenue Bonds	Certificates of Obligation	General Obligation Bonds	Total
Principal Balance	$ 249,925,000	$ 26,530,000	$ 2,515,000	$ 278,970,000
Unamortized Premium	28,968,184	37,683	105,725	29,111,593
Net Balance	$ 278,893,184	$ 26,567,683	$ 2,620,725	$ 308,081,593

At September 30, 2021, the following amounts were outstanding payables from revenues of the City Electric System.

	Revenue Bonds	Certificates of Obligation	General Obligation Bonds	Total
Principal Balance	$ 264,555,000	$ 27,675,000	$ 3,295,000	$ 295,525,000
Unamortized Premium	31,054,101	39,916	142,499	$ 31,236,516
Net Balance	$ 295,609,101	$ 27,714,916	$ 3,437,499	$ 326,761,516

Rates –

On July 1, 2022, BTU implemented retail rate changes to its power supply adjustment and regulatory charges. The City Electric System power supply adjustment increased by 20% due to higher net energy costs. The City Electric System's regulatory charges, including those billed to the Rural Electric System, increased on average 17% due to increases in ERCOT system-wide transmission cost of service expenses. The overall effect of these changes increased retail rates by 9.5%, on average

The City Electric System did not change retail customer base, fuel, or regulatory rates in fiscal year 2021.

Transmission Construction –

During 2022, 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 added $10.9 million to Plant in Service in 2022 and had $13.6 million of capital improvements under construction at September 30, 2022.

During 2021, 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 added $0.2 million to Plant in Service in 2021 and had $20.5 million of capital improvements under construction at September 30, 2021.

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

On February 10, 2021, TMPA's Gibbons Creek power plant was sold to GCERG. BTU removed the existing decommissioning/environmental remediation liability and the associated regulatory asset as of that date. Additionally, BTU established a regulatory asset in the amount of $7,842,767 associated with the power plant sale on February 10, 2021. The regulatory asset will be amortized in future periods when their costs are included in electric rates.

Other-

BTU experienced a summer peak load of 373.3MW on July 12, 2022, slightly higher than 2021's summer peak load of 333.2MW. BTU experienced a winter peak load of 326.2MW on February 4, 2022, which was silghtly lower than 2021's all-time high winter peak load of 334.6MW.

BTU experienced a summer peak load of 333.2MW on August 31, 2021, slightly lower than 2020's all time high summer peak load of 343.2MW. BTU experienced an all-time high winter peak load of 334.6MW on February 14, 2021, which was 34% higher than 2020's winter peak load of 250.3MW on February 27, 2020.

Subsequent Events –

There are no material subsequent events since September 30, 2022.

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
Doug Lyles

City of Bryan:
Kean Register, City Manager
William J. Smith, Chief Financial Officer

Bryan Texas Utilities
City Electric System
An Enterprise Fund of the City of Bryan
Statement of Net Position
At September 30, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	$ 58,621,588	$ 81,131,365
Investments	43,811,761	8,219,355
Accounts receivable	21,019,282	95,563,679
Less allowance for uncollectible accounts	(422,194)	(677,401)
Derivative financial instruments - current portion	982,706	1,865,652
Accrued interest receivable	1,445,083	376,692
Inventory	1,606,958	1,279,946
Due from other funds	3,261,269	5,211,348
Under-recovered regulatory fee	1,479,742	1,402,391
Under-recovered fuel	2,819,990	-
Other assets	1,791,871	1,769,028
Total current assets	136,418,056	196,142,055
Non-current assets:		
Restricted assets:		
Investments	173,324,236	31,523,576
Derivative financial instruments	179,305	-
Capital assets	689,493,610	641,095,169
Less accumulated depreciation	(236,853,938)	(221,532,303)
Net pension asset	9,895,071	2,909,507
TMPA decommissioning	7,842,767	7,842,767
Total noncurrent assets	643,881,051	461,838,715
Total assets	$ 780,299,108	$ 657,980,770
Deferred Outflows of Resources		
Pensions	2,104,433	2,280,268
Other post employment benefits (OPEB)	945,974	823,328
Total deferred outflows of resources	$ 3,050,408	$ 3,103,596

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, 2022 and 2021

	2022	2021
Liabilities		
Current liabilities:		
Accounts payable	$ 12,780,738	$ 12,770,392
Accrued liabilities	-	542,960
Due to other funds	1,792,824	2,508,689
Other current liabilities	2,042,496	1,691,337
Total current liabilities	16,616,057	17,513,378
Current liabilities payable from restricted assets:		
Accrued interest	2,698,208	2,333,715
Over-recovered fuel	-	2,347,818
Counter party collateral	90,420,000	-
Bonds payable - net	13,781,502	13,840,509
Customer deposits	4,616,850	4,764,123
Total current liabilities payable from restricted assets	111,516,560	23,286,165
Non-current liabilities:		
Bonds payable - net	294,300,091	312,921,007
Interfund advance	13,860,379	14,215,107
Other post employment benefits (OPEB)	3,722,133	3,335,081
Other noncurrent liabilities	306,351	306,351
Total noncurrent liabilities	312,188,954	330,777,546
Total liabilities	$ 440,321,571	$ 371,577,089
Deferred Inflows of Resources		
Deferred regulatory liability	$ 5,354,020	$ 5,080,819
Accumulated increase in fair value of hedging derivatives	1,162,011	1,865,652
Pensions	6,736,902	2,362,834
Deferred Inflows - Bond Refunding	2,902,800	-
Other post employment benefits (OPEB)	308,190	302,642
Total deferred inflows of resources	$ 16,463,924	$ 9,611,946
Net Position		
Net investment in capital assets	$ 202,318,185	$ 95,252,928
Restricted for:		
Debt reserve	2,824,100	6,090,539
Debt service	2,666,079	2,478,125
Rate stabilization	1,731,462	1,726,328
Net pension asset	9,895,071	2,909,507
Collateral deposits	-	554,036
Unrestricted	107,129,123	170,883,867
Total net position	$ 326,564,021	$ 279,895,330

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 Revenues, Expenses
And Changes in Net Position
For the Fiscal Years Ended September 30, 2022 and 2021

	2022	**2021**
Operating revenues:		
Electrical system	$ 234,878,192	$ 360,336,109
Other	2,569,663	2,324,410
Total operating revenues	237,447,855	362,660,519
Operating expenses:		
Personnel services	10,844,601	11,421,740
Electric operations	123,143,049	263,759,736
Maintenance	4,036,922	3,515,460
Other services and charges	3,534,591	3,651,375
Other expenses	2,416,924	2,762,652
General and administrative	2,651,851	2,806,071
Depreciation and amortization	16,533,407	16,874,868
Total operating expenses	163,161,346	304,791,901
Operating income	74,286,509	57,868,618
Non-operating revenues (expenses):		
Investment income	3,130,470	993,459
Interest expense	(11,353,314)	(8,952,675)
Investment Mark to Market	(6,240,305)	(630,213)
Total non-operating revenues (expenses)	(14,463,149)	(8,589,429)
Income before operating transfers	59,823,360	49,279,188
Transfers:		
City of Bryan administrative payment	1,904,390	1,930,296
Transfers to City of Bryan General Fund	(15,059,059)	(14,039,470)
	(13,154,669)	(12,109,174)
Extraordinary items:		
2021 Winter Weather Event	-	(14,299,522)
Change in net position	46,668,691	22,870,493
Net position, beginning of period	279,895,330	257,024,837
Net position, end of period	$ 326,564,021	$ 279,895,330

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 Cash Flows
For the Fiscal Years Ended September 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Receipts from customers	$ 235,785,228	$ 362,089,577
Payments to suppliers	(139,955,741)	(296,855,838)
Payments to employees	(13,202,111)	(11,022,507)
Net cash provided by operating activities	82,627,376	54,211,232
Cash flows from non-capital financing activities		
Operating subsidies and transfers from other funds	1,904,390	1,930,296
Operating subsidies and transfers to other funds	(15,059,059)	(12,713,297)
Net cash used by non-capital financing activities	(13,154,669)	(10,783,001)
Cash flows from capital and related financing activities		
Purchases of capital assets	(46,986,406)	(54,642,830)
Payment of regulatory obligation	-	(5,978,261)
Proceeds from capital debt	100,908,877	18,865,283
Principal paid on capital debt	(42,065,000)	(10,070,000)
Interest paid on capital debt	(12,405,043)	(9,776,898)
Bond issuance costs	(283,620)	(435,976)
Net cash used by capital and related financing activities	(831,192)	(62,038,682)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	143,639,897	25,119,134
Purchases of investments	(237,713,666)	-
Interest and dividends received	2,922,477	1,700,899
Net cash provided (used) by investing activities	(91,151,292)	26,820,033
Net decrease in cash and cash equivalents	(22,509,777)	8,209,582
Balance-beginning of the year	81,131,365	72,921,783
Balance-end of the year	$ 58,621,588	$ 81,131,365

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 Cash Flows - continued
For the Fiscal Years Ended September 30, 2022 and 2021

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

	2022	2021
Operating income	$ 74,286,509	$ 57,868,618
Adjustments to reconcile operating income		
to net cash provided by operating activities:		
Depreciation and amortization	16,533,407	16,874,868
Bad debts	63,396	269,371
2021 Winter Weather Event	-	(14,299,522)
Change in assets and liabilities:		
Accounts receivable	1,304,636	(620,528)
Inventory	(327,013)	(112,658)
Under-recovered regulatory fee	(77,351)	(1,216,421)
Under-recovered fuel	(2,819,990)	-
Other assets	(22,843)	1,065,217
Deferred outflows/inflows of resources - pensions	175,835	(97,883)
Deferred outflows/inflows of resources - benefits	4,256,969	-
Due from other funds	1,950,079	(1,566,040)
Accounts payable	(2,340,260)	(1,520,086)
Accrued liabilities	(191,801)	115,840
Over-recovered fuel	(2,347,818)	(2,980,406)
Customer deposits	(147,273)	49,586
Net pension liability		
and other post-employment benefits	(6,598,512)	(14,728,829)
Due to other funds	(1,070,593)	15,110,104
Net cash provided by operating activities	$ 82,627,376	$ 54,211,232

Noncash Investing, Capital and Financing Activities	2022	2021
Capital asset acquisitions included in accounts payable	$ 2,350,606	$ 4,250,529

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, 2022 are as follows:

	September 30, 2022		
	BTU City	QSE	Combined
Current assets	$ 133,137,976	$ 3,280,080	$ 136,418,056
Capital assets, net	452,479,216	160,456	452,639,672
Restricted assets	173,324,236	-	173,324,236
Other	17,737,838	-	17,737,838
Total assets	776,858,571	3,440,536	780,299,108
Deferred outflows of resources	3,050,408	-	3,050,408
Current liabilities	15,334,684	1,281,374	16,616,057
Current liabilities payable from restricted assets	111,516,560	-	111,516,560
Noncurrent liabilities	312,188,954	-	312,188,954
Total liabilities	439,040,197	1,281,374	440,321,571
Deferred inflows of resources	16,463,924	-	16,463,924
Net position:			
Net investment in capital assets	202,157,728	160,456	202,318,185
Restricted	17,116,713	-	17,116,713
Unrestricted	105,130,417	1,998,706	107,129,123
Total net position	$ 324,404,858	$ 2,159,162	$ 326,564,021

The condensed combined statements of net position for the City Electric System and QSE as of September 30, 2021 are as follows:

	September 30, 2021		
	BTU City	**QSE**	**Combined**
Current assets	$ 192,852,574	$ 3,289,481	$ 196,142,055
Capital assets, net	419,322,714	240,152	419,562,866
Restricted assets	31,523,576	-	31,523,576
Other	10,752,274	-	10,752,274
Total assets	654,451,137	3,529,633	657,980,770
Deferred outflows of resources	3,103,596	-	3,103,596
Current liabilities	16,142,908	1,370,470	17,513,378
Current liabilities payable from restricted assets	23,286,165	-	23,286,165
Noncurrent liabilities	330,777,546	-	330,777,546
Total liabilities	370,206,619	1,370,470	371,577,089
Deferred inflows of resources	9,611,946	-	9,611,946
Net position:			
Net investment in capital assets	95,012,776	240,152	95,252,928
Restricted	13,758,535	-	13,758,535
Unrestricted	168,964,856	1,919,011	170,883,867
Total net position	$ 277,736,167	$ 2,159,163	$ 279,895,330

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, 2022, are as follows:

	Fiscal Year Ended September 30, 2022		
	BTU City	QSE	Combined
Operating revenues	$ 235,434,554	$ 2,013,301	$ 237,447,855
Operating expenses	161,148,045	2,013,301	163,161,346
Operating income	74,286,509	-	74,286,509
Investment income	3,130,470	-	3,130,470
Interest expense	(11,353,314)	-	(11,353,314)
Investment mark to market	(6,240,305)	-	(6,240,305)
Income before operating transfers	59,823,360	-	59,823,360
Transfers, net	(13,154,669)	-	(13,154,669)
Special/extraordinary items	-	-	-
Changes in net position	46,668,691	-	46,668,691
Net position, beginning of period	277,736,167	2,159,163	279,895,330
Net position, end of period	$ 324,404,858	$ 2,159,163	$ 326,564,021

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, 2021, are as follows:

	Fiscal Year Ended September 30, 2021		
	BTU City	QSE	Combined
Operating revenues	$ 360,797,306	$ 1,863,213	$ 362,660,519
Operating expenses	302,928,688	1,863,213	304,791,901
Operating income	57,868,618	-	57,868,618
Investment income	363,245	-	363,245
Interest expense	(8,952,675)	-	(8,952,675)
Income before operating transfers	49,279,188	-	49,279,188
Transfers, net	(12,109,173)	-	(12,109,173)
Special/extraordinary items	(14,299,522)	-	(14,299,522)
Changes in net position	22,870,493	-	22,870,493
Net position, beginning of period	254,865,674	2,159,163	257,024,837
Net position, end of period	$ 277,736,167	$ 2,159,163	$ 279,895,330

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 of 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, 2022, the City Electric System adopted the following accounting pronouncements:

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 implementation of GASB Statement No. 93 did not have a significant impact on the City Electric System's financial statements.

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.

The implementation of GASB Statement No. 87 did not have a significant impact on the City Electric System's financial statements.

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 implementation of GASB Statement No. 92 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, 2022 and is expected to be applicable to the City Electric System:

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. 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. 100, *Accounting Changes and Error Corrections.*

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

This Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

2021 Winter Weather Event

From February 14, 2021 through February 19, 2021, the continental United States experienced a severe winter storm. Record-breaking cold weather invaded the entire State of Texas, during which time the City experienced three consecutive days of record low temperatures and 86 consecutive hours below freezing.

As the 2021 Winter Weather Event covered the State, the Electric Reliability Council of Texas ("ERCOT") implemented what were initially expected to be rolling outages to conserve electricity and address energy needs across the entirety of the State; however, due to the severity of the 2021 Winter Weather Event and the corresponding increase in demand on the Texas electric grid, combined with limited availability of generation, widespread and prolonged power outages began at approximately 1:00 a.m., Central Time, on Monday, February 15, 2021, and continued throughout the week.

Beginning February 12, 2021, and continuing over the next several days, the natural gas wholesale power markets experienced extreme price volatility. With multiple natural gas pipelines restricting gas flows, frozen wellheads experienced across the State, and weather-related gas processing plant outages, coupled with a significant increase in power demand, next day delivery natural gas spot prices at various delivery hubs skyrocketed from an average of less than $3 per million British thermal unit ("MMBtu") to as high as $1,250 per MMBtu (recorded at the Oneok Gas Transportation hub in Oklahoma) at their peak. The price per megawatt hour ("MWh") of electricity in the ERCOT market reached the market cap of $9,000 on February 14, 2021, again on February 15, 2021, and then again on February 16, 2021 (where it was held by ERCOT until 9:00 a.m. Central Time, February 19, 2021), when it had settled at $30/MWh on February 10, 2021. During this time, ancillary service charges (which are incremental to the $9,000 per MWh market cap) reached an actual per MW price as high as $25,000.

From its available sources, the City Electric System saw gas purchase prices increase from approximately $3.25/MMBtu up to as high as $400/MMBtu. The City also made market power purchases during the 2021 Winter Weather Event, however, the costs associated with such purchases were mostly offset by increased revenues from BTU's generation assets. The net costs to BTU totaled $26.7 million higher than normal budgeted costs for February. The source of these increased costs is largely due to ERCOT uplift charges to load during the last 32 hours of the 2021 Winter Weather Event when ERCOT held pricing at $9,000/MWh with over 10,000 MWs of excess generation available in the ERCOT system. In response to the extraordinary nature of the event, BTU elected to treat these costs as extraordinary items for both the City Electric System and the Rural Electric System. In the normal course of business, BTU charges a Power Supply Adjustment (fuel charge) to offset energy costs. The difference between the actual cost of energy and the revenues collected through the fuel charge is deferred as over-recovered or under-recovered fuel (accounts payable and accounts receivable, respectively). However, due to the extraordinary nature of the costs due to the underlying event, BTU has elected to not defer these differences and record the costs associated with the 2021 Winter Weather Event as an extra-ordinary expense on the statements of revenues, expenses, and changes in net position (see page 16). For the City Electric System, these costs are $14,299,522.

While all four of BTU's generating units (Dansby 1, 2, and 3 and Atkins 7) operated for the entirety of the 2021 Winter Weather Event, BTU has taken additional recommended actions to winterize its generating facilities. Continued monitoring of weatherization needs is ongoing, and investments will be made as BTU has determined the necessity to maintain its operating ability through all seasons.

Currently, BTU has received several notices of claims for damages and has been named in one lawsuit, as part of a large group of defendants, resulting from the 2021 Winter Weather Event. BTU is working with legal counsel related to these claims, but ultimately does not expect the outcome to have any material financial impact or liability on the City or Rural Electric Systems. (See note 13 – page 62)

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 $2,733,695 and $2,813,506 at September 30, 2022 and 2021 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, 2022 and 2021, the City Electric System reported a current asset and a current liability, respectively – under-recovered fuel of $2,819,990 and over-recovered fuel of $2,347,818, 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, 2022 and 2021, the City Electric System reported a current asset – under-recovered regulatory fee of $1,479,742 and $1,402,391, 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 the TMPA to record a decommissioning/environmental remediation liability and a corresponding discounted receivable from the member cities. The member cities were obligated to pay all costs associated with 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 was responsible for its share. Decommissioning was estimated to take 5 years and the related maintenance was estimated to be fully complete after 30 years. The City Electric System's allocated share of TMPA's decommissioning/remediation liability was 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 was associated with the decommissioning obligation and $8,283,600 was 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 would have been amortized in future periods when its costs were to be included in electric rates.

On February 10, 2021, TMPA's Gibbons Creek power plant was sold to GCERG. BTU removed the decommissioning/environmental remediation liability and the associated regulatory asset as of that date. Additionally, BTU established a regulatory asset in the amount of $7,842,767 associated with the power plant sale on February 10, 2021. The regulatory asset will be amortized in future periods when their costs are included in electric rates.

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 $283,620 and $435,976 for the fiscal years ended September 30, 2022 and 2021, respectively.

Pensions - For purposes of measuring the net pension asset/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, 2022 and 2021, the City Electric System collected $440,514 and $1,155,008, respectively, of AIC. The amortization of the deferred regulatory liability was $167,313 and $158,776 for 2022 and 2021, respectively. The deferred regulatory liability balance at September 30, 2022 and 2021 was $5,354,020 and $5,080,819, 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.

Change in Personnel Service Allocations – On September 1, 2021 BTU revised the method of allocating indirect personnel costs related to construction activities. In previous years, indirect personnel costs for personnel involved in the building and maintenance of the electric distribution system were included in total operating expenses. In 2022, the indirect costs were capitalized and allocated to jobs in construction in progress as part of the construction overhead allocation. The amount of additional costs capitalized during the year ended September 30, 2022 was immaterial. This change was made prospectively in the fiscal year 2022 financial statements.

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, 2021 and 2020 were held at Truist. 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 July 28, 2022 for the fiscal years ending September 30, 2022 and September 30, 2023, 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 guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund in 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 rating 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 states, agencies, counties, cities, and other political subdivisions of any state in the United States of America 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, 2022 and 2021 is summarized as follows:

	2022	2021
Demand deposits	$ 58,621,588	$ 81,131,365
Investment pools	77,194,917	1,090,017
Treasuries	5,391,950	5,052,750
Municipal Bonds	41,483,017	30,591,374
Agency securities	93,066,113	3,008,790
Total	$ 275,757,585	$ 120,874,296

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, 2022 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	$ 502,960	$ -	$ -	$ -
Texas CLASS	595,124	-	-	-
Texas RANGE	76,096,833	-	-	-
Investments by fair value level				
Municipal Bonds	41,483,017	-	41,483,017	-
Treasuries	5,391,950	5,391,950	-	-
U.S. Agency Bonds	93,066,113	-	93,066,113	-
Total	$ 217,135,997	$ 5,391,950	$ 134,549,130	$ -

The investment balances at September 30, 2021 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	$ 499,709	$ -	$ -	$ -
Texas CLASS	590,308	-	-	-
Investments by fair value level				
Municipal Bonds	30,591,374	-	30,591,374	-
Treasuries	5,052,750	5,052,750	-	-
U.S. Agency Bonds	3,008,790	-	3,008,790	-
Total	$ 39,742,931	$ 5,052,750	$ 33,600,164	$ -

The investment in TexStar, Texas CLASS, and Texas Range 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, 2022, 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	$ 77,194,917	$ 77,194,917	$ -	$ -
Municipal Bonds	41,483,017	5,047,215	36,435,802	-
Treasuries	5,391,950	5,391,950	-	-
U.S. Agency Bonds	93,066,113	6,419,310	86,646,803	-
Total fair value	$ 217,135,997	$ 94,053,392	$ 123,082,605	$ -

As of September 30, 2021, 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	$ 1,090,017	$ 1,090,017	$ -	$ -
Municipal Bonds	30,591,374	3,126,060	27,465,314	-
Treasuries	5,052,750	5,052,750	-	-
U.S. Agency Bonds	3,008,790	3,008,790	-	-
Total fair value	$ 39,742,931	$ 12,277,617	$ 27,465,314	$ -

The City Electric System's investment in investment pools includes deposits in TexStar, Texas CLASS, and Texas Range. The pools 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.

Texas RANGE 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 the Texas RANGE pool. Texas RANGE operates three funds in which the City Electric System participates.

- Texas RANGE DAILY SELECT is an investment option that utilizes all eligible investments as defined by the Public Funds Investment Act.

- Texas RANGE DAILY is an investment option that utilizes only investments that are backed or collateralized with U.S. Treasury or U.S. Government Agency obligations.

- Texas RANGE TERM – is an investment with maturities from 60 days to one year with fixed-rate, fixed-term options.

The intent of Texas RANGE is to operate on a $1.00 net asset value basis. Texas RANGE 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 RANGE is rated AAAmmf by Fitch 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, 2022 were rated as follows:

Investment Type	Rating	Rating Agency
Investment Pools	AAA-m	Standard & Poor's
	AAAf to AAAmmf	Fitch
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.

Restricted Cash and Investments

In 2022, cash and investments of $275.8 million exceeded amounts required to be restricted by $102.5 million. In 2021 cash and investments of $120.9 million exceeded amounts required to be restricted by $89.4 million. Amounts required to be restricted at September 30, 2022 and 2021 are as follows:

	2022	**2021**
Rate stabilization fund	$ 1,731,462	$ 1,726,328
Debt reserve	2,824,100	6,090,539
Debt service	5,364,287	4,811,840
Bond funds for construction	68,367,536	11,782,928
Counter-party collateral	90,420,000	-
Over-recovered fuel expense	-	2,347,818
Customer deposits	4,616,850	4,764,123
Restricted cash and investments	$ 173,324,236	$ 31,523,576

3. Capital Assets

General Description – Total capital assets include production, transmission, distribution and general plant facilities. At September 30, 2022, 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, 2022.

Capital asset activity for the fiscal year ended September 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 7,532,874	$ 582,547	$ -	$ 8,115,421
Construction in Progress	79,358,131	47,561,895	38,363,617	88,556,409
Retirement in Progress	1,189,448	2,160,026	2,183,484	1,165,988
Total capital assets, not being depreciated	88,080,453	50,304,468	40,547,101	97,837,818
Capital assets, being depreciated:				
Production Plant	110,625,304	649,672	-	111,274,976
Transmission Plant	221,942,727	11,009,343	167,537	232,784,533
Distribution Plant	183,132,533	24,945,482		208,078,015
General Plant (including QSE)	36,873,723	2,204,116	-	39,077,839
Non-Utility Plant	440,429	-	-	440,429
Total capital assets, being depreciated	553,014,716	38,808,613	167,537	591,655,792
Less accumulated depreciation for:				
Production Plant	62,632,549	2,116,573		64,749,122
Transmission Plant	58,896,497	6,743,705	137,256	65,502,946
Distribution Plant	77,342,957	5,540,181	1,241,828	81,641,310
General Plant (including QSE)	22,620,261	2,286,914		24,907,175
Non-Utility Plant	40,039	13,347		53,385
Total accumulated depreciation	221,532,303	16,700,720	1,379,084	236,853,938
Total capital assets, being depreciated, net	331,482,413	22,107,894	(1,211,547)	354,801,854
Total capital assets, net	419,562,866	72,412,362	39,335,555	452,639,672

Capital asset activity for the fiscal year ended September 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 7,476,259	$ 56,615	$ -	$ 7,532,874
Construction in Progress	38,302,664	53,221,223	12,165,756	79,358,131
Retirement in Progress	736,554	1,340,065	887,171	1,189,448
Total capital assets, not being depreciated	46,515,477	54,617,903	13,052,927	88,080,453
Capital assets, being depreciated:				
Production Plant	109,072,982	1,552,322	-	110,625,304
Transmission Plant	221,708,344	241,662	7,279	221,942,727
Distribution Plant	173,831,930	9,544,780	244,177	183,132,533
General Plant (including QSE)	35,300,144	1,951,885	378,306	36,873,723
Non-Utility Plant	440,429	-		440,429
Total capital assets, being depreciated	540,353,829	13,290,649	629,762	553,014,716
Less accumulated depreciation for:				
Production Plant	60,108,410	2,524,139	-	62,632,549
Transmission Plant	52,285,986	6,621,583	11,072	58,896,497
Distribution Plant	72,426,158	5,631,623	714,824	77,342,957
General Plant (including QSE)	20,730,938	2,242,953	353,630	22,620,261
Non-Utility Plant	26,692	13,347	-	40,039
Total accumulated depreciation	205,578,184	17,033,645	1,079,526	221,532,303
Total capital assets, being depreciated, net	334,775,645	(3,742,996)	(449,764)	331,482,413
Total capital assets, net	$ 381,291,122	$ 50,874,907	$ 12,603,163	$ 419,562,866

Depreciation and amortization totaled $16.5 million for fiscal year ended September 30, 2022 and $16.9 million for fiscal year ended September 30, 2021. Cash paid for removal costs were approximately $2,160,000 and $1,340,000 for the years ended September 30, 2022 and 2021, respectively.

4. Long-Term Debt

For the fiscal year ended September 30, 2022, the City of Bryan issued revenue refunding bonds dated July 28, 2022 ("2022 Revenue Bonds") totaling $25,510,000 for the City Electric System. The 2022 Revenue Bonds mature serially beginning July 1, 2023, through July 1, 2035, with a coupon rate of 5.000%. The proceeds from the sale of the 2022 Revenue Bonds were restricted to refunding portions of the City Electric System's outstanding bonds for debt service savings. Proceeds from the sale of the bonds refunded $29,925,000 of the Series 2012 revenue bonds. The refunding represented debt service savings of $6,320,010, and a net present value benefit savings of $1,457,436.

For the fiscal year ended September 30, 2021, the City of Bryan issued revenue bonds dated May 26, 2021 ("2021 Revenue Bonds") totaling $18,664,781, which includes a net premium of $2,964,781, for the City Electric System. The 2021 Revenue Bonds mature serially beginning July 1, 2022, through July 1, 2046, with coupon rates ranging from 4.000% to 5.000%. The proceeds from the sale of the 2021 Revenue Bonds are restricted to the planning and construction costs of the Distribution Service Center. The City of Bryan also issued revenue bonds dated September 23, 2021 ("2021A Revenue Bonds") totaling $73,882,257, which includes a net premium of $7,087,257, for the City Electric System. The 2021A Revenue Bonds mature serially beginning July 1, 2022, through July 1, 2046, with coupon rates ranging from 2.500% to 5.000%. The proceeds from the sale of the 2021A Revenue Bonds are 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's Transmission System and the 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, 2022 and 2021, no City Electric System outstanding revenue bonds were defeased.

Changes to long term debt during fiscal year 2022, including the 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	$ 32,270,000	$ -	$ 32,270,000	$ -	$ -
Series 2016	3.497 - 5.000	2041	64,495,000	-	2,280,000	62,215,000	2,385,000
Series 2017	3.000 - 5.000	2034	46,585,000	-	2,980,000	43,605,000	3,125,000
Series 2018	4.000 - 5.000	2043	38,710,000	-	1,010,000	37,700,000	1,060,000
Series 2021	4.000 - 5.000	2046	15,700,000	-	335,000	15,365,000	365,000
Series 2021A	2.500 - 5.000	2046	66,795,000	-	1,265,000	65,530,000	1,595,000
Series 2022	5.000	2035	-	25,510,000	-	25,510,000	1,570,000
Total Revenue Bonds			264,555,000	25,510,000	40,140,000	249,925,000	10,100,000
Unamortized Bond Premium			31,054,101	2,477,718	4,563,635	28,968,184	1,657,495
Net Revenue Bonds			295,609,101	27,987,718	44,703,635	278,893,184	11,757,495
Certificates of Obligation:							
Series 2014	3.000 - 5.000	2039	27,675,000	-	1,145,000	26,530,000	1,175,000
Total Certificates of Obligation			27,675,000	-	1,145,000	26,530,000	1,175,000
Unamortized Bond Premium			39,916	-	2,233	37,683	2,233
Net Revenue Bonds			27,714,916	-	1,147,233	26,567,683	1,177,233
General Obligation Bonds							
Series 2015	2.250 - 4.000	2025	3,295,000	-	780,000	2,515,000	810,000
Total General Obligation Bonds			3,295,000	-	780,000	2,515,000	810,000
Unamortized Bond Premium			142,499	-	36,774	105,725	36,774
Net Revenue Bonds			3,437,499	-	816,774	2,620,725	846,774
Total long-term debt			$ 326,761,517	$ 27,987,718	$ 46,667,642	$ 308,081,593	$ 13,781,502

Changes to long term debt during fiscal year 2021, including the 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	$ 34,500,000	$ -	$ 2,230,000	$ 32,270,000	$ 2,345,000
Series 2016	3.497 - 5.000	2041	66,660,000	-	2,165,000	64,495,000	2,280,000
Series 2017	3.000 - 5.000	2034	49,415,000	-	2,830,000	46,585,000	2,980,000
Series 2018	4.000 - 5.000	2043	39,675,000	-	965,000	38,710,000	1,010,000
Series 2021	4.000 - 5.000	2046	-	15,700,000	-	15,700,000	335,000
Series 2021A	2.500 - 5.000	2046	-	66,795,000	-	66,795,000	1,265,000
Total Revenue Bonds			190,250,000	82,495,000	8,190,000	264,555,000	10,215,000
Unamortized Bond Premium			22,289,229	10,052,038	1,287,166	31,054,101	1,661,502
Net Revenue Bonds			212,539,229	92,547,038	9,477,166	295,609,101	11,876,502
Certificates of Obligation:							
Series 2014	3.000 - 5.000	2039	28,790,000	-	1,115,000	27,675,000	1,145,000
Total Certificates of Obligation			28,790,000	-	1,115,000	27,675,000	1,145,000
Unamortized Bond Premium			42,149	-	2,233	39,916	2,233
Net Revenue Bonds			28,832,149	-	1,117,233	27,714,916	1,147,233
General Obligation Bonds							
Series 2015	2.000 - 4.000	2025	4,060,000	-	765,000	3,295,000	780,000
Total General Obligation Bonds			4,060,000	-	765,000	3,295,000	780,000
Unamortized Bond Premium			179,273	-	36,774	142,499	36,774
Net Revenue Bonds			4,239,273	-	801,774	3,437,499	816,774
Total long-term debt			$245,610,651	$ 92,547,038	$ 11,396,173	$326,761,516	$ 13,840,509

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, 2022 and 2021.

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 2018 Bonds to be 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 Series 2016, 2017, 2021, 2021A, 2022 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
2023	$ 10,100,000	$ 10,601,569	$ 20,701,569
2024	10,515,000	10,192,232	20,707,232
2025	11,045,000	9,666,482	20,711,482
2026	11,595,000	9,114,232	20,709,232
2027	12,165,000	8,534,482	20,699,482
2028 - 2032	69,860,000	32,981,956	102,841,956
2033 - 2037	54,750,000	18,053,312	72,803,312
2038 - 2042	48,555,000	7,926,825	56,481,825
2043 - 2046	21,340,000	1,430,250	22,770,250
Total	$ 249,925,000	$ 108,501,340	$ 358,426,340

Certificates of Obligation

Year Ending September 30	Principal	Interest	Total
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	1,315,000	795,991	2,110,991
2027	1,355,000	756,541	2,111,541
2028 - 2032	7,415,000	3,120,109	10,535,109
2033 - 2037	8,795,000	1,750,244	10,545,244
2038 - 2039	3,985,000	228,570	4,213,570
Total	$ 26,530,000	$ 9,310,928	$ 35,840,928

General Obligation Bonds

Year Ending September 30	Principal	Interest	Total
2023	$ 810,000	$ 77,275	$ 887,275
2024	835,000	52,975	887,975
2025	870,000	19,575	889,575
2026	-	-	-
2027	-	-	-
Total	$ 2,515,000	$ 149,825	$ 2,664,825

Year Ending September 30	Principal	Interest	Total
2023	$ 12,085,000	$ 11,609,085	$ 23,694,085
2024	12,565,000	11,140,198	23,705,198
2025	13,190,000	10,520,298	23,710,298
2026	12,910,000	9,910,223	22,820,223
2027	13,520,000	9,291,023	22,811,023
2028 - 2032	77,275,000	36,102,065	113,377,065
2033 - 2037	63,545,000	19,803,556	83,348,556
2038 - 2042	52,540,000	8,155,395	60,695,395
2043 - 2046	21,340,000	1,430,250	22,770,250
Total	**$ 278,970,000**	**$ 117,962,093**	**$ 396,932,093**

In the Statements of Revenues, Expenses and Changes in Net Position for the fiscal years ended September 30, 2022 and 2021, interest expense is recorded in the amount of $11,353,314 and $8,952,675, respectively, and is included as a non-operating expense.

5. Retirement Plan

BTU is an enterprise fund 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 901 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, Title 8, Subtitle G, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (ACFR) 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, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member contributions 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, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	681
Inactive employees entitled to but not yet receiving benefits	503
Active employees	897
Total	2,081

Contributions

The member contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee's gross earnings, and the city matching percentages are either 1:1 (1 to 1), 1.5:1 (1 ½ to 1) or 2:1 (2 to 1), 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 city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

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 15.38% and 9.18% in calendar years 2021 and 2022, respectively. The City opted to fund at a rate of 9.25% which is over the actuarial determined required rate. The City Electric System's contributions to TMRS for the year ended September 30, 2022 were $7,555,519, and were more than the required contributions by $35,781.

Net Pension Asset

The City's Net Pension Asset (NPA) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the NPA was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
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 are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the 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 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. The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.55%
Core Fixed Income	6.00%	2.00%
Non-Core Fixed Income	20.00%	5.68%
Other Public and Private Markets	12.00%	7.22%
Real Estate	12.00%	6.85%
Hedge Funds	5.00%	5.35%
Private Equity	10.00%	10.00%
Total	100.00%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%, and was unchanged from the prior year. 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/(Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(asset) (a) - (b)
Balance at 12/31/2020	$389,128,621	$ 400,324,460	$ (11,195,839)
Changes for the year:			
Service Cost	10,529,924	-	10,529,924
Interest	26,073,483	-	26,073,483
Change of benefit terms	-	-	-
Difference between expected and actual experie	3,222,804	-	3,222,804
Contributions - employer	-	10,084,137	(10,084,137)
Contributions - employee	-	4,586,281	(4,586,281)
Net investment income	-	52,276,194	(52,276,194)
Benefit payments, including refunds of employee contributions	(16,239,518)	(16,239,518)	-
Administrative expense	-	(241,472)	241,472
Other changes	-	1,654	(1,654)
Net changes	23,586,693	50,467,275	(26,880,582)
Balance at 12/31/2021	$412,715,314	$ 450,791,735	$ (38,076,421)
Balance at 12/31/21 - City Electric System			$ (9,895,071)

The portion of the net pension asset, deferred inflow s, 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 24% and 26% for the years ended September 30, 2022 and 2021, respectively.

Sensitivity of the net pension liability/(asset) to changes in the discount rate

The following presents the net pension asset of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension asset 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/(Asset)	$ 5,637,651	$ (9,895,071)	$ (22,609,753)

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, 2022 and 2021, the City Electric System recognized a net expense of $472,149 and $1,083,108, respectively.

At September 30, 2022, 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	$ 819,491	$ -
Changes in actuarial assumptions	56,243	-
Difference between projected and actual investment earnings	-	(6,736,902)
Contributions subsequent to the measurement date	1,228,699	-
Total	$ 2,104,433	$ (6,736,902)

Deferred outflows of resources of $1,228,699 related to pensions resulting from contributions subsequent to the measurement date will be recognized as an increase of the net pension asset for the year ending September 30, 2023. 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
2023	$ (933,732)
2024	(2,438,084)
2025	(1,235,197)
2026	(1,254,155)
Total	$ (5,861,168)

At September 30, 2021 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	$ 294,634	$ -
Changes in actuarial assumptions	99,830	-
Difference between projected and actual investment earnings	-	(2,362,834)
Contributions subsequent to the measurement date	1,885,804	-
Total	$ 2,280,268	$ (2,362,834)

6. 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, 2022, retirees paid $647,954 in premiums and $2,242,630 in claims and premiums were paid for post-retirement health care and administrative charges. As of September 30, 2022, the City has 82 retirees and 72 dependents 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 $8,170 and incurred claims and administrative expenses of $7,586 during the year ended September 30, 2022. As of September 30, 2022, the City has no COBRA participants.

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 2022 and 2021, $500,000 was contributed to the Trust. 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, 2021 (the measurement date):

Inactive plan members or beneficiaries currently receiving benefits	76
Inactive plan members entitled but not yet receiving benefits	0
Active plan members	893
Total plan members	969

Contributions to the Plan

For the year ended September 30, 2022, the City's contribution rate was $517,474, or .74% of covered-employee payroll and the City Electric System's contributions were $110,968. (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, 2021 (the measurement date), and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. As of the measurement date the total OPEB liability was $20,868,668 and the net OPEB liability (net of plan fiduciary net position of $3,302,204) was $17,566,464.

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:

Actuarial Cost Method	Individual Entry-Age Normal
Amortization Method	Level percentage of payroll
Amortization Period	Closed, 26 years as of September 30, 2022
Asset Valuation	Market Value
Investment Rate of Return	6.25%, net of investment expenses, including inflation
Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Payroll Growth	1.50%
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 Cost 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

The actuarial assumptions used at the measurement date valuation were based on the results of an actuarial experience study performed as of December 31, 2018 and a measurement date of December 31, 2021.

For the purposes of the valuation performed as of December 31, 2021, the expected rate of return on OPEB portfolio investments is 6.25% (see the table below). Based on the most recent expected rate of return from the City's Investment Manager for the OPEB Trust (Highmark Capital) of 5.89%, 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%	6.80%	1.80%
Domestic Equity - Mid Cap	5.00%	6.80%	0.34%
Domestic Equity - Small Cap	7.50%	7.00%	0.53%
Equity - International	6.00%	7.20%	0.43%
Equity - Emerging	3.25%	7.20%	0.23%
US Corporate Bonds - Short-Term	10.00%	3.50%	0.35%
US Corporate Bonds - Long-Term	33.50%	4.20%	1.41%
US Corporate Bonds - High Yield	1.50%	6.30%	0.09%
US Treasuries (Cash Equivalents)	5.00%	2.70%	0.14%
Real Estate	1.75%	6.30%	0.11%
Total	100.00%		5.43%
Expected Inflation			0.52%
Total Return			5.95%
Total Return, rounded			5.95%

Changes in the Net OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning Balance at 12/31/2020	$ 18,301,354	$ 2,539,815	$ 15,761,539
Service cost	574,199	-	574,199
Interest on the total OPEB liability	1,124,019	-	1,124,019
Changes of benefit terms	-	-	-
Difference between expected and actual experience	2,266,651	-	2,266,651
Changes of assumptions	(189,270)	-	(189,270)
Employer contributions	-	1,708,285	(1,708,285)
Net investment income (loss)	-	279,268	(279,268)
Benefits payments	(1,208,285)	(1,208,285)	-
Administrative expense	-	(16,879)	16,879
Other	-	-	-
Net changes	2,567,314	762,389	1,804,925
Ending Balance at 12/31/2021	$ 20,868,668	$ 3,302,204	$ 17,566,464
Balance at 12/31/2021 - City Electric System			$ 3,722,133

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. For the years ended September 30, 2022 and 2021, the ratio was approximately 21% and 20%,respectively.

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's Net OPEB Liability	$ 4,217,569	$ 3,722,133	$ 3,293,276

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's Net OPEB Liability	$ 3,224,980	$ 3,722,133	$ 4,321,028

OPEB Expense and Deferred Outflows of Resources

For the years ended September 30, 2022 and 2021, the City Electric System recognized OPEB expense of $380,921 and $323,705, respectively. At September 30, 2022, 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 Inflows of Resources
Differences between expected and actual experience	$ 733,179	$ -
Changes in actuarial assumptions	-	(267,672)
Difference between projected and actual experience	-	(40,518)
Contributions subsequent to the measurement date	212,795	-
Total	$ 945,974	$ (308,190)

The $212,795 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, 2023. 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)**
2023	$ 50,283
2024	45,803
2025	51,563
2026	56,693
2027	59,245
Thereafter	161,402
Total	$ 424,989

At September 30, 2021 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	$ 355,173	$ -
Changes in actuarial assumptions	-	(273,929)
Difference between projected and actual experience	-	(28,713)
Contributions subsequent to the measurement date	468,155	-
Total	$ 823,328	$ (302,642)

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, 2021
Assets	
Investments (fair value)	$ 3,302,204
Total Assets	$ 3,302,204
Liabilities	
Total Liabilities	$ -
Net Position Restricted for OPEB	$ 3,302,204

7. 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, 2022 and 2021, the City Electric System paid the City $801,249 and $776,745, respectively, for participation in the City's risk management program.

8. 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.

BTU's hedging program considers a two-step approach to reducing exposure to the fluctuations in the natural gas market. Forecasted natural gas exposure is first determined by estimating natural gas supply needs on an ongoing basis. Fifty percent of that exposure is hedged through two separate but related transactions. First, BTU executes NYMEX swaps to approximate the forward price of Houston Ship Channel (HSC) natural gas. This transaction is considered the hedging derivative. These monthly hedges are settled approximately three days prior to the month where fuel will be purchased. When the NYMEX swap settles, a second derivative, an HSC swap, is executed to hedge the actual HSC settlement price for the next month's delivered fuel. The HSC swap, while itself a hedging derivative with the hedgeable item being the HSC daily settlement price, is also the hedgeable item for the NYMEX swap. In effect, BTU is using the NYMEX swap to mitigate fluctuations in natural gas prices at a point in time based on the forward gas price curve. Because the HSC swap is illiquid on a longer term basis, it would be costly (and ineffective) to enter into long-term derivatives approximating the HSC daily settlement using the HSC swap. Therefore, the NYMEX swap is used to hedge the HSC swap price on a longer-term basis. When the NYMEX swap expires, the HSC swap is put on to reduce the cash flow fluctuations in the daily market settlement price.

To measure the effectiveness of the NYMEX swap, the hedgeable instrument is the HSC swap and the effectiveness test used is the regression analysis as prescribed by GASB 53.

To measure the effectiveness of the HSC swap, the hedgeable instrument is the HSC daily settlement price and meets the criteria for the consistent critical terms method as prescribed by GASB 53.

BTU evaluated all potential hedging derivative instruments for effectiveness as of September 30, 2022 and 2021, and determined the derivatives to be effective in substantially offsetting the changes in cash flows of the hedgeable items.

For the fiscal years ended September 30, 2022 and 2021, the total fair value of outstanding hedging derivative instruments was a net asset of $1,162,011 and $1,865,652, 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 $982,706 and $1,865,652 at September 30, 2022 and 2021, 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 $179,305 and $0 at September 30, 2022 and 2021, 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, 2022, the fair value of the City Electric System's hedging derivative instruments - NYMEX-based commodity swaps - decreased by $703,641; which is reported in the Statements of Net Position as a decrease of deferred outflows of resources. The deferred outflows 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, 2022, the deferred inflows of resources related to hedging derivatives was $1,162,011, and at September 30, 2021, the deferred inflows of resources related to hedging derivatives was $1,865,652.

The following information details the City Electric System's hedging derivative instruments as of September 30, 2022:

Type	Terms	Volume Hedged (MMBtu)	Execution Dates	Maturity Dates	Reference Index	Fair Value
Commodity Swaps	BTU pays prices of $3.455 – 4.795	5,416,000	Dec 2021 - Jun 2022	Oct 2022 - Dec 2023	NYMEX	$1,162,011

The following information details the City Electric System's hedging derivative instruments as of September 30, 2021:

Type	Terms	Volume Hedged (MMBtu)	Execution Dates	Maturity Dates	Reference Index	Fair Value
Commodity Swaps	BTU pays prices of $2.43 – 2.704	734,000	Oct 2019 - Jun 2021	Oct 2021 - Sep 2022	NYMEX	$1,865,652

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 2022, prompt month prices were $9.353/MMBtu and $8.550/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.

9. 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 $15,923,616 for the twelve month period which began January 1, 2022 and ends December 31, 2022. 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 $1,225,404 for calendar year 2020, $492,391 for calendar year 2021, and $191,241 for calendar year 2022 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 2022	FY2021
Beginning balance unpaid claims	$ 1,309,415	$ 2,871,714
Insured claims	10,170,055	10,189,529
Claim payments	(10,313,470)	(11,751,828)
Ending balance unpaid claims	$ 1,166,000	$ 1,309,415
Amounts due in one year	$ 1,166,000	$ 1,309,415

10. 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.

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 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 Board authorized the TMPA General Manager to take the necessary steps to complete the transaction. During January, 2021 the governing bodies of the four member cities approved the sale and the finalization of closure related documents.

On February 10, 2021, TMPA's Gibbons Creek power plant was sold to GCERG. BTU removed the decommissioning/environmental remediation liability and the associated regulatory asset as of that date. Additionally, BTU established a regulatory asset in the amount of $7,842,767 associated with the power plant sale on February 10, 2021. The regulatory asset will be amortized in future periods when their costs are included in electric rates.

Subsequently, TMPA sold the mine land at the former Gibbons Creek power plant during December 2021. BTU received $15,025,532 of proceeds from the sale on December 23, 2021, of which $10,713,204 was attributed to the City System and $4,312,328 was attributed to the Rural System.

During the years ended September 30, 2022 and 2021, the City Electric System paid TMPA $777,241 and $7,354,157 respectively for power purchases and related activity under the contract. As of September 30, 2022 and 2021, the City Electric System had nothing payable to TMPA.

At September 30, 2022, BTU's portion of outstanding TMPA bonds and note purchase agreement was approximately $46.1 million. At September 30, 2021, BTU's portion of outstanding TMPA bonds and commercial paper was approximately $44.9 million.

TMPA's Annual Financial Report for the year ended September 30, 2022 reported the following:

	FY2022
Total Assets	$ 214,339,000
Total Liabilities	232,479,000
Total Deferred Inflows of Resources	5,842,000
Total Net Position	$ (23,982,000)
Change in Net Position for year ended September 30, 2022	$ (16,589,000)

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

11. 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, 2022 and 2021, the Rural Electric System's purchased power, fuel, and regulatory charges were the following:

	FY 2022		FY 2021	
Purchased power cost	$	11,608,791	$	10,827,248
Fuel cost		19,255,955		24,544,177
Regulatory charges		6,747,898		6,170,191
Total	$	37,612,644	$	41,541,616

The Rural Electric System had payables to the City Electric System, as of September 30, 2022 and 2021, in the amount of $3,261,269 and $5,211,348 respectively.

In addition to the $14,771,612 and $13,828,834 transferred to the City of Bryan for right of way in 2022 and 2021, respectively, the City Electric System paid the City of Bryan $3,484,520 and $3,600,875 for administrative functions performed by City personnel for the years ended September 30, 2022 and 2021, respectively. These amounts are included in the other expenses in the accompanying financial statements.

The City of Bryan transferred to the City Electric System $1,904,390 and $1,930,296 in 2022 and 2021, 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. The City Electric System had payables to the City of Bryan as of September 30, 2022 and 2021 in the amount of $15,621,573 and $16,723,316 respectively.

12. Commitments and Contingencies

BTU purchase and construction commitments were $464.8 million at September 30, 2022. This amount primarily includes provisions for future fuel and energy purchases.

On Jan 6, 2022, BTU executed forward market power purchases for a year term from September 2022 to August 2023 in place of an expired contract for load for a wholesale customer. BTU transacted with one counterparty for the total purchase of approximately 247,000 MWh.

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 was to construct a photovoltaic solar power plant in northeast Texas. The original agreement had an estimated commercial operation date of June 2022, and BTU was to purchase the output from 100 MW of generating capacity. Due to supply chain delays, BTU and the developer executed an amendment on August 31, 2022 that postponed the commercial operation date to December 31, 2022, and reduced the purchased output to 75 MW of generating capacity for the total power purchase of approximately 4,270,000 MWh for the revised 14-year term.

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 3,905,160 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.

13. <u>Litigation Matters</u>

There are currently four litigation matters in which the City Electric System is involved. In three of these matters, in the event of an unfavorable outcome in the lawsuits, the City Electric System would be covered by insurance and the financial statements of the City Electric System would not be materially affected.

On April 26, 2021, Randy Turner and many other plaintiffs filed a lawsuit ("The Turner Lawsuit" or the "lawsuit") against several hundred defendants, including the City Electric System, in state district court. The lawsuit alleges numerous causes of action regarding personal injuries and alleged property damage arising from the 2021 Winter Weather Event (See note 1, page 25). The City Electric System denies any wrongdoing, denies any liability for the alleged injuries or damages, and intends to vigorously defend itself against the claims.

As of the date of this report, management, in consultation with counsel, have determined that we do not believe any potential loss is estimable and as such have not determined that a liability to the City Electric System exists. We currently are not in a position to comment on the potential outcome, likelihood of result, estimate of any potential loss, or whether any such loss would be material.

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	2021	2022
Actuarially Determined Contribution	$ 7,686,872	$ 8,279,509	$ 8,521,169	$ 8,887,727	$ 9,224,947	$ 9,525,048	$ 9,921,334	$ 7,519,738
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	9,921,334	7,555,519
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (35,781)
Covered payroll	$ 48,991,679	$ 54,614,239	$ 55,894,466	$ 58,312,792	$ 61,308,968	$ 62,882,877	$ 64,682,955	$ 69,476,693
Contributions as a percentage of covered payroll	15.69%	15.16%	15.25%	15.24%	15.05%	15.15%	15.34%	10.87%
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	$ 2,004,346	$ 1,823,169
BTU Covered payroll	$ 12,723,543	$ 14,171,272	$ 14,136,800	$ 14,549,172	$ 13,835,024	$ 14,438,486	$ 13,081,122	$ 16,816,746
Contributions as a percentage of covered payroll	15.70%	15.17%	15.23%	15.26%	15.05%	15.14%	15.32%	10.84%

Notes to Schedule of Contributions

For the fiscal year ended September 30, 2022, included in the City of Bryan’s contributions to TMRS of $7,555,519, were $1,823,169 in contributions from BTU. For the fiscal year ended September 30, 2021, included in the City of Bryan’s contributions to TMRS of $9,921,334, were $2,004,346 in contributions from BTU.

Only eight 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.

Bryan Texas Utilities
City Electric System
An Enterprise Fund of the City of Bryan
Required Supplementary Information

Methods and Assumptions Used to Determine the Contribution Ratio

Acutarial Cost Method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining Amortization period	20 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.

City of Bryan Schedule of Changes in the City's Net Pension Asset/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 24% for the years ended September 30, 2014 through September 30, 2021 and 26% for the year ended September 30, 2022.

The net pension asset allocated to the City Electric System was $9,985,071 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, 2022.

Only eight 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.

Bryan Texas Utilities
City Electric System
An Enterprise Fund of the City of Bryan
Required Supplementary Information

Last Ten Calendar Years (will ultimately be displayed – see note on previous page)

	2014	2015	2016	2017	2018	2019	2020	2021
Total Pension Liability								
Service Cost	$ 7,088,933	$ 7,796,505	$ 8,498,467	$ 8,991,102	$ 9,355,492	$ 9,823,079	$ 10,515,585	$ 10,529,924
Interest (on the Total Pension Liability)	18,281,849	19,160,943	19,655,455	20,795,590	21,996,726	23,265,601	24,643,477	26,073,483
Changes of benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(1,764,543)	(1,545,768)	450,762	395,105	631,794	26,678	1,130,387	3,222,804
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)	(13,983,161)	(16,239,518)
Net Change in Total Pension Liability	12,488,450	17,304,100	16,537,551	18,328,715	18,698,312	20,281,502	22,306,288	23,586,693
Total Pension Liability - Beginning	263,183,703	275,672,153	292,976,253	309,513,804	327,842,519	346,540,831	366,822,333	389,128,621
Total Pension Liability - Ending (a)	$ 275,672,153	$ 292,976,253	$ 309,513,804	$ 327,842,519	$ 346,540,831	$ 366,822,333	$ 389,128,621	$ 412,715,314
Plan Fiduciary Net Position								
Contributions - Employer	$ 7,667,195	$ 7,727,068	$ 8,035,947	$ 8,656,073	$ 8,972,275	$ 9,290,815	$ 64,152,235	$ 10,084,137
Contributions - Employee	3,312,987	3,490,130	3,741,223	3,964,541	4,123,958	4,335,533	4,586,237	4,586,281
Net Investment Income	12,827,812	349,403	15,980,505	34,922,324	(8,610,807)	43,051,984	24,391,784	52,276,194
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)	(13,983,161)	(16,239,518)
Administrative expense	(133,929)	(212,814)	(180,465)	(180,962)	(166,408)	(243,255)	(157,833)	(241,472)
Other	(11,011)	(10,511)	(9,723)	(9,171)	(8,694)	(7,307)	(6,159)	1,654
Net Change in Plan Fiduciary Net Position	12,545,265	(342,034)	15,500,354	35,499,723	(8,975,376)	42,874,172	78,983,103	50,467,276
Plan Fiduciary Net Position - Beginning	224,239,250	236,784,515	236,442,481	251,942,835	287,442,558	278,467,184	321,341,356	400,324,459
Plan Fiduciary Net Position - Ending (b)	$ 236,784,515	$ 236,442,481	$ 251,942,835	$ 287,442,558	$ 278,467,184	$ 321,341,356	$ 400,324,459	$ 450,791,735
Net Pension Liability - Ending (a) - (b)	$ 38,887,638	$ 56,533,772	$ 57,570,969	$ 40,399,961	$ 68,073,647	$ 45,480,977	$ (11,195,838)	$ (38,076,421)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	85.89%	80.70%	81.40%	87.68%	80.36%	87.60%	102.88%	109.23%
Covered Payroll	$ 47,328,382	$ 49,849,779	$ 53,382,332	$ 56,523,781	$ 58,936,756	$ 61,936,186	$ 65,517,665	$ 65,484,602
Net Pension Liability as a Percentage of Covered Payroll	82.17%	113.41%	107.85%	71.47%	115.50%	73.43%	-17.09%	-58.15%
BTU Net Pension Liability (Asset) - Ending	$ 10,105,885	$ 14,691,656	$ 14,961,197	$ 10,498,899	$ 17,690,570	$ 11,819,322	$ (2,909,507)	$ (9,895,071)
BTU Covered Payroll	$ 12,191,818	$ 12,969,411	$ 13,762,330	$ 14,228,102	$ 13,835,024	$ 14,001,986	$ 15,257,296	$ 15,567,623
BTU Net Pension Liability as a Percentage of Covered Payroll	82.89%	113.28%	108.71%	73.79%	127.87%	84.41%	-19.07%	-63.56%

Bryan Texas Utilities
City Electric System
An Enterprise Fund of the City of Bryan
Required Supplementary Information

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	2021	2022
Actuarially Determined Contribution	$ 1,498,635	$ 1,528,513	$ 1,559,061	$ 1,590,296	$ 1,601,390
Actual Contributions	1,471,374	1,624,112	2,072,827	2,238,608	517,474
Contribution deficiency (excess)	$ 27,261	$ (95,599)	$ (513,766)	$ (648,312)	$ 1,083,916
Covered Employee Payroll	$ 58,312,792	$ 61,308,698	$ 62,882,877	$ 64,682,955	$ 69,476,693
Actual Contribution as a % of Covered Employee Payroll	2.52%	2.65%	3.30%	3.46%	0.74%
BTU Actual Contributions	$ 315,524	$ 348,278	$ 444,501	$ 480,052	$ 110,968
BTU Covered Employee Payroll	$ 14,549,172	$ 13,835,024	$ 14,438,486	$ 14,448,216	$ 16,816,746
BTU Actual Contribution as a % of BTU Covered Employee Payroll	2.17%	2.52%	3.08%	3.32%	0.66%

Notes to Schedule of Contributions

Only five 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.

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, 26 years as of September 30, 2022
Asset Valuation	Market Value
Investment Rate of Return	6.25%, net of investment expenses, including inflation
Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Payroll Growth	1.50%
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 Cost 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

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

Bryan Texas Utilities
City Electric System
An Enterprise Fund of the City of Bryan
Required Supplementary Information

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)

	2017	2018	2019	2020	2021
Total OPEB Liability					
Service Cost	$ 478,077	$ 492,419	$ 546,768	$ 533,421	$ 574,199
Interest (on the Total Opeb Liability)	1,021,963	1,052,909	1,103,438	1,071,099	1,124,019
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	-	306,887	1,378,181	451,655	2,266,651
Change of assumptions	-	-	(1,671,518)	-	(189,270)
Benefit payments, including refunds of employee contributions	(983,981)	(1,078,262)	(1,125,781)	(1,251,388)	(1,208,285)
Net Change in Total OPEB Liability	516,059	773,953	231,088	804,787	2,567,314
Total OPEB Liability - Beginning	15,975,467	16,491,526	17,265,479	17,496,567	18,301,354
Total OPEB Liability - Ending (a)	$ 16,491,526	$ 17,265,479	$ 17,496,567	$ 18,301,354	$ 20,868,668
Plan Fiduciary Net Position					
Contributions - Employer	$ 1,608,981	$ 1,578,262	$ 1,625,781	$ 1,751,388	$ 1,708,285
Contributions - Non-employer contributing entities	-	-	-	-	-
Contributions - Employee	-	-	-	-	-
Net Investment Income	17,311	(46,639)	221,183	247,603	279,268
Benefit payments	(983,981)	(1,078,262)	(1,125,781)	(1,251,388)	(1,208,285)
Plan administrative expense	(770)	(4,565)	(7,690)	(11,618)	(16,879)
Other	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	641,541	448,796	713,493	735,985	762,389
Plan Fiduciary Net Position - Beginning	-	641,541	1,090,337	1,803,830	2,539,815
Plan Fiduciary Net Position - Ending (b)	$ 641,541	$ 1,090,337	$ 1,803,830	$ 2,539,815	$ 3,302,204
Net OPEB Liability - Ending (a) - (b)	$ 15,849,985	$ 16,175,142	$ 15,692,737	$ 15,761,539	$ 17,566,464
Liability	3.89%	6.32%	10.31%	13.88%	15.82%
Covered Employee Payroll	$ 56,523,781	$ 58,936,756	$ 61,961,283	$ 65,543,364	$ 59,581,062
Net OPEB Liability as a Percentage of Covered Employee Payroll	28.04%	27.44%	25.33%	24.05%	29.48%
Net BTU OPEB Liability - Ending	$ 3,354,049	$ 3,423,775	$ 3,320,327	$ 3,335,081	$ 3,722,133
BTU Covered Employee Payroll	$ 14,228,102	$ 14,375,640	$ 14,001,986	$ 15,257,296	$ 15,567,623
Net OPEB Liability as a Percentage of Covered Employee Payroll	23.57%	23.82%	23.71%	21.86%	23.91%

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

Only five 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. Utimately, the last ten calendar years will be displayed. 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.

For the year ending September 30, 2020 the changes of assumptions reflect lower participation assumptions, updates to health care trend assumptions to reflect the repeal of the "Cadillac Tax", a change in the Single Discount Rate from 6.50% to 6.25% as of December 31, 2019, and revised TMRS demographic and salary increase assumptions.

For the year ending September 30, 2022 the changesof assumptions reflect a change to the methodology used to determine service cost. The attribution period for the accumulation of service costs is now based only on employment with the City of Bryan.