

# **Southwest Power Pool, Inc.**

Independent Auditor's Report and Financial Statements

December 31, 2014 and 2013

**Southwest Power Pool, Inc.**  
**December 31, 2014 and 2013**

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## Independent Auditor's Report

Board of Directors  
Southwest Power Pool, Inc.  
Little Rock, Arkansas

We have audited the accompanying financial statements of Southwest Power Pool, Inc., which comprise the balance sheets as of December 31, 2014 and 2013, and the related statements of operations, changes in members' deficit and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Power Pool, Inc. as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in *Note 2* to the financial statements, the 2013 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

*BKD, LLP*

Little Rock, Arkansas  
April 13, 2015

# Southwest Power Pool, Inc.

## Balance Sheets

(in Thousands)

December 31, 2014 and 2013

### Assets

	<u>2014</u>	<u>2013</u> (Restated – Note 2)
<b>Current Assets</b>		
Cash and cash equivalents	\$ 57,534	\$ 35,262
Restricted cash deposits	222,285	76,713
Accounts receivable	41,826	24,134
Prepaid expenses and other	<u>7,204</u>	<u>6,977</u>
Total current assets	<u>328,849</u>	<u>143,086</u>
<b>Property and Equipment, at Cost</b>		
Land	4,812	4,812
Building	66,354	66,225
Furniture and fixtures	10,016	10,026
Equipment and machinery	44,822	41,647
Software	206,237	93,720
Software in development	<u>12,458</u>	<u>106,895</u>
	344,699	323,325
Less accumulated depreciation and amortization	<u>167,818</u>	<u>119,065</u>
	<u>176,881</u>	<u>204,260</u>
<b>Investments (Note 3)</b>	10,099	9,258
<b>Other Assets, Net</b>	<u>5,184</u>	<u>2,802</u>
	<u>\$ 521,013</u>	<u>\$ 359,406</u>

## Liabilities and Members' Deficit

	<b>2014</b>	<b>2013 (Restated – Note 2)</b>
<b>Current Liabilities</b>		
Accounts payable	\$ 31,417	\$ 15,953
Customer deposits	222,285	76,713
Current maturities of long-term debt ( <i>Note 5</i> )	24,299	22,998
Accrued expenses	57,943	29,039
Deferred revenue	<u>5,895</u>	<u>5,919</u>
Total current liabilities	341,839	150,622
<b>Long-term Debt (<i>Note 5</i>)</b>	247,961	235,260
<b>Other Long-term Liabilities</b>	18,159	14,420
<b>Members' Deficit</b>	<u>(86,946)</u>	<u>(40,896)</u>
	<u>\$ 521,013</u>	<u>\$ 359,406</u>

**Southwest Power Pool, Inc.**  
**Statements of Operations**  
*(in Thousands)*  
**Years Ended December 31, 2014 and 2013**

	<b>2014</b>	<b>2013 (Restated – Note 2)</b>
<b>Operating Income</b>		
Tariff fees and member assessments	\$ 158,735	\$ 137,811
Other member services	<u>4,802</u>	<u>4,926</u>
	<u>163,537</u>	<u>142,737</u>
<b>Operating Expenses</b>		
Salaries and benefits	85,575	80,615
Employee travel	1,924	1,868
Administrative	4,399	3,967
Regulatory assessment	16,323	14,699
Meetings	833	930
Communications system	3,745	3,666
Leases	180	432
Maintenance	15,149	11,300
Consulting services	16,319	16,114
Depreciation and amortization	<u>51,046</u>	<u>19,398</u>
	<u>195,493</u>	<u>152,989</u>
<b>Operating Loss</b>	<u>(31,956)</u>	<u>(10,252)</u>
<b>Other Income (Expense)</b>		
Investment income	459	731
Interest expense	(12,554)	(7,763)
Change in fair market value of interest rate swaps	(1,528)	923
Other income	<u>75</u>	<u>258</u>
	<u>(13,548)</u>	<u>(5,851)</u>
<b>Loss Before Unrealized Gain and Change in Funded Status of Employee Benefit Plans</b>	(45,504)	(16,103)
<b>Unrealized Gain on Investments</b>	251	710
<b>Change in Funded Status of Employee Benefit Plans</b>	<u>(797)</u>	<u>5,225</u>
<b>Net Loss</b>	<u>\$ (46,050)</u>	<u>\$ (10,168)</u>

**Southwest Power Pool, Inc.**  
**Statements of Members' Deficit**  
*(in Thousands)*  
**Years Ended December 31, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>Balance, Beginning of Year</b>	\$ (40,896)	\$ (30,728)
Net loss	(46,050)	(10,168)
<b>Balance, End of Year</b>	\$ (86,946)	\$ (40,896)



**Southwest Power Pool, Inc.**  
**Statements of Cash Flows**  
*(in Thousands)*  
**Years Ended December 31, 2014 and 2013**

	<b>2014</b>	<b>2013 (Restated – Note 2)</b>
<b>Operating Activities</b>		
Net loss	\$ (46,050)	\$ (10,168)
Items not requiring cash		
Depreciation and amortization	51,046	19,398
Change in funded status of employee benefit plans	797	(5,225)
Unrealized gain on investments	(251)	(710)
Realized gain on investments	-	(157)
(Gain)/loss on disposal of fixed assets	(23)	2
Change in fair market value of interest rate swaps	1,528	(923)
Changes in assets and liabilities		
Accounts receivable	(17,692)	(6,211)
Prepaid expenses and other	(227)	(1,560)
Other assets	(2,472)	(674)
Accounts payable	15,464	6,122
Accrued expenses	28,880	(70)
Other long-term liabilities	<u>1,414</u>	<u>2,696</u>
Net cash provided by operating activities	<u>32,414</u>	<u>2,520</u>
<b>Investing Activities</b>		
Acquisition of property and equipment	(23,554)	(49,818)
Purchase of investments	(590)	(1,657)
Proceeds from sale of investments	<u>-</u>	<u>766</u>
Net cash used in investing activities	<u>(24,144)</u>	<u>(50,709)</u>
<b>Financing Activities</b>		
Repayments of long-term debt	(22,998)	(12,700)
Issuance of long-term debt	<u>37,000</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>14,002</u>	<u>(12,700)</u>
<b>Increase/(Decrease) in Cash and Cash Equivalents</b>	<u>22,272</u>	<u>(60,889)</u>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>35,262</u>	<u>96,151</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 57,534</u>	<u>\$ 35,262</u>
<b>Supplemental Cash Flow Information</b>		
Interest paid on long-term debt (net of interest capitalized of \$363 and \$2,777 in 2014 and 2013, respectively)	\$ 10,576	\$ 7,932

# Southwest Power Pool, Inc.

## Notes to Financial Statements

(in Thousands)

December 31, 2014 and 2013

### Note 1: Nature of Operations and Summary of Significant Accounting Policies

#### ***Nature of Operations***

Southwest Power Pool, Inc. (the Company) is a not-for-profit entity formed in 1941 and incorporated in 1994. The Company is a Federal Energy Regulatory Commission (FERC)-approved regional transmission organization (RTO) serving more than six million ultimate customers across all or parts of nine states. The Company's membership consists of investor-owned utilities, municipal systems, generation and transmission cooperatives, state authorities, independent power producers, contract participants, power marketers and independent transmission companies.

Major services provided by the Company to its members and customers include tariff administration, electric reliability coordination, regional transmission scheduling, energy imbalance service (EIS) market operations and regional transmission expansion planning. Effective March 1, 2014, the EIS market was replaced with Integrated Marketplace which includes day-ahead and real time markets, transmission congestion rights, reliability unit commitment, operating reserve market, and consolidated balancing authority.

The Company also serves as the Regional Entity (RE) for its region. The primary responsibility of the RE is the enforcement of North American Electric Reliability Corporation (NERC)-approved reliability standards for users, owners and operators of the bulk power system within the region.

#### ***Use of Estimates***

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

#### ***Cash and Cash Equivalents and Deposits***

The Company considers all highly liquid interest-earning investments with stated maturities and coupon rate reset dates of no more than three months to be cash equivalents. At December 31, 2014 and 2013, the Company's cash and cash equivalents, including restricted deposits, are invested primarily in money market funds, mutual funds and repurchase agreements. These investments are typically revalued to the market each day and, in the case of repurchase agreements, are collateralized by U.S. government and federal agency securities. The Company's cash and cash equivalents consist primarily of funds accumulated for general operating purposes. Restricted cash deposits consist primarily of customer security deposits, amounts deposited for engineering studies and funds held in escrow for disputed invoices.

# Southwest Power Pool, Inc.

## Notes to Financial Statements

(in Thousands)

December 31, 2014 and 2013

### **Investments**

The Company's investments include domestic and foreign issued stock and equity and fixed income mutual funds. These investments are recorded at fair value, with unrealized gains and losses reported as non-operating income. Dividends, interest income, and realized gains and losses are reported as investment income. The Company's investments are intended to be utilized in funding benefits associated with the Company's postretirement health care plan.

### **Income Taxes**

The Company is exempt from income taxes under Section 501c(6) of the Internal Revenue Code and a similar provision of state law. However, the Company is subject to federal income tax on any unrelated business taxable income.

The Company files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Company is no longer subject to U.S. federal examinations by tax authorities for years before 2011.

### **Accounts Receivable**

Accounts receivable are stated at the amount billed to members, customers and others plus any accrued and unpaid interest. The Company provides an allowance for doubtful accounts, when necessary, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts that are unpaid after the due date are subject to interest at a rate set by FERC. No allowance for doubtful accounts has been recorded for 2014 and 2013.

### **Property and Equipment**

Property and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful life of each asset. The estimated useful lives are as follows:

Building	20 years
Building improvements	Shorter of useful life or remaining life of building
Furniture and fixtures	5 years
Vehicles	5 years
Equipment and machinery	3 years
Software	3 years

The Company capitalizes interest cost incurred on funds used to construct property, plant and equipment. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Interest cost capitalized was \$363 and \$2,777 in 2014 and 2013, respectively.

The Company capitalizes development costs, including interest, for internal use software costs. These costs are included in software in development. Management of the Company is of the opinion that all costs capitalized in association with the software in development are fully recoverable over the anticipated life of the asset.

# Southwest Power Pool, Inc.

## Notes to Financial Statements

(in Thousands)

December 31, 2014 and 2013

### ***Long-lived Asset Impairment***

The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2014 and 2013.

### ***Revenue Recognition***

Revenues, consisting of member assessments, tariff administrative fees, contract services and miscellaneous revenues are recognized when earned, and expenses are recognized when incurred.

### ***Customer Deposits***

Customers may be required to make deposits with the Company prior to the performance of transmission services and engineering studies. These amounts are typically held for the duration of the service and applied to the customer's final invoice. An offsetting liability equal to the deposit balance is recorded in current liabilities. Funds held in escrow related to disputed invoices are also recorded as a customer deposit under current liabilities.

### ***Tariff Fees and Member Assessments***

An administrative charge is applied to all transmission service under the Company's tariff to cover the expenses related to the administration of the tariff. The charge is calculated in accordance with the terms of the Company's Open Access Transmission Tariff. The administrative rate used for the calculation is established by the board of directors.

Members are assessed monthly based on their prior year average 12-month peak demand multiplied by the total hours in a month and by the monthly assessment rate as established by the board. A member's monthly assessment is offset dollar for dollar for qualifying tariff administrative fees collected from a member in any given assessment period.

The Company collects a membership fee from each member annually. The amount of the membership fee is established by the board of directors of the Company. For 2014 and 2013, all members paid a \$6 membership fee.

The Company also bills transmission customers and transmission owners a charge under Schedule 12 on all energy delivered under point-to-point transmission service and network integration transmission service. This provides a mechanism for recovering from transmission customers and transmission owners the annual charges the Company pays to FERC. The rate is developed by FERC in the prior calendar year and applied to energy transmitted in the second prior calendar year.

# **Southwest Power Pool, Inc.**

## **Notes to Financial Statements**

*(in Thousands)*

**December 31, 2014 and 2013**

### ***Deferred Revenue***

Revenues for contract services received in advance are recognized over the periods to which the revenues relate.

### ***Other Member Services***

The Company provides reliability, tariff administration and scheduling for non-members on a contract basis. The Company also provides engineering study services for long-term transmission service and generation interconnection studies.

### ***Withdrawing Members***

Members wishing to withdraw their membership from the Company must provide 24 months written notice and are responsible for their portion of the Company's existing obligations as defined in the bylaws, which include unpaid membership fees, any assessments imposed prior to the effective withdrawal date, any costs or expenses imposed upon the Company as a direct consequence of the member's withdrawal, and the member's share of long-term obligations and related interest. Withdrawing members may also be responsible for all financial obligations incurred and costs allocated to its load for transmission facilities approved prior to their withdrawal.

### ***Concentration of Credit Risk***

The Company is exposed to credit risk primarily through accounts receivable and uninsured cash balances. During 2014 and 2013, the Company maintained cash balances, including transaction accounts and short-term investment accounts that are not insured by the Federal Deposit Insurance Corporation. The Company did not have transaction accounts exceeding federal insurance limits at December 31, 2014. The Company's transaction accounts exceeded federal limits by \$9,758 at December 31, 2013. The Company's investment accounts were primarily invested in highly liquid short-term investments such as money market funds, mutual funds and repurchase agreements. The Company also requires the financial institutions holding its cash balances to be rated A or better by nationally recognized rating agencies.

Because the Company considers all accounts receivable to be highly probable of collection, an allowance for doubtful accounts is currently not maintained. The Company requires its customers to meet certain minimum standards of financial condition and creditworthiness to receive unsecured credit from the Company. If these standards cannot be met by a counterparty, the Company requires the posting of defined financial security instruments to cover potential liabilities.

### ***Reclassifications***

Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 financial statement presentation. These reclassifications had no effect on net earnings.

# Southwest Power Pool, Inc.

## Notes to Financial Statements

*(in Thousands)*

**December 31, 2014 and 2013**

### **Note 2: Restatement of Prior Years' Financial Statements**

In 2014, the Company corrected an error in presenting its Post-retirement Healthcare Plan. The assets intended to fund the benefits are held in an agency account at a trust company and not in a formally established trust. The impacts of this correction are: 1) the assets could no longer be considered plan assets for financial reporting purposes, 2) the return on these assets could no longer be factored into the calculation of the actuarially computed pension cost, and 3) the earnings and related expenses associated with the agency assets must be recorded in the statement of operations.

Based on this correction, assets and liabilities of the Company's noncontributory defined benefit postretirement health care plan as of December 31, 2014 are recorded on a gross basis as long term assets and liabilities, respectively. The Company previously reported these assets and liabilities on a net basis. Reclassification of the balances as of December 31, 2013 to conform to the 2014 presentation had no impact on equity.

Earnings and related expenses associated with the agency assets are reflected in the statement of operations for the year ended December 31, 2014. The addition of the incremental benefit cost and earnings and expenses of the agency assets for the year ended December 31, 2013 resulted in an offsetting adjustment to the change in funded status of employee benefit plans with no impact to net loss previously reported.

		<b>As</b>		
	<b>As Restated</b>	<b>Previously</b>	<b>Reported</b>	<b>Effect of</b>
				<b>Change</b>
<b>Balance Sheet</b>				
Cash	\$ 35,262	\$ 34,874	\$ 388	
Prepaid expenses and other	6,977	6,967	10	
Investments	9,258	-	9,258	
Other assets	2,802	4,463	(1,661)	
Total assets	359,406	351,411	7,995	
Other long-term liabilities	14,420	6,425	7,995	
<b>Statement of Operations</b>				
Salaries and benefits	80,615	79,661	954	
Consulting services	16,114	16,077	37	
Investment income	731	223	508	
Unrealized gains	710	-	710	
Change in funded status of employee benefit plans	5,225	5,452	(227)	
<b>Statement of Cash Flows</b>				
Cash flow provided by operations	2,520	1,699	821	
Cash used in investing activities	50,709	49,818	891	
Beginning cash balance	96,151	95,693	458	
Ending cash balance	35,262	34,874	388	

# Southwest Power Pool, Inc.

## Notes to Financial Statements

(in Thousands)

December 31, 2014 and 2013

### Note 3: Investment and Investment Returns

Investments at December 31 consisted of the following:

	<b>2014</b>	<b>2013 (Restated – Note 2)</b>
<b>Mutual Funds</b>		
Equity	\$ 3,186	\$ 3,149
Fixed Income	2,732	2,282
Financials	610	498
Alternative Assets	<u>271</u>	<u>333</u>
Total Mutual Funds	6,799	6,262
<b>Domestic Common Stock</b>		
Consumer discretionary	417	365
Consumer staples	393	351
Energy	229	260
Financial	452	405
Health care	456	384
Industrials	404	385
Information technology	574	512
Materials	172	163
Telecommunication	37	39
Utilities	<u>125</u>	<u>94</u>
Total Common Stock	3,259	2,959
<b>Foreign Stocks</b>		
Industrials	<u>41</u>	<u>38</u>
	<u>\$ 10,099</u>	<u>\$ 9,258</u>

# Southwest Power Pool, Inc.

## Notes to Financial Statements

*(in Thousands)*

**December 31, 2014 and 2013**

Total investment return is comprised of the following:

	<b>2014</b>	<b>2013 (Restated – Note 2)</b>
Interest and dividends reported at fair value	\$ 242	\$ 204
Net realized and unrealized gains on investments reported at fair value	468	1,013
	\$ 710	\$ 1,217

Interest, dividends, and realized gains are reported as investment income while unrealized gains are reported separately in the statement of operations.

### **Note 4: Line of Credit**

The Company has a \$30,000 revolving line of credit expiring in 2016. At December 31, 2014 and 2013, no amounts were borrowed against this line. The agreement has a variable interest rate equal to the London Interbank Offered Rate (LIBOR) plus a credit margin. The Company's line of credit requires compliance with certain financial and non-financial covenants as well as periodic reporting requirements. The Company was in compliance with the covenant and reporting requirements throughout and at December 31, 2014.

### **Note 5: Long-term Debt and Interest Rate Swaps**

#### ***Long-term Debt***

	<b>2014</b>	<b>2013</b>
Variable Rate Term Note due 2027 (A)	\$ 3,547	\$ 3,752
Variable Rate Term Note due 2014 (B)	—	5,500
5.45% Senior Notes due 2016 (C)	9,000	15,000
4.82% Series 2010-A Senior Notes due 2042 (D)	29,060	29,541
4.82% Series 2010-B Senior Notes due 2042 (E)	33,903	34,465
3.55% Series 2010-C Senior Notes due 2024 (F)	64,750	70,000
3.00% Series 2012-D-1 Senior Notes due 2024 (G)	46,250	50,000
3.25% Series 2012-D-2 Senior Notes due 2024 (H)	48,750	50,000
3.80% Series 2014-E Senior Notes Due 2025 (I)	37,000	—
	272,260	258,258
Less current maturities	24,299	22,998
	\$ 247,961	\$ 235,260



# Southwest Power Pool, Inc.

## Notes to Financial Statements

(in Thousands)

December 31, 2014 and 2013

- (A) Due February 1, 2027; principal and interest are payable quarterly based on a 25-year amortization. Payments commenced on May 1, 2007. The interest rate adjusts monthly based on the London Interbank Offered Rate (LIBOR) plus 0.85%. The note is secured by a first mortgage on the Company's operation facility.
- (B) Due December 25, 2014; interest is payable monthly and principal is payable quarterly based on a seven-year amortization. Payments commenced on March 25, 2008. The interest rate adjusts monthly based on the LIBOR plus 0.30%. The note is unsecured.
- (C) Due July 23, 2016; principal and interest are payable quarterly based on a seven-year amortization. Payments commenced on September 30, 2011. The interest rate is fixed at 5.45%. The note is unsecured.
- (D) Due December 30, 2042; principal and interest are payable quarterly based on a 32-year amortization. Principal payments commenced on March 30, 2013. The interest rate is fixed at 4.82%. The note is unsecured.
- (E) Due December 30, 2042; principal and interest are payable quarterly based on a 32-year amortization. Principal payments commenced on March 30, 2013. The interest rate is fixed at 4.82%. The note is unsecured.
- (F) Due March 30, 2024; principal and interest are payable quarterly based on 13-year amortization. Principal payments commenced on June 30, 2014. The interest rate is fixed at 3.55%. The note is unsecured.
- (G) Due March 30, 2024; principal and interest are payable quarterly based on 10-year amortization. Principal payments commenced on June 30, 2014. The interest rate is fixed at 3.00%. The note is unsecured.
- (H) Due September 30, 2024; principal and interest are payable quarterly based on 10-year amortization. Principal payments commenced on December 30, 2014. The interest rate is fixed at 3.25%. The note is unsecured.
- (I) Due December 30, 2025; principal and interest are payable quarterly based on an 11 year and 9 months amortization. Principal payments commence on March 30, 2024. The interest rate is 3.80%. The note is unsecured.

Aggregate annual maturities of long term debt at December 31, 2014, are:

2015	\$	24,299
2016		23,603
2017		21,409
2018		21,469
2019		22,281
Thereafter		<u>159,199</u>
	\$	<u><u>272,260</u></u>

# Southwest Power Pool, Inc.

## Notes to Financial Statements

*(in Thousands)*

**December 31, 2014 and 2013**

On March 10, 2014, the Company obtained a \$33,000 senior unsecured term note facility. This facility remains undrawn at December 31, 2014, but allows the Company to obtain advances as needed during a two year draw period, after which it will convert into an amortizing term loan with escalating principal payments through 2024. Interest will be payable monthly at LIBOR plus 1.75%.

Certain of the Company's term notes require compliance with financial and non-financial covenants, as well as periodic reporting requirements. The Company was in compliance with the covenant and reporting requirements throughout and at December 31, 2014.

### ***Variable-to-Fixed Interest Rate Swap***

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Company enters into interest rate swap agreements.

On September 15, 2006, the Company entered into an interest rate swap agreement with U.S. Bank National Association. The agreement provides for the Company to receive interest from the counterparty at LIBOR and to pay interest to the counterparty at a fixed rate of 5.51% on notional amounts of \$3,519 and \$3,723 at December 31, 2014 and 2013, respectively. Under the agreement, the Company pays or receives the net interest amount quarterly, with the quarterly settlements included in interest expense. The swap was established to hedge interest rate risk on its floating rate debt obligation (Loan A).

The Company entered into another interest rate swap agreement on August 23, 2007, with U.S. Bank National Association. The agreement provided for the Company to receive interest from the counterparty at LIBOR and to pay interest to the counterparty at a fixed rate of 5.31% on notional amounts of \$5,500 at December 31, 2013. This swap matured December 25, 2014. Under the agreement, the Company paid or received the net interest amount monthly, with the monthly settlements included in interest expense. The swap was established to hedge interest rate risk on its floating rate debt obligation (Loan B).

The Company entered into another interest rate swap agreement on March 10, 2014, with Regions Bank. The agreement provides for the Company to receive interest from the counterparty at LIBOR and to pay interest to the counterparty at a fixed rate of 3.225% on notional amounts of \$33,000. Under the agreement, the Company pays or receives the net interest amount monthly, commencing on March 30, 2016, with the monthly settlements included in interest expense. The swap was established to hedge interest rate risk on its floating rate debt obligation associated with the \$33,000 note that remains undrawn at December 31, 2014.

# Southwest Power Pool, Inc.

## Notes to Financial Statements

(in Thousands)

December 31, 2014 and 2013

The table below presents certain information regarding the Company's interest rate swap agreements.

	<u>2014</u>	<u>2013</u>
Fair value of interest rate swap agreements	\$ 2,462	\$ 934
Balance sheet location of fair value amounts	Other Long-term Liabilities	Other Long-term Liabilities
Gain/(loss) recognized in statement of operations	\$ (1,528)	\$ 923
Location of gain recognized in statement of operations	Change in Fair Market Value of Interest Rate Swaps	Change in Fair Market Value of Interest Rate Swaps

### Note 6: Operating Leases

The Company has noncancellable operating leases for certain office equipment which expire on June 30, 2015. The lease for office space expired in early 2013. The Company incurred lease expense related to these operating leases of \$180 and \$432 in 2014 and 2013, respectively. Future minimum lease payments at December 31, 2014, were \$69 for contracts expiring in 2015.

### Note 7: Employee Benefit Plans

#### ***Pension and Other Postretirement Benefit Plans***

The Company has a noncontributory defined benefit pension plan covering all employees meeting eligibility requirements. The Company's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Company may determine to be appropriate from time to time. The Company expects to contribute approximately \$3,760 to the plan in 2015.

The Company has a noncontributory defined benefit postretirement health care plan covering eligible retirees, including those retiring between the ages of 55–65 and hired prior to January 1, 1996. Employees hired after June 1, 2006, are not eligible to participate in the defined postretirement health care plan.

# Southwest Power Pool, Inc.

## Notes to Financial Statements

*(in Thousands)*

**December 31, 2014 and 2013**

The Company uses a December 31 measurement date for the plans. Information about the plans' funded status is as follows:

	<b>Pension Benefits</b>		<b>Postretirement Health Care Benefits 2013 (Restated – Note 2)</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	
Benefit obligation	\$ 50,702	\$ 44,090	\$ 8,900	\$ 7,995
Fair value of plan assets	<u>45,903</u>	<u>41,157</u>	<u>—</u>	<u>—</u>
Funded status	<u>\$ (4,799)</u>	<u>\$ (2,933)</u>	<u>\$ (8,900)</u>	<u>\$ (7,995)</u>

Amounts recognized in the balance sheets:

	<b>Pension Benefits</b>		<b>Postretirement Health Care Benefits 2013 (Restated – Note 2)</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	
Noncurrent assets	\$ —	\$ —	\$ —	\$ —
Noncurrent liabilities	<u>(4,799)</u>	<u>(2,933)</u>	<u>(8,900)</u>	<u>(7,995)</u>
	<u>\$ (4,799)</u>	<u>\$ (2,933)</u>	<u>\$ (8,900)</u>	<u>\$ (7,995)</u>

Amounts recognized in members' equity not yet recognized as components of net periodic benefit cost as of December 31, 2014, consist of:

	<b>Pension Benefits</b>	<b>Postretirement Health Care Benefits</b>
Net loss	\$ 6,746	\$ 6,113
Prior service credit	(22)	—
Transition obligation	<u>99</u>	<u>26</u>
	<u>\$ 6,823</u>	<u>\$ 6,139</u>

The accumulated benefit obligation for the defined benefit pension plan was \$40,001 and \$34,673 at December 31, 2014 and 2013, respectively.

# Southwest Power Pool, Inc.

## Notes to Financial Statements

*(in Thousands)*

**December 31, 2014 and 2013**

Other significant balances and costs are:

	<b>Pension Benefits</b>		<b>Postretirement Health Care Benefits</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Employer contributions	\$ 3,660	\$ 4,010	\$ 441	\$ 540
Benefits paid	433	256	83	35
Benefit costs	4,199	4,625	1,435	1,466

Contributions to the postretirement health care plan represent funding to the agency account holding assets intended to be utilized in providing benefits for eligible retirees.

The following amounts have been recognized in the statements of operations for the year ended December 31, 2014:

	<b>Pension Benefits</b>		<b>Postretirement Health Care Benefits</b>	
Amounts arising during the period				
Net gain/(loss)	\$ (1,403)		\$ 143	
Amounts recognized as components of net periodic benefit cost of the period				
Net loss		58		303
Net prior service credit		1		—
Net transition obligation		16		4

The estimated net loss, prior service cost and transition obligation for the defined benefit pension plan that will be amortized from members' equity into net period benefit cost over the next fiscal year are \$105, \$1 and \$16, respectively. The estimated net gain, prior service cost, and net obligation for the defined benefit postretirement health care plan that will be amortized from members' equity into net periodic benefit cost over the next fiscal year are \$275, \$0, and \$4, respectively.

Weighted-average assumptions used to determine benefit obligations and costs:

	<b>Pension Benefits</b>		<b>Postretirement Health Care Benefits</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Discount rate benefit obligation	5.5%	5.5%	5.5%	5.5%
Expected return on plan assets	7.0%	7.0%	—	—
Rate of compensation increase	4.0%	4.0%	—	—

# Southwest Power Pool, Inc.

## Notes to Financial Statements

(in Thousands)

December 31, 2014 and 2013

The Company has estimated the long-term rate of return on plan assets based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information.

For measurement purposes, a 10% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2014 and 2013. The rate was assumed to decrease gradually to 5% by the year 2020 and remain at that level thereafter.

On December 8, 2003, the *Medicare Prescription Drug, Improvement and Modernization Act of 2003* (the Act) was signed into law. The Act introduces a prescription drug benefit under Medicare Part D, as well as a federal subsidy to sponsors of retiree health care benefit plans that provide benefits at least actuarially equivalent to Medicare Part D. The Company has not determined whether its plan provides benefits that are actuarially equivalent to Medicare Part D.

Financial Accounting Standards Board Staff Position 106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003*, subsequently incorporated into FASB Accounting Standards Codification (ASC) 715-60, requires federal subsidies, if any, attributable to past service to be accounted for as an actuarial gain and federal subsidies, if any, attributable to current service to be accounted for as a reduction of net periodic benefit cost. The measures of projected benefit obligation and periodic benefit costs do not reflect any amounts associated with the subsidy because the Company has been unable to conclude whether the benefits provided by the plan are actuarially equivalent to Medicare Part D. The effect of adopting the provisions of ASC 715-60, if and when the Company makes such a determination, is not expected to be material.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of December 31:

	<b>Pension Benefits</b>	<b>Postretirement Health Care Benefits</b>
2015	\$ 628	\$ 117
2016	732	155
2017	839	191
2018	1,041	244
2019	1,224	287
2020–2024	9,859	2,040

# Southwest Power Pool, Inc.

## Notes to Financial Statements

(in Thousands)

December 31, 2014 and 2013

The Company's investment strategy is based on an expectation that equity securities will outperform fixed income securities over the long-term. Accordingly, the composition of the Company's plan assets is broadly characterized as a 70/30 allocation between equity and fixed income securities. The strategy utilizes indexed and actively managed mutual fund instruments as well as direct investment in individual equity and fixed income securities. Investments in the plan must adhere to the Investment Policy Statement developed by the Company. The Investment Policy Statement limits investments in foreign securities to 20% of the total fair value of plan assets. The Investment Policy Statement is reviewed annually. At December 31, 2014 and 2013, plan assets by category are as follows:

	Pension Plan Assets	
	2014	2013
Fixed income securities	23%	17%
Equity securities	72	76
Cash and equivalents	<u>5</u>	<u>7</u>
	<u>100%</u>	<u>100%</u>

### **Pension Plan Assets**

Following is a description of the valuation methodologies used for the pension plan assets measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of the assets pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. Level 1 plan assets include cash, money market accounts, closed-end mutual funds and common and foreign company stock. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of plan assets with similar characteristics or discounted cash flows. Level 2 plan assets include open-end mutual funds, corporate debt obligations, foreign corporate debt obligations, government securities and foreign government securities.

In certain cases where Level 1 or Level 2 inputs are not available, plan assets are classified within Level 3 of the hierarchy. At December 31, 2014 and 2013, the Company does not hold any plan assets valued using Level 3 inputs.

# Southwest Power Pool, Inc.

## Notes to Financial Statements

*(in Thousands)*

**December 31, 2014 and 2013**

The fair values of the Company's pension plan assets at December 31, 2014, by asset category are as follows:

	<b>Fair Value Measurements Using</b>			
	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Cash Equivalents	\$ 1	\$ 1	\$ -	\$ -
Money Market Mutual Funds	2,356	2,356	-	-
Mutual Funds				
Alternative Assets	596	-	596	-
Equity Funds	23,118	16,029	7,089	-
Fixed Income Funds	3,584	2,069	1,515	-
	<u>27,298</u>	<u>18,098</u>	<u>9,200</u>	<u>-</u>
Domestic Common Stock				
Consumer Discretionary	68	68	-	-
Energy	4,269	4,269	-	-
Financials	1,376	1,376	-	-
Healthcare	2,068	2,068	-	-
Industrials	432	432	-	-
Materials	624	624	-	-
Telecommunication Services	613	613	-	-
	<u>9,450</u>	<u>9,450</u>	<u>-</u>	<u>-</u>
Foreign Stocks				
Energy	407	407	-	-
Materials	285	285	-	-
	<u>692</u>	<u>692</u>	<u>-</u>	<u>-</u>
Corporate Debt Obligations	4,734	-	4,734	-
Foreign Debt Obligations	774	-	774	-
Foreign Government Securities	598	-	598	-
Total	<u>\$ 45,903</u>	<u>\$ 30,597</u>	<u>\$ 15,306</u>	<u>\$ 0</u>



# Southwest Power Pool, Inc.

## Notes to Financial Statements

(in Thousands)

December 31, 2014 and 2013

The fair values of the Company's pension plan assets at December 31, 2013, by asset category are as follows:

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash Equivalents	\$ 5	\$ 5	\$ -	\$ -
Money Market Mutual Funds	875	875	-	-
Mutual Funds				
Advantage Equity Funds	2,627	-	2,627	-
Equity Funds Small Cap	1,780	-	1,780	-
Equity Funds Mid Cap	3,172	-	3,172	-
Equity Funds Large Cap	8,813	-	8,813	-
International Funds	996	-	996	-
	17,388	-	17,388	-
Domestic Common Stock				
Consumer Discretionary	109	109	-	-
Energy	3,185	3,185	-	-
Financial	1,136	1,136	-	-
Healthcare	2,297	2,297	-	-
Industrials	518	518	-	-
Materials	867	867	-	-
Telecommunication	1,124	1,124	-	-
	9,236	9,236	-	-
Foreign Common Stocks				
Energy	1,685	1,685	-	-
Financial	1,136	1,136	-	-
Healthcare	327	327	-	-
Industrials	124	124	-	-
Materials	1,331	1,331	-	-
Telecommunication	175	175	-	-
	4,778	4,778	-	-
Corporate Debt Obligations	5,298	-	5,298	-
Foreign Debt Obligations	930	-	930	-
U. S. Government Securities	2,000	-	2,000	-
Foreign Government Securities	647	-	647	-
Total	\$ 41,157	\$ 14,894	\$ 26,263	\$ 0

# Southwest Power Pool, Inc.

## Notes to Financial Statements

(in Thousands)

December 31, 2014 and 2013

### Defined Contribution Plans

The Company has a 401(k) defined contribution plan covering substantially all employees. The Company contributes funds to the plan on behalf of plan participants equal to 75% of the participants' elective deferrals up to 6% of deferred compensation. Contributions to the plan were \$2,466 and \$2,334 for 2014 and 2013, respectively.

The Company has a 457(b) non-qualified tax-deferred compensation plan. This plan is an unfunded plan maintained for the purpose of providing deferred compensation for a select group of management or highly-compensated employees and, therefore, is intended to be exempt from the participation, vesting, funding and fiduciary requirements of Title I of the *Employee Retirement Income Security Act of 1974* (ERISA). Accumulated contributions and earnings of \$1,584 and \$1,305 are recorded in other long-term liabilities at December 31, 2014 and 2013, respectively. The Company also offered a 457(f) non-qualified tax-deferred compensation plan to a select group of executive management. The 457(f) plan was intended to be exempt from the participation, vesting, funding and fiduciary requirements of Title I of ERISA and serves to further supplement benefits lost due to IRS limits on compensation and benefits. All accrued benefits associated with this plan were paid out in 2014. There were accrued benefits of \$1,253 recorded in other long-term liabilities for the 457(f) plan participants at December 31, 2013.

### Note 8: Related Party Transactions

General disbursements of the Company are apportioned to members based on the formula described in the bylaws of the Company (see *Note 1*). The Company's receivables from members totaled \$31,590 and \$17,571 as of December 31, 2014 and 2013, respectively. The Company recognized revenues of \$149,170 and \$128,486, including assessments and tariff administrative fees, from members for the years ended December 31, 2014 and 2013, respectively.

The Southwest Power Pool Regional State Committee (RSC) was incorporated on April 7, 2004, in the State of Arkansas. The RSC is comprised of commissioners from public service commissions or equivalent, having regulatory authority over Company members. FERC, in its February 20, 2004, order regarding the Company's RTO application, stated, "the RSC should have primary responsibility for determining regional proposals and the transition process for funding of regional transmission enhancements, rate structure for a regional access charge and allocation of transmission rights." The RSC prepares budgets annually for the expected costs of its operations. This budget is submitted to the Company's board of directors for approval. The Company includes in its annual budget funds sufficient to cover 100% of the operating costs of the RSC. During 2014 and 2013, the Company incurred \$248 and \$226, respectively, in expenses attributable to RSC operations. Management of the Company expects such expenditures for 2015 to be approximately \$338.

# Southwest Power Pool, Inc.

## Notes to Financial Statements

(in Thousands)

December 31, 2014 and 2013

### Note 9: Open Access Transmission and Market Operations

The Company provides short- and long-term firm and non-firm point-to-point transmission services and network integration transmission service across 29 providers in nine states. The Company is responsible for the billing of the transmission customers for the respective services and the remittance of the subsequent collections to the transmission owner on a monthly basis. Billings for these transmission services are not included in the statements of operations. The Company receives a fee for facilitating the transmission process, which is recorded as tariff fees in the Company's statements of operations. For the years ended December 31, 2014 and 2013, the Company billed transmission customers \$1,505,561 and \$1,290,757, respectively. For the years ended December 31, 2014 and 2013, the Company remitted to transmission owners \$1,358,434 and \$1,171,133 respectively. At December 31, 2014 and 2013, the Company was due to collect from customers and remit to owners transmission service charges of \$110,019 and \$101,106, respectively.

In March 2014, the Company launched the Integrated Marketplace which includes a day-ahead market with transmission congestion rights, a reliability unit commitment process, a real-time balancing market replacing the EIS market, an operating reserve market, and a consolidated balancing authority. Weekly settlements of market participants' energy transactions are not reflected in the Company's statements of operations since they do not represent revenues or expenses of the Company, as the Company merely acts as an intermediary in the settlement process. In this role, the Company receives and disburses funds to/from market participants on a weekly basis. At December 31, 2014, the Company held \$28,102 in cash collections from the settlement of auction revenue rights in accordance with terms of the Company's tariff. These funds will be disbursed annually in June for collections from the previous twelve months. A corresponding liability is reflected in accrued expenses on the balance sheet.

### Note 10: Commitments and Contingencies

#### *Litigation and Regulatory Matters*

The Company is engaged in various legal and regulatory proceedings at both the federal and state levels. The Company is also subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such proceedings, claims and lawsuits will not have a material adverse effect on the financial position, results of operations and cash flows of the Company.

#### *Commitments*

In December 2014, the Company committed to buy \$6,900 in IT equipment which was received in January 2015 and financed with a capital leasing arrangement. Payments are due quarterly commencing on March 1, 2015.

# Southwest Power Pool, Inc.

## Notes to Financial Statements

*(in Thousands)*

December 31, 2014 and 2013

### Note 11: Disclosures About Fair Value of Financial Instruments

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities

# Southwest Power Pool, Inc.

## Notes to Financial Statements

(in Thousands)

December 31, 2014 and 2013

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2014</b>				
Cash Equivalents	\$ 11,241	\$ 11,241	\$ -	\$ -
Mutual Funds				
Equity	3,186	1,075	2,111	-
Fixed Income	2,732	332	2,400	-
Financials	610	-	610	-
Alternative Assets	271	271	-	-
Domestic Common Stock				
Consumer discretionary	417	417	-	-
Consumer staples	393	393	-	-
Energy	229	229	-	-
Financial	452	452	-	-
Healthcare	456	456	-	-
Industrials	404	404	-	-
Information technology	574	574	-	-
Materials	172	172	-	-
Telecommunication	37	37	-	-
Utilities	125	125	-	-
Foreign Stocks				
Industrials	41	41	-	-
Interest Rate Swap Agreements	(2,462)	-	(2,462)	-

# Southwest Power Pool, Inc.

## Notes to Financial Statements

(in Thousands)

December 31, 2014 and 2013

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2013</b>				
Cash Equivalents	\$ 14,238	\$ 14,238	\$ -	\$ -
Mutual Funds				
Equity	3,149	1,023	2,126	-
Fixed Income	2,282	345	1,937	-
Financials	498	-	498	-
Alternative Assets	333	333	-	-
Domestic Common Stock				
Consumer discretionary	365	365	-	-
Consumer staples	351	351	-	-
Energy	260	260	-	-
Financial	405	405	-	-
Healthcare	384	384	-	-
Industrials	385	385	-	-
Information technology	512	512	-	-
Materials	163	163	-	-
Telecommunication	39	39	-	-
Utilities	94	94	-	-
Foreign Stocks				
Industrials	38	38	-	-
Interest Rate Swap Agreements	(934)	-	(934)	-

# Southwest Power Pool, Inc.

## Notes to Financial Statements

*(in Thousands)*

December 31, 2014 and 2013

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2014.

### ***Investments***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. At December 31, 2014 and 2013, the company does not hold any assets valued using Level 3 inputs.

### ***Interest Rate Swap Agreements***

The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

### ***Cash Equivalents***

The fair value of money market mutual funds included in cash equivalents are estimated using quoted prices in active markets for identical assets or liabilities and, therefore, are classified within level 1 of the valuation hierarchy.

The Company has no assets or liabilities measured and recognized in the accompanying balance sheets on a nonrecurring basis.

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying balance sheets at amounts other than fair value.

### ***Restricted Cash Deposits***

For these short-term instruments, the carrying amount is a reasonable estimate of fair value.

### ***Customer Deposits***

The carrying amount is a reasonable estimate of fair value.

# Southwest Power Pool, Inc.

## Notes to Financial Statements

(in Thousands)

December 31, 2014 and 2013

### Long-term Debt

Fair value is estimated based on the borrowing rates currently available to the Company for bank loans with similar terms and maturities.

The following table presents estimated fair values of the Company's financial instruments at December 31, 2014 and 2013.

	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	\$ 57,534	\$ 57,534	\$ 35,262	\$ 35,262
Restricted cash deposits	\$ 222,285	\$ 222,285	\$ 76,713	\$ 76,713
Investments	\$ 10,099	\$ 10,099	\$ 9,258	\$ 9,258
Financial liabilities				
Customer deposits	\$ 222,285	\$ 222,285	\$ 76,713	\$ 76,713
Long-term debt	\$ 272,260	\$ 274,271	\$ 258,258	\$ 264,200
Swap agreements	\$ 2,462	\$ 2,462	\$ 934	\$ 934

### Note 12: Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.