

Grand River Dam Authority

(A Component Unit of the State of Oklahoma)

Basic Financial Statements as of and for the
Years Ended December 31, 2021, and 2020,
Required Supplementary Information (Unaudited),
and Independent Auditors' Report

GRAND RIVER DAM AUTHORITY
(A Component Unit of the State of Oklahoma)

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Independent Auditors' Report

To the Board of Directors of
Grand River Dam Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Grand River Dam Authority, as of and for the years ended December 31, 2021 and 2020 and the related notes to the financial statements, which collectively comprise the Grand River Dam Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grand River Dam Authority as of December 31, 2021 and 2020 and the changes in financial position and 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) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (GAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Grand River Dam Authority 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Grand River Dam Authority'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.

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the other information included in the annual report but does not include the basic 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2022 on our consideration of Grand River Dam Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Grand River Dam Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Grand River Dam Authority's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Madison, Wisconsin
March 31, 2022

Management’s Discussion and Analysis – Unaudited

The following discussion and analysis of the Grand River Dam Authority’s (GRDA or the Authority) financial performance provides an overview of the Authority’s financial activities for the year ended December 31, 2021, and provides a comparison with the prior years’ financial results. Please read it in conjunction with the financial statements, which follow this section.

USING THIS FINANCIAL REPORT

This annual financial report consists of a series of financial statements and reflects the self-supporting, proprietary activities of the Authority, funded primarily by the sale of electrical power and energy.

The State of Oklahoma reports the business-type activities of the Authority as a discretely presented major component unit.

The basic financial statements presented in this report consist of the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; the Statements of Cash Flows; and the Notes to Financial Statements.

STATEMENTS OF NET POSITION; STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION; STATEMENTS OF CASH FLOWS; AND NOTES TO FINANCIAL STATEMENTS

The Authority’s Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position provide an indication of the Authority’s financial health.

The Statements of Net Position report all of the Authority’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting, as well as an indication of which assets can be used for general purposes and which are restricted as a result of bond covenants, contracts, or for other purposes.

The Statements of Revenues, Expenses, and Changes in Net Position report all of the Authority’s revenues and expenses recognized during the time periods indicated.

The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources, such as investment income or bond proceeds, and other cash uses, such as cash payments for repayment of bonds and capital additions.

The Notes to Financial Statements provide additional explanation and detail about the financial information, as well as required disclosures.

FINANCIAL HIGHLIGHTS

The Authority’s fiscal year 2021 kicked off strong with “#1GRDA” after successfully completing the 2020 “A Grand Vision for the Future”. The Authority has experienced back-to-back historical events in both 2021 and 2020. The events of 2020 were shaded by the COVID-19 pandemic, as they were for most companies, but GRDA’s financial results triumphed over the pandemic, ending with a strong net income, and resulting in a financial position that allowed the Authority to contribute to a rate stabilization account. The Authority’s diverse customer base was resilient, such that GRDA did not experience an increase in uncollectible accounts due to the pandemic.

The books weren’t even closed on fiscal year 2020 before the Authority was facing an unforeseeable challenge yet again. Winter Storm Uri impacted the Authority and much of the Southwest Power Pool (SPP) footprint, during which temperatures reached double-digit negative values. These extreme cold temperatures, prolonged over multiple days, combined with the lack of both solar and wind generation due to weather conditions was further complicated by a limited natural gas supply.

On February 4, 2021, the SPP issued a cold weather alert to all grid operators, followed by a February 9 call for conservative operations. This was escalated on February 15 when the SPP issued an Energy Emergency Alert (EEA) Level 1, which is triggered when all generation is committed, and there is concern about maintaining required reserves. Less than two and a half hours after issuing EEA Level 1, the SPP issued an EEA Level 2, which signifies that load management procedures are in effect. Roughly three hours following EEA Level 2, the SPP set a new record winter peak, and an EEA Level 3 was issued. EEA Level 3 is issued when the balancing authority, SPP, is no longer able to meet minimum contingency reserve requirements, and firm load interruption is imminent. At 13:04 on February 15, the Authority's load shedding plan was called into action. This was the first instance since joining the SPP that loads were called to be shed. Various levels of EEA's were in effect through the morning of February 19, with conservative operations finally ending at 22:00 on February 20.

During this event, the Authority incurred unprecedented natural gas and purchased power prices. The Authority's financial impact for this event totaled \$102.4 million. The Authority was able to fund the event entirely through cash reserves and will recover these costs over the next 120 months through a modification to the Power Cost Adjustment (PCA) rate schedule.

Over the last several years, the Grand River Energy Center (GREC) has experienced multiple events. On July 29, 2019, Grand River Energy Center (GREC) Unit 2 (GREC 2) experienced a mechanical failure and subsequent shutdown, which resulted in damages to the low-pressure section of the turbine. While restoration of the damage totaled \$15.0 million, the Authority was insured, limiting the cash outlay to the \$1.3 million insurance deductible. GREC 2 was returned to service June 9, 2020. Later in 2019, on October 9, the GRDA Board of Directors voted to remove GREC Unit 1 (GREC 1) from service, pending final approval and determination of an official retirement date by SPP. Approval was subsequently received and the unit was officially retired as of December 31, 2020.

On October 26, 2021, a failure of a flange gasket caused a fire that damaged mechanical, electrical, civil/structural, and various control systems of GREC Unit 3 (GREC 3), which resulted in the unit being taken offline for repair. While repairs are finishing up, the total damage is estimated not to exceed \$10 million. The Authority's financial impact will be limited to the insurance deductible that's estimated to be between \$1 million and \$5 million. The unit returned to service on March 25, 2022.

On March 28, 2022, Standard and Poor's affirmed the GRDA rating AA-, with a stable outlook. From November 2019 to October 2021, Fitch Ratings and Moody's Investor Service issued rating affirmations of A+, with a stable outlook, and A1, with a stable outlook, respectively. All three affirmations were largely due to the Authority's continuing financial health and increasing debt leverage. S&P noted robust unrestricted cash balances and liquidity, as well as a strong fixed charge coverage and good operating performance of the main generating units. Fitch based its decision, in part, on GRDA's continued strong financial performance and very low operating costs. Moody's noted GRDA's diverse and competitively priced resource mix as a key reason for its rating.

FINANCIAL HIGHLIGHTS - DECEMBER 31, 2021, 2020, AND 2019

	2021	2020	2019
CONDENSED SCHEDULE OF NET POSITION			
Assets:			
Current assets	228,442,359	220,111,240	254,560,021
Net utility plant	1,213,283,232	1,228,205,944	1,252,699,332
Noncurrent investments	345,227,973	378,500,098	316,291,938
Under recovered power costs	62,197,807	-	-
Nonutility plant	23,251,235	8,140,478	2,747,866
Pension benefit assets	30,042,207	-	-
Other noncurrent assets	5,543,071	3,832,434	1,171,663
Total assets	1,907,987,884	1,838,790,194	1,827,470,820
Deferred outflows related to pension plans	5,375,121	13,484,694	4,286,903
Deferred outflows related to other postemployment benefits	3,110,655	3,408,830	1,051,412
Deferred outflows related to loss on reacquired debt	24,650,250	27,810,693	31,079,603
Deferred outflows related to derivative hedges	-	333,110	2,595,165
Total deferred outflows	33,136,026	45,037,327	39,018,083
Liabilities:			
Current liabilities	88,822,985	78,937,570	75,710,901
Noncurrent liabilities	930,982,609	1,005,007,245	1,034,426,516
Total liabilities	1,019,805,594	1,083,944,815	1,110,137,417
Deferred inflows related to pension plans	36,383,164	603,759	1,905,145
Deferred inflows related to other postemployment benefits	494,229	633,829	829,895
Deferred inflows related to regulated operations	100,674,199	88,634,963	77,173,332
Deferred inflows related to derivative hedges	5,001,140	-	-
Total deferred inflows	142,552,732	89,872,551	79,908,372
Net Position:			
Net investment in capital assets	317,117,339	305,481,403	281,454,483
Restricted for:			
Board designated	24,310,417	40,381,000	39,998,000
Debt service	60,304,898	22,889,999	21,877,917
Pension benefits	2,106,229	-	-
Other special purposes	30,042,207	2,186,452	2,186,412
Unrestricted	344,884,494	339,049,301	330,921,302
Total net position	778,765,584	710,010,155	676,438,114

FINANCIAL HIGHLIGHTS - DECEMBER 31, 2021, 2020, AND 2019 (continued)

	2021	2020	2019
CONDENSED SCHEDULE OF CHANGES IN NET POSITION			
Operating Revenues:			
Sales of power	534,202,694	380,115,355	399,342,391
Other operating revenues	43,686,459	24,695,083	26,566,101
Regulatory asset revenues	1,894,078	24,057,317	2,949,837
Transfer (provision) for rate stabilization	-	(31,703,098)	-
Total operating revenues	579,783,231	397,164,657	428,858,329
Non-Operating Revenues:			
Investment income-net	(5,071,429)	17,846,422	19,416,075
Award revenue (loss) - operating	14,197	86,255	(259,865)
Income (loss) - nonoperating	-	3,182	(40,734)
Income from nonutility operations	(5,782,860)	(4,445,325)	(4,163,639)
Costs (recovered) to be recovered	(13,987,866)	(3,854,699)	(33,196,760)
Total non-operating revenues	(24,827,958)	9,635,835	(18,244,923)
Total revenues	554,955,273	406,800,492	410,613,406
Operating Expenses:			
Fuel	(176,955,635)	(82,451,994)	(103,982,895)
Purchased power – net	(115,552,213)	(68,162,828)	(64,864,171)
Operations	(71,525,025)	(68,833,979)	(65,806,547)
Depreciation	(61,722,410)	(72,422,157)	(75,266,780)
Maintenance	(24,000,269)	(24,722,494)	(24,447,446)
Administrative and general	(16,339,863)	(31,624,140)	(23,708,144)
Total operating expenses	(466,095,415)	(348,217,592)	(358,075,983)
Non-Operating Expenses:			
Interest expense	(45,821,069)	(47,672,958)	(49,296,921)
Amortization of debt discount and expense	-	(38,706)	(92,894)
Amortization of bond premium	10,187,106	10,662,823	11,028,883
Total non-operating expenses	(35,633,963)	(37,048,841)	(38,360,932)
Total expenses	(501,729,378)	(385,266,433)	(396,436,915)
Award revenue - capital	15,529,534	12,037,982	39,771,093
Net increase in net position	68,755,429	33,572,041	53,947,584
Net Position – Beginning of year	710,010,155	676,438,114	622,490,530
Net Position – End of year	778,765,584	710,010,155	676,438,114

The financial results are further discussed in the following paragraphs and reflect the financial impact of the highlights mentioned above.

NET POSITION

The balance of Net Position increased by \$68.7 million in 2021, for a 10% growth, in 2021, following a \$33.6 million, or a 5% growth, in 2020. This is mostly due to a \$64.7 million increase in Operating Income over 2020, which comes to a 132% increase.

Total Assets increased by \$69.2 million in 2021. This equates to a 4% increase over 2020. In 2020, the increase was only \$11.3 million, resulting in 1% growth over 2019. There were a number of changes in GRDA's assets that resulted in this increase. In 2021, the Authority had three asset financial statement lines with a balance that didn't carry a balance for 2020. Current Under recovered power costs, Noncurrent Under recovered power costs, and Pension benefit assets had balances of \$28.6 million, \$62.2 million, and \$30.0 million respectively in 2021. These were zero in 2020. The increase in Under recovered power costs is due to the additional fuel costs incurred during Winter Storm Uri and a steady increase in natural gas prices. Due to favorable market gains on the investments in pension assets, GRDA's pension liability was eliminated, culminating in a pension asset. As an offset to these increased assets for 2021, the Authority's Investments decreased by \$77.2 million, or 17%. This reduction was due to the liquidation of certain investments in order to meet the obligations that followed Winter Storm Uri. For the same reason, GRDA's Cash and cash equivalents in 2021 were reduced by \$17.5 million, or 50%, from 2020.

Current Assets increased by \$8.3 million, or 4%, in 2021, following a decrease of \$34.4 million, or 14% in 2020 over 2019. Current Cash and Investments totaled \$60.8 million in 2021, compared to \$122.1 million in 2020. This is a decline of \$61.4 million, or 50% year over year. As mentioned above in Total Assets, the lower balances were due to the liquidation of investments and the use of cash to meet obligations resulting from Winter Storm Uri. Accounts receivable and Under recovered power costs offset this with an increase in 2021 of \$65 million, or 177%, after an increase in 2020 of \$1.2 million, or 3%. The explanation for Under recovered power costs can be found above in Total Assets. Accounts receivable increased by \$36.3 million, which equates to 99% in growth over 2020. The additional receivables contain 1/120th of the PCAx-120 amount and the entire amount of the PCAx-12, totaling \$32.6 million. For more information on the PCA, see the Operating Revenues section herein or Under/Over Recovered Fuel Costs in the Summary of Significant Accounting Policies. Fuel Stock decreased by \$2.3 million, or 25%, in 2021, following a decrease of \$9.4 million, or 50%, in 2020. Materials and supplies increased slightly from \$45.0 million in 2020 to \$48.3 million in 2021, which equates to an increase of 7%. Other current assets increased to \$3.9 million in 2021 from \$70 thousand in 2020. This is made up of the Authority's derivative hedges. The position on these hedges became favorable in 2021 due to the increased prices in gas futures.

Noncurrent investments decreased by \$33.3 million, or 9%, in 2021, following a \$62.2 million increase, or 20%, in 2020. As mentioned above in Total Assets, the lower amounts were due to the liquidation of investments and use of cash to meet obligations resulting from Winter Storm Uri. Additional information about the Restricted Investments, included in Noncurrent Investments, is presented in Note 2 to Financial Statements, Deposits and Investments. Restricted Assets are discussed later in more detail in the Significant Assets and Debt Administration section.

Net utility plant decreased by \$14.9 million, or 1%, in 2021, following a decrease of \$24.5 million, or 2%, in 2020. In 2021, the decrease of \$14.9 million was offset by an increase in Non-utility plant of \$15.1 million, or 186%. Specific projects are described in the Capital Assets section below, and more information is presented in Note 4 to Financial Statements, Utility Plant.

Other noncurrent assets increased by \$1.7 million, or 45%, in 2021, following an increase of \$2.7 million, or 227%, in 2020. This balance is made up of the Authority's derivative hedges' values for those hedges settling more than 12 months in the future. The position of these hedges became more favorable in 2021 due to the increased prices in natural gas futures.

Deferred outflows of resources decreased by \$11.9 million, or 26%, in 2021. In 2020, there was an increase of \$6.0 million, or 15%, over 2019. The variance explanation is described in detail within Deferred Inflows of Resources and Deferred Outflows of Resources below. For more information, see Note 7 to Financial Statements, Retirement Plans, Postretirement, and Other Employee Benefits.

Total Liabilities decreased by \$64.1 million, or 6%, in 2021, after a likewise decrease of \$26.2 million, or 2%, in 2020. This decrease is made up of a decrease in Total noncurrent liabilities of \$74.0 million, or 7%, and an offsetting increase in Total current liabilities of \$9.9 million, or 13%.

Accounts payable and accrued liabilities increased by \$8.5 million, or 24%, in 2021, following an increase of \$2.9 million, or 9%, in 2020. The increase is due to increased trade payables, general coal payables, and general payables for Redbud. In 2021, the current portion of Bonds payable increased by \$2.4 million, or 6%. In 2020, the increase was \$1.7 million, or 5%, over 2019. In 2021, the Authority's position on fuel costs recovery moved from an over recovery to an under recovery. In 2020, there was Over recovered fuel costs balance of \$0.9 million, which moved to zero in 2021. This was due to Winter Storm Uri and the steady increase in fuel prices throughout 2021.

The noncurrent portion of Bonds payable declined by \$51.9 million, or 5%, in 2021, after a decline of \$49.9 million, or 5%, in 2020. This is due to bond principal retirements, netted with bond premium amortizations. More detail can be found in the Long-Term Debt section below. The Liabilities related to pension plans decreased by \$23.0 million, or 99%, in 2021. As described in the Total Assets section above, the Authority's pension liability became a pension asset for the Oklahoma Public Employees Retirement System (OPERS) plan. There remains a small liability of \$211 thousand for the Oklahoma Law Enforcement Retirement System (OLERS) plan. More information is presented on these plans in Note 7 to Financial Statements, Retirement Plans, Postretirement, and Other Employee Benefits.

Deferred Inflows of Resources increased by \$52.7 million in 2021. This is a 59% increase. In 2020, a 12% increase of \$10.0 million was experienced. The variance explanation is described in detail within Deferred Inflows of Resources and Deferred Outflows of Resources below. For more information, see Note 7 to Financial Statements, Retirement Plans, Postretirement, and Other Employee Benefits.

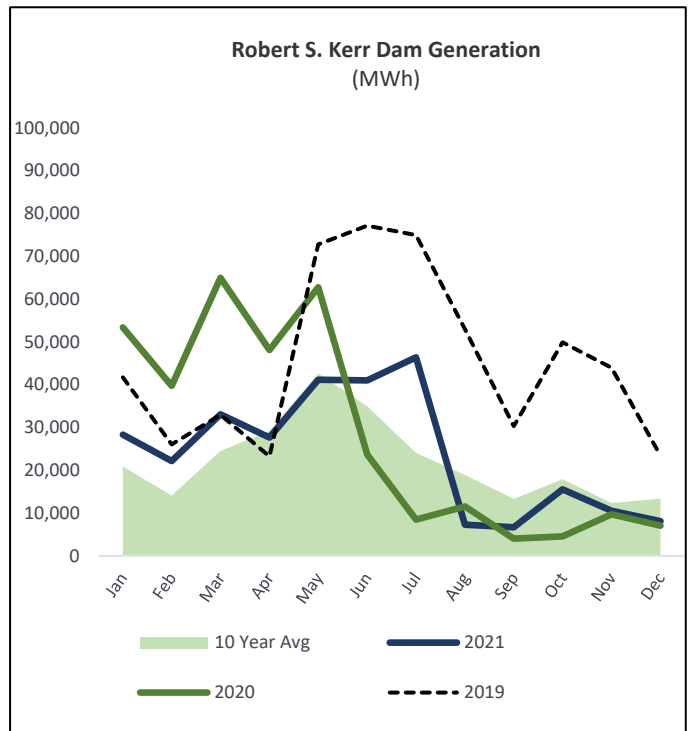
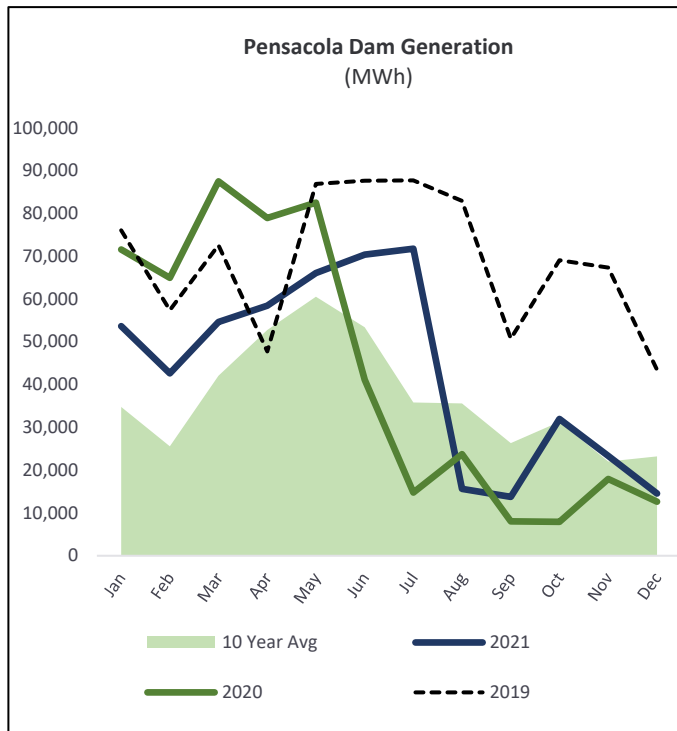
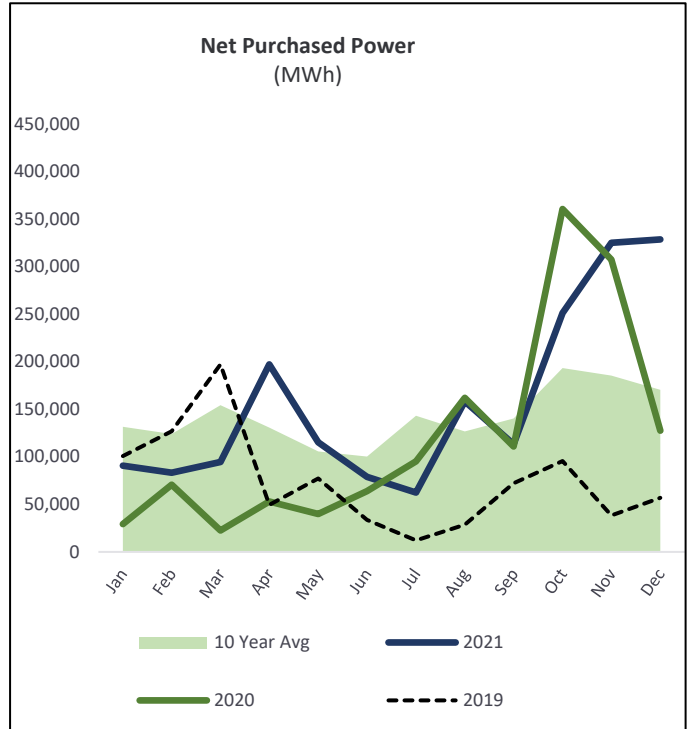
Restricted amounts for net investment in capital assets increased by \$11.6 million, or 4%, in 2021, following an increase of \$24.0 million, or 9%, in 2020. The Restricted for board designated funds increased by \$19.9 million, or 49%, in 2021. This was due to an increase in the contingency funds of \$10.0 million and the creation of the Capital Reserve Fund, which was funded \$9.9 million. For more information on these funds, see Note 2 to Financial Statements, Deposits and Investments. Prior to 2021, the Authority did not have a pension asset, and zero was restricted as part of Net Position. In 2021, \$30.0 million is Restricted for pension benefits.

Unrestricted Net Position represents the part of net position used to finance day-to-day operations, without constraints established by debt covenants, enabling legislation, including Board designation, or other legal agreements. This amount increased by \$5.8 million, or 2%, in 2021. This follows a prior year increase of \$8.1 million, or 2%, in 2020.

OPERATING RESULTS

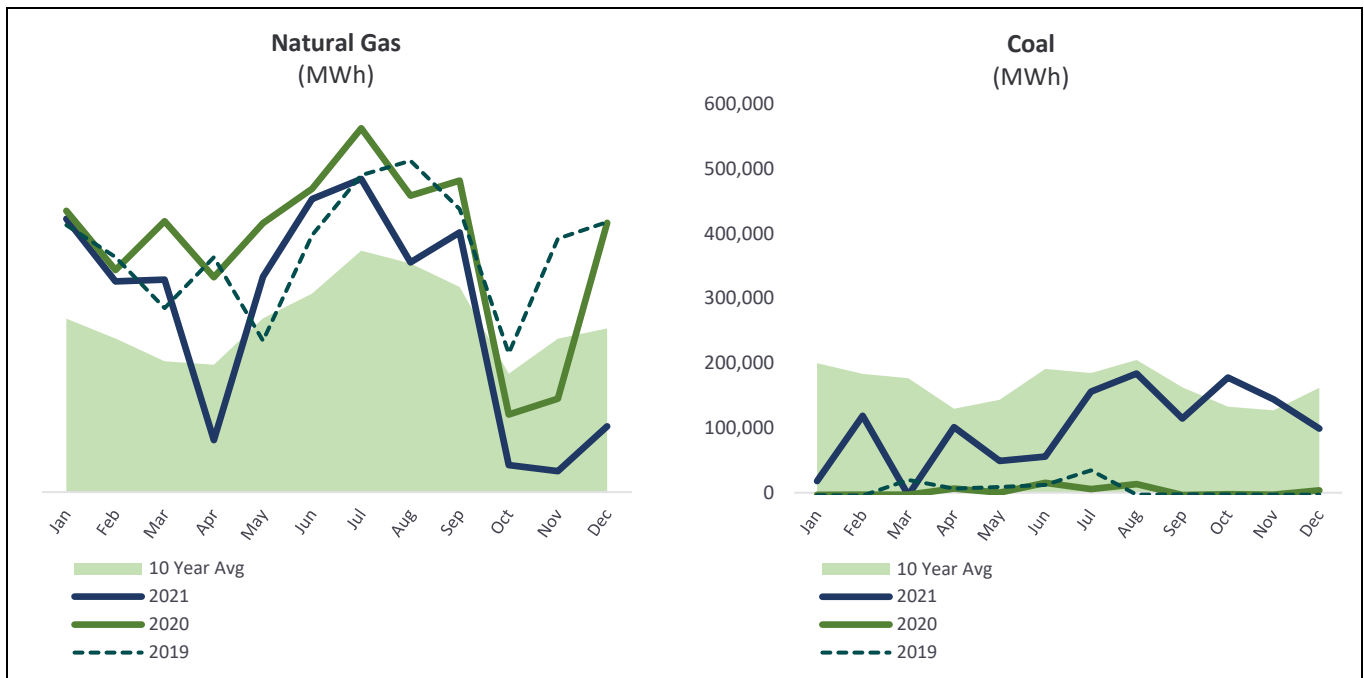
The Authority's 2021 operating results were largely driven by the financial impact resulting from the Winter Storm Uri, as described above. The results for 2020 continued the trajectory of strength, resulting in a contribution to a rate stabilization account. The Authority's participation in SPP's Integrated Marketplace provides a built-in hedge against resource availability. In Spring 2021, GREC 3 underwent a planned outage for maintenance and then was inoperable for the last quarter of 2021, while Redbud experienced outages in October and November, and GREC 2 was inoperable for the latter half of 2019 and the first quarter of 2020.

The graph titled “Net Purchased Power (MWh)” depicts the Authority’s hourly net purchases of energy from the Integrated Marketplace. As is evidenced by the comparisons of 2019, 2020, and 2021, versus the ten-year average in the light green shaded area, purchases of power for 2021 and 2020 remained below the ten-year average for a majority of the year but spiked when Redbud and GREC 3 were in outage. Conversely, in the prior year, beginning in April 2019, purchases fell well below the ten-year historical average, as historic outflows from hydro generation resources eliminated much of the need to purchase energy from the marketplace. See the graphs titled “Pensacola Dam Generation (MWh)” and “Robert S. Kerr Dam Generation (MWh)” for hydro generation comparisons of 2019, 2020, and 2021, as compared to the ten-year historical average.



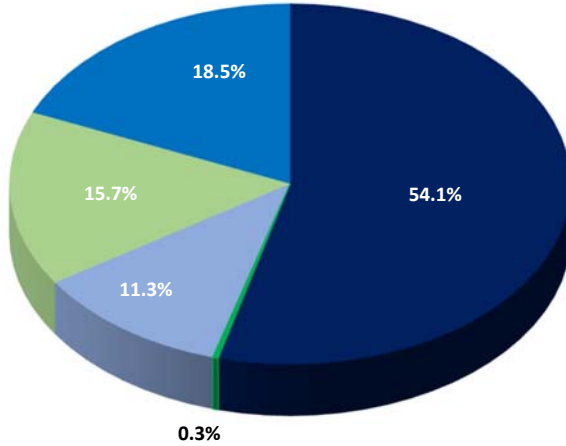
The Authority’s energy resources have included wind, through purchased power agreements, since 2013. The energy produced from these projects is recorded as Purchased Power. The wind purchase agreements provide risk mitigation against increases in fuel costs and help expand the Authority’s diversified energy portfolio as demand for carbon-free energy grows.

The graphs titled “Natural Gas (MWh)” and “Coal (MWh)” reflect the output of the Authority’s thermal generation resources. As demonstrated by the graph titled “Coal (MWh),” the generation for coal through 2019 and 2020 trended substantially lower than the historical ten-year average, as coal prices were previously uneconomical when compared to both natural gas and the overall available SPP Integrated Marketplace energy. This is in combination with the mechanical outage of GREC 2 in 2019 and the April 2017 discontinuation of GREC 1 as a coal-fired generating unit, which was formally retired from assets as of December 31, 2020. In February of 2021, this trend was interrupted as coal was called upon to meet generation demand during Winter Storm Uri. As natural gas prices rose over the course of 2021, coal continued to be competitive in the SPP market, so, after an outage for mechanical repairs in March 2021, coal generation neared or exceeded the ten-year average for the remainder of the year. The graph titled “Natural Gas (MWh)” indicates the competitiveness of both GREC 3 and Redbud, as they are routinely called upon to provide energy into the SPP Integrated Marketplace during the summer months when generation demands are generally the highest. Routine outages are scheduled for shoulder months in the spring and fall when demands for generation are lower across SPP. The 2021 fall outages of both GREC 3 and Redbud are evidenced in the graph, as well.



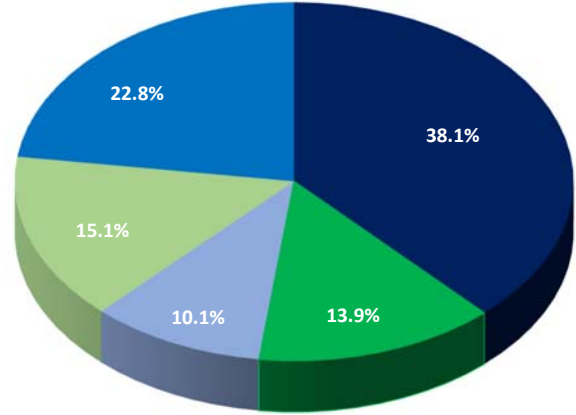
Though its impact has remained immaterial to the financial results, the Authority has continued to expand and strengthen its Energy Hedging Program, with the intent of managing market, counterparty, volume, budget, regulatory, model, and operations risks through Risk Management Policies. The Board of Directors of the Authority is responsible for an overall understanding of risks and the internal Risk Oversight Committee is responsible for primary operational risk oversight and the implementation of the Risk Management Policies. The Energy Hedging Program has three essential objectives: (1) to achieve a customer power cost to serve native load and off-system firm load at a cost that is materially close to the budgeted amount; (2) to reduce the Authority’s exposure to volatile swings in energy and hedging costs and to limit the uncertainty related to market timing when purchasing fuel-related hedges by purchasing a portion of required hedges on a programmatic basis; and (3) to maintain a degree of flexibility allowing the Authority to benefit from a favorable energy market. As these transactions relate to natural gas, realized gains and losses, as a result of these hedges, are recognized as fuel expense. See Deferred Inflows of Resources and Deferred Outflows of Resources for further discussion.

2020 Energy Resources (MWh)



■ Gas ■ Coal ■ Hydro ■ Wind Purchases ■ Other Purchases

2021 Energy Resources (MWh)



■ Gas ■ Coal ■ Hydro ■ Wind Purchases ■ Other Purchases

The graphs titled “2020 Energy Resources (MWh)” and “2021 Energy Resources (MWh)” indicate the energy resource mix upon which GRDA relies to meet its customers’ load needs. The availability of adequate generation capacity, along with a reliable transmission system, firm customer contracts, and participation in the SPP Integrated Marketplace, ultimately drive the operating and financial results. The striking difference between 2020 and 2021 is the increase in coal generation and the decrease in natural gas generation, as discussed above. The hydro units continue to play a vital role in both reliability and available capacity. Their part in the energy resources mix has remained consistent from 2020 to 2021. Likewise, wind purchases remained a nearly equal share of our generation portfolio for the last two years. The Authority has a generation portfolio that provides diversity and employs a team experienced in power marketing that uses those resources, in conjunction with the hedging program, to minimize risks and volatility for the Authority.

OPERATING INCOME

Operating Income		
	<u>2021</u>	<u>2020</u>
Total operating revenues	579,783,231	397,164,657
Total operating expenses	(466,095,415)	(348,217,592)
Operating Income	113,687,816	48,947,065

Operating Income increased by \$64.7 million, or 132%, in 2021, after it decreased by \$21.8 million, or 31%, in 2020. Operating Revenues increased by \$182.6 million, or 46% following a 2020 decrease of \$31.7 million, or 7%. Operating Revenues for 2020, without the contribution to the rate stabilization account, were nearly identical to those in 2019, only

increasing by \$9 thousand; however, the \$31.7 million contribution to the rate stabilization account represented a deferral of the Operating Revenues, which decreased current year numbers.

Other Operating Revenues include recovery of revenue requirements for transmission plant recovered through the SPP's administration of the transmission tariffs, as well as revenues associated with an Integrated Transmission Agreement (ITA), and revenues from an agreement with The Energy Authority (TEA) related to the management of excess Auction Revenue Rights (ARR's) in the SPP Integrated Marketplace. It also includes revenues from the sales of Renewable Energy Certificates (RECs) and lake-related revenues. Other Operating Revenues increased by \$19.0 million, or 77%, in 2021. Other Operating Revenues decreased by \$1.9 million, or 7%, in 2020.

Non-operating Revenues primarily includes investment income, changes in the fair value of investments, and the deferral of revenue associated with third party contributions to the construction of capital assets. Non-operating Revenues decreased in 2021 by \$34.5 million, or 358%, after a 2020 increase of \$27.9 million, or 153%. In 2021, Investment Income – Net, which includes changes in the fair value of investments, were \$22.9 million less than those in 2020. Non-Operating Revenues were further decreased by deferral of costs to be recovered of \$10.1 million, as compared to 2020. In 2020, deferral of costs to be recovered were \$29.3 million less than in 2019, offset by a decrease in investment income of \$1.6 million.

Operating Expenses in 2021 broke a recent trend of annual decreases, by increasing \$117.9 million, or 34%. Conversely, in 2020, Operating Expenses decreased by \$9.9 million, or 3%. Large increases in Fuel and Purchased Power of \$94.5 million and \$47.4 million, respectively, offset by decreases in Depreciation of \$10.7 million and Administrative and General expenses of \$15.3 million, account for the 2021 fluctuation. In 2020, Fuel expense decreased by \$21.5 million, offset by increases in Operation expense of \$3.0 million, Purchased Power of \$3.3 million, and Administrative and General of \$7.9 million.

Award Revenue - Capital includes customer contributions, grant proceeds, and insurance revenues for capital asset additions. Portions of these revenues were deferred by the Authority in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62), which is discussed in further detail in Deferred Inflows of Resources and Deferred Outflows of Resources.

OPERATING REVENUES

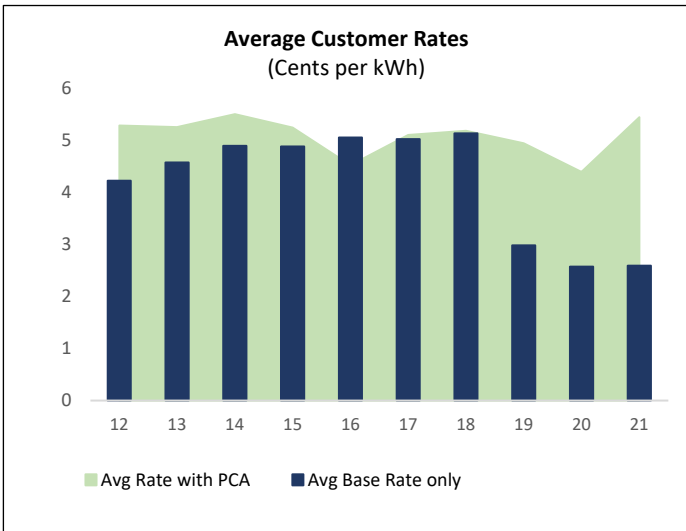
As stated previously, Operating Revenues increased by \$182.6 million, or 46% following a 2020 decrease of \$31.7 million, or 7%. Operating Revenues for 2020, without the contribution to the rate stabilization account, were \$9 thousand more than those in 2019; however, the \$31.7 million contribution to the rate stabilization account represented a deferral of Operating Revenues, which decreased 2020 numbers. The largest contributor to Operating Revenues is Sales of Power, which, after decreasing over the last few years, increased by \$154.1 million, or 41%, in 2021. In 2020, Sales of Power decreased by \$19.2 million, or 5%. GRDA's industrial load continues to experience steady increases, year over year, due to growth in the MidAmerica Industrial Park (MAIP), increasing 10% in MWh sales in 2021, after increasing 18% in MWh sales in 2020.

Other Operating Revenues, as mentioned previously, include recovery of revenue requirements for transmission plant recovered through the SPP's administration of the transmission tariffs, revenues associated with an ITA, REC revenues, and lake-related revenues. Other Operating Revenues increased by \$19.0 million, or 77%, in 2021, largely due to a \$13.7 million increase in revenues from the TEA ARR agreement. This is in contrast to the 2020 decrease of \$1.9 million, or 7%, in 2020 due to a decrease in ITA revenues.

The Authority is empowered to set rates, as necessary, to provide for recovery of operating expenses and debt service payments. When deemed necessary and approved by the Board of Directors, rates can be raised by providing at least 60 days' notice to the Authority's customers. By statute, the Authority is a self-regulated entity and its rates do not come under the jurisdiction of the Oklahoma Corporation Commission. The rates charged by the Authority for the sale of electric power and energy are not currently regulated by the Federal Energy Regulatory Commission (FERC) or any other state or federal authority; however, GRDA's transmission tariff is filed and approved by FERC, as part of the SPP open access tariff.

Oklahoma law requires the Authority to maintain rates which are sufficient to produce adequate revenues to fulfill the obligations of the Authority. These obligations include payment of all maintenance and operation expenses, interest and principal of all bonds, sinking fund and/or reserve fund payments agreed to be made in respect of any such bonds, and any other obligations or agreements made with the holder of such bonds and/or with any person on behalf of such holder. The Authority agreed with its customers to not adopt or charge excess rates and to ensure rates will be applied in a reasonable, and not unduly discriminatory, manner to all customers served under the same rate schedules at the same service level.

The Authority's rates have three main components: demand, energy, and PCA. The amount of the rate is dependent upon the level of service for which the customer has contracted: generation bus, transmission, primary distribution, or distribution.



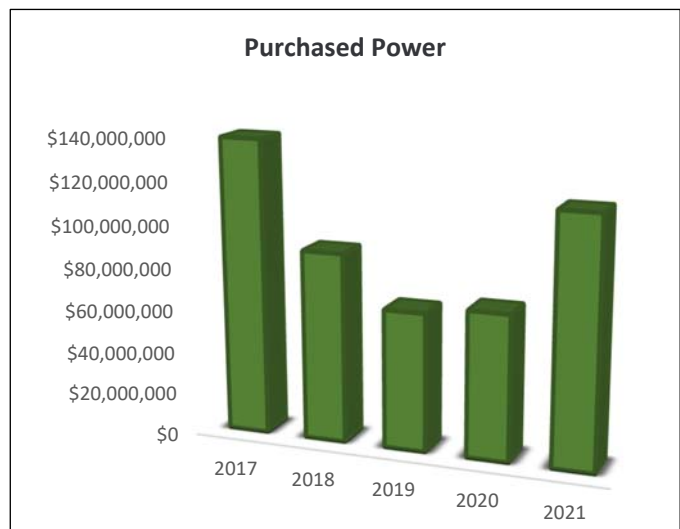
The PCA is an adjustment mechanism that allows the Authority to recover Fuel and Purchased Power costs, for contract sales to wholesale and retail customers, over a rolling twelve-month period. Prior to April 1, 2019, the Authority's base energy rates included an estimated power cost (fuel and purchased power) of 23 mills per kWh. Effective April 1, 2019, the 23 mills per kWh of estimated power cost was restructured out of the base rate and into the PCA recovery calculation.

In 2021, the Authority amended the schedule PCA to include a new component, referred to as PCAx, which is designed to recover Extraordinary Power Cost (EPC) events. EPC events are designated by the Board of Directors. The costs associated with an EPC event can be recovered from customers via three options: (1) PCAx-120 – EPC Customer pays its Customer Costs via not more than 120 monthly payments. This method does not accrue additional EPC Carrying Costs for financing. (2)

PCAx-12 – EPC Customer pays its Customer Costs via not more than 12 monthly payments. This method does not accrue additional carrying costs for financing. (3) PCAx-Base – EPC Customer pays the original 12-month PCA calculation under the PCA in place during the EPC event. This amount varies monthly based upon EPC Customer's energy usage and is assessed on a \$/kWh basis. This method does not require EPC Customer to pay additional carrying costs for financing. The Board designated \$102.4 million as EPC in connection with the February 2021 Winter Storm Uri. Based on the options provided by the Schedule PCA, approximately one-third of GRDA's customers chose options to repay within the first twelve months, while the remaining two-thirds elected the PCAx-120 option.

The graph titled "Average Customer Rates (Cents per kWh)" reflects the removal of the aforementioned 23 mills per kWh of estimated power cost from the base rate in the dark blue bars. This graph also shows the impact of the PCAx-12 portion of the costs incurred in relation to Winter Storm Uri, as well as the continued rising natural gas and purchased power prices throughout 2021.

The PCA revenues also reflect an accrual of any over or under-collected fuel costs. Approximately \$90.8 million were under-recovered at the end of 2021, which, for the first time, includes a long-term under-recovered portion of \$62.2 million. The long-term portion of the under-recovered costs is directly related to the uncollected balance of Winter Storm Uri EPC charges for those customers that chose the PCAx-120 option. As of December 31, 2020, \$0.9 million in fuel and purchased power costs were over-recovered.



OPERATING EXPENSES

As mentioned above, Operating Expenses in 2021 broke a recent trend of annual decreases by increasing \$117.9 million, or 34%. Prior to 2021 Operating Expenses had been on a downward trend as they decreased \$9.9 million, or 3%, in 2020. Large increases in Fuel and Purchased Power of \$94.5 million and \$47.4 million, respectively, offset by decreases in Depreciation of \$10.7 million and Administrative and General expenses of \$15.3 million, account for the 2021 fluctuation. In contrast, Fuel expense decreased by \$21.5 million in 2020, accounting for the overall decrease in Operating Expenses. This was offset by increases in Operation expense of \$3.0 million, Purchased Power of \$3.3 million, and Administrative and General of \$7.9 million. See the graph titled “Purchased Power” for the trend in Purchased Power expenses over the last five years. Though 2021’s increase was significant over 2020 values, Purchased Power remained under the five-year high that was experienced by GRDA in 2017. Administrative and General Expenses decreased in 2021 by \$15.3 million, or 48%, after it had increased in 2020 by \$7.9 million or 33%. Both fluctuations, both decrease and increase, were largely driven by pension expense recognition required by GASB 68, which is discussed further in Deferred Inflows of Resources and Deferred Outflows of Resources. Historically, Administrative and General Expenses included the settlement of claims, insurance deductibles, employee insurance premiums, and post-retirement benefits. With the implementation of GASB 68, GRDA has experienced some variability of expenses in this area. The Statement requires current year contributions to be recorded as a reduction in the long-term pension liability, rather than a current year expense, and introduced other variables to recognition of current year expense.

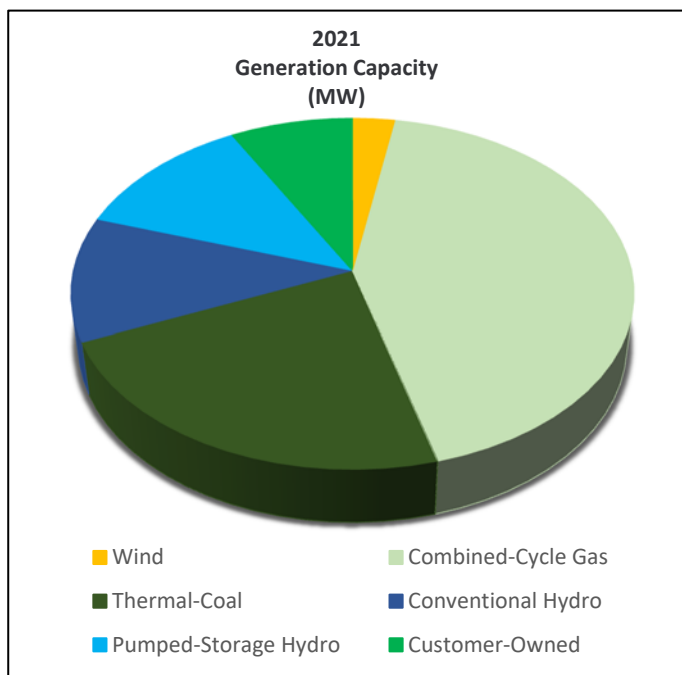
Depreciation expense decreased by \$10.7 million, or 15%, after a 2020 decrease of \$2.8 million, or 4%. Depreciation is trending downward due to the retirement of GREC 1 and the original installation of GREC 2 reaching the end of its originally estimated useful life.

SIGNIFICANT ASSETS AND DEBT ADMINISTRATION

Capital Assets

GRDA continued throughout 2021 to invest in projects that exhibit “#1GRDA”. Capital additions totaling \$49.8 million were offset by \$3.0 million in retirements. Generation outlays include a multi-year relicensing effort that will allow the Pensacola Dam to continue producing electricity for another fifty years, continued reliability of GREC 2, and strengthening Redbud infrastructures. Significant asset additions for 2020 included the GREC 2 restoration, resulting from a mechanical outage, as well as a project to improve the Pensacola bridge support structures.

The Authority again showed the significance of transmission reliability in 2021. Large investitures were made as large interconnect upgrades, substation upgrades, and substation rebuilds were constructed in municipal customer cities.



As GRDA expands its customer base, it also invests in needed infrastructure that will support its employees. These projects include an administrative complex and additional upgrades to its communications towers.

As shown in Note 4 to Financial Statements, Utility Plant, the majority of Net Utility Plant consists of a diverse mixture of hydroelectric, coal, and natural gas generation resources, supported by a transmission system for the delivery of power and energy. The pie chart labeled “2021 Generation Capacity (MW)” reflects GRDA’s generation accredited capacity by fuel source. The Authority has contracts for firm wind purchases of 387 MW from Oklahoma wind farms. In combination with existing hydroelectric generation, these diverse resources allow the Authority to provide reliable electricity for customers, while also striving to excel in environmental stewardship.

Restricted Assets

The Authority's General Bond Resolution No. 5107 requires Debt Service Reserve Funds to be set aside and that the Debt Service Reserve account be equal to the "Maximum Aggregate Debt Service." Upon issuance of the Series 2017 Bonds, the Debt Service Reserve requirement was calculated to be \$86.0 million.

The Authority normally keeps an excess in restricted accounts to compensate for any unforeseen market value fluctuations of investments in the account. As of December 31, 2021, the balance in the Debt Service Reserve account was \$89.3 million and included an excess deposit of \$3.3 million. As discussed in Note 2 to Financial Statements, Deposits and Investments, the balance in the Debt Service Reserve account, including any excess, is reflected as a restricted asset, because bond proceeds were used to initially fund the account and carry associated restrictions on how the funds can be used. Excess debt service reserve deposits were used to make bond principal payments in 2021.

The restricted accounts for other special purposes relate to wildlife mitigation, pursuant to hydro licensing requirements, and riparian lease grant funds. Each of the restrictions is discussed in further detail in Note 2 to Financial Statements, Deposits and Investments.

The Board has designated funds to be set aside for specific purposes, and these are included in the restricted assets. In 2021, the Authority created both a Capital Reserve Fund and a Special Reserve and Contingency Fund, amounting to \$9.9 million and \$50.4 million respectively. GRDA continues to maintain a Rate Stabilization Fund, which contained a balance of \$31.7 million, as of December 31, 2021. The use of each of these funds is at the discretion of the Board of Directors.

The Authority, through its investment policy, seeks to provide the maximum security along with the best investment return, while meeting the daily cash flow demands, and conforming to all bond policies and state statutes. While these conservative investment requirements hedge against investment losses, the yields earned on the eligible investments reflect the reduced risk. The first priority of the investment policy is the safety of principal, rather than to earn speculative income.

Deferred Inflows of Resources and Deferred Outflows of Resources

The Authority maintains balances of Deferred outflows related to pension plans, other post-employment benefits, and losses on reacquired debt. The Deferred outflows related to pension plans totaled \$5.4 million and \$13.5 million for 2021 and 2020, respectively. The difference represents \$3.0 million of favorability in investment gains, \$4.9 million of favorability in assumptions, and \$0.2 million of favorability in experience and proportion.

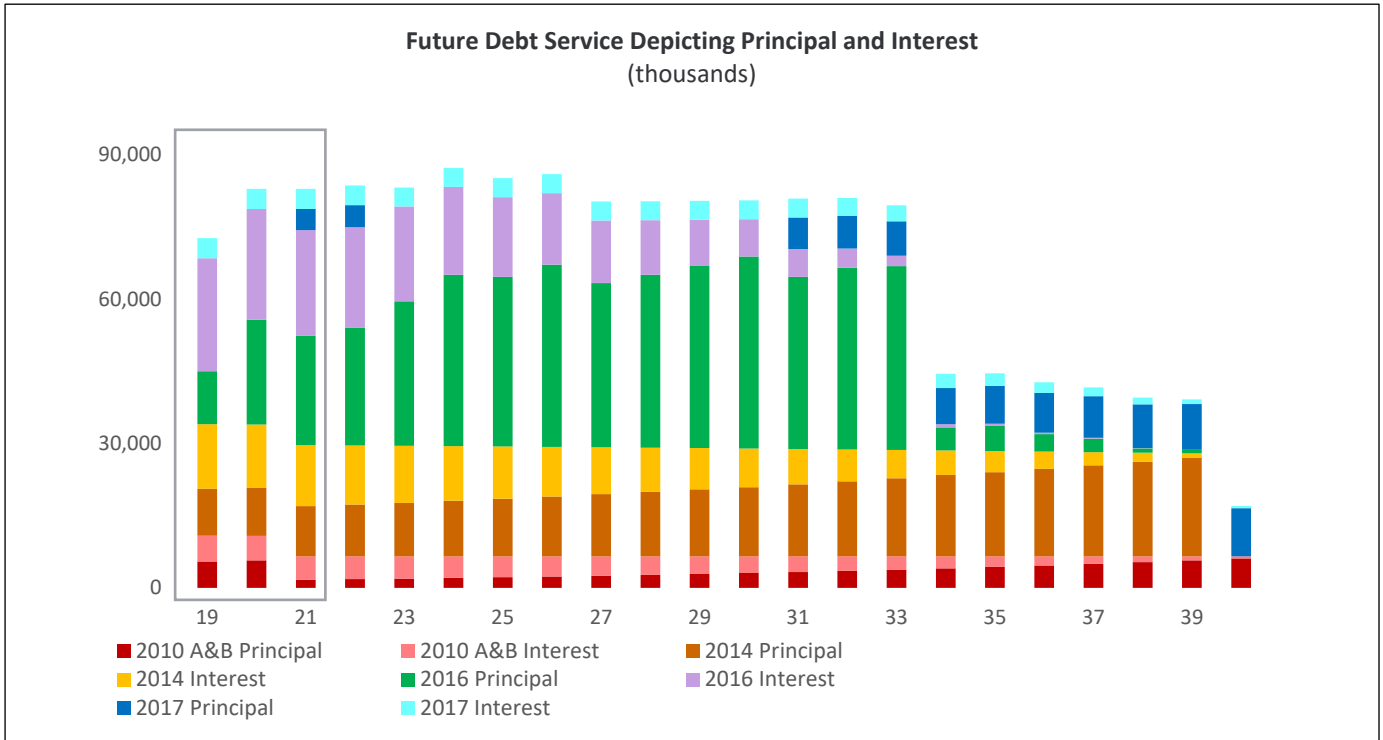
Deferred outflows related to other post-employment benefits was \$3.1 million in 2021 compared to \$3.4 million in 2020. See Note 7 to Financial Statements, Retirement Plans, Postretirement, and Other Employee Benefits for more information.

GRDA amortized \$3.1 million in losses on reacquired debt in 2021, to reduce the Deferred outflow balance from \$27.8 million in 2020, to \$24.7 million in 2021. Of the \$3.1 million, \$2.6 million was due to the 2016 refunding, and \$0.5 million was due to the 2017 refunding. The balances will be amortized over the life of the debt.

The Authority maintains balances of Deferred inflows related to pension plans, other post-employment benefits, regulated operations, and derivative hedges. The Deferred inflows related to pension plans increased from \$0.6 million in 2020 to \$36.4 million in 2021. The difference is made up of \$35.2 million in investment gains, and \$0.8 million in assumptions, experience, and proportion.

Deferred inflows related to other post-employment benefits was \$0.5 million and \$0.6 million in 2021 and 2020 respectively. See Note 7 to Financial Statements, Retirement Plans, Postretirement, and Other Employee Benefits for more information.

The Authority follows accounting for regulated operations in accordance with GASB 62, which requires approval from the Board of Directors, as they represent the regulatory body for the Authority. Deferred inflows related to regulated operations totaled \$100.7 million in 2021 versus \$88.6 million in 2020. This increase of \$12.1 million is made up of \$14.0 million in additional deferred revenues, and recognized revenues of \$1.9 million. See Note 5 to Financial Statements, Costs Recovered or to be Recovered from Future Revenues for the detail of authorizations for regulatory treatment.



In 2020, GRDA had a Deferred outflow related to derivative hedges of \$0.3 million, but due to increased prices in natural gas futures, the Authority now has a Deferred inflow related to derivative hedges of \$5.0 million.

Long-Term Debt

GRDA’s bonds payable were reduced by \$49.4 million from 2020 to 2021. The bonds payable current portion increased by \$2.4 million and the noncurrent portion decreased by \$51.9 million. The net reduction was made up of \$39.2 million in retirements and \$10.2 million in premium amortizations. The Authority still carries a premium balance for the 2014A bonds of \$17.2 million, the 2016A bonds of \$48.9 million, and the 2017 bonds of \$10.5 million.

GRDA makes monthly sinking fund payments to the bond trustee, which are reflected as Current Investments Restricted for Bond Service. The current balance, as of December 31, 2021, is \$27.8 million. The bondholders are then paid annual principal payments on June 1 and semi-annual interest payments on June 1 and December 1 of each year. Please see Note 6 to Financial Statements, Bonds Payable for more detailed information. The graph “Future Debt Service Depicting Principal and Interest (thousands)” provides an indication of how much principal and interest are due each year, until all currently outstanding bonds mature in 2040. The graph distinguishes between the matured bonds and the currently outstanding issues.

Public Financial Management (PFM) represents the Authority as financial advisor to ensure it meets current and long-term operations and capital financing needs and to render assistance with respect to debt transactions. PFM is acting as the Authority’s Independent Municipal Advisor, as defined by the U.S. Securities and Exchange Commission in connection with all general capital markets activity.

CHANGE IN FINANCIAL POSITION

The Authority's financial position continues to improve, year over year. The Authority's cash reserve levels, in conjunction with a formalized Cash Reserve Policy that was amended by the Board of Directors in 2021, has positioned the Authority to continue with its capital improvement plan, while holding base rates steady, as well as be prepared for events such as Winter Storm Uri, previously discussed. GRDA's Board of Directors approved the creation of a new Board-designated fund for system capital improvements in 2021, that will further strengthen the Authority's cash position. Debt service coverage has remained excellent, far exceeding the one-time's coverage required by debt covenants and allowing for a 2020 contribution to a rate stabilization account. The Authority's Board of Directors is comprised of persons with experienced, diverse backgrounds. Their oversight and perpetual insistence for excellence and efficiency ensures that GRDA's history of success continues.

Wholesale customers provide financial security with long-term contracts. The Authority has been humbled by, and is motivated by, the active support of its wholesale customers and is actively working with this customer group to continue to face and conquer the onslaught of changes perpetually facing the utility industry. While prior to 2021, the wholesale load was experiencing slight declines, the Authority's long-term revenue projections are more stable due to these long-standing contracts. Many of the all-requirements contracts with the wholesale customers run two years longer than any of GRDA's outstanding debt.

Continued industrial expansion in the Mid America Industrial Park has led to increasing sales within the Industrial and Commercial customer classes, offsetting the slight declines of the wholesale load and providing for forecasted growth in sales.

The 2020 "A Grand Vision for the Future" set the foundation of financial health to ensure resiliency against early 2021 events, and the "#1GRDA" was the foundation of company culture that carried the Authority through the resulting challenges presented by the remainder of the year. This teamwork allowed for the Authority to pass the fiscal year 2022 budget with no planned base rate increase. This represented the sixth consecutive budget with no base rate increases.

ECONOMIC OUTLOOK

GRDA has a positive economic outlook, due to sound financial and operational fundamentals and solid, mutually beneficial, long-term customer relationships, as well as new and expanding customer relationships. In March 2022, Northern Data, a German-based technology company with ten data centers located in six countries around the globe, announced that it is investing \$270 million to build its North American headquarters campus in the MidAmerica Industrial Park. When it is fully operational, that 116-acre campus will be powered by 250 megawatts of GRDA electricity. The firm is moving into an existing 100,000 square foot building in MAIP soon and will be operational with a portion of its data centers within 24 months. It will build out the complete facility over a five-year period.

Capital improvement plans for the Authority include infrastructure build out to serve several new prospective customers. The retail customers served by GRDA are diverse and service-oriented, with forecasted growth throughout the upcoming years, while GRDA continues to be instrumental in attracting new customers to the Authority's service territory.

GRDA's financial and cash positions were such that the Authority was able to finance the Winter Storm Uri event without issuing new debt and allowing customers to repay over 120 months. Net Income for 2020 was substantial enough to allow for the aforementioned contribution to a rate stabilization account, ensuring mitigation of future rate increase impacts.

The Authority and its customers continue to work together to educate end users regarding the connection between efficiency, demand, and affordability. This will aid in managing end users' expectations of their electricity providers, as the impact of the Integrated Marketplace and technology, such as distributed generation, introduce new and varying aspects to the utility industry. These efforts include research efforts to institute Automated Metering Infrastructure (AMI) in municipalities.

The Authority protects the waters of the Grand River and the environments associated with it and utilizes Oklahoma's natural gas, water, and wind resources to generate electricity. The Authority meets customers' needs and environmental mandates with diversified resources and generation. The diversity in GRDA's generation portfolio provides a hedge to risks, such as fuel supply, Integrated Marketplace competition, and environmental legislation. The generation assets are supported by a robust and reliable transmission grid. The Authority has a favorable economic outlook because its electric system profile has low-debt costs, strong customer support, and coordinated resource planning.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This report is intended to provide our customers, bondholders, citizens of the state of Oklahoma, and other interested parties with a general overview of GRDA's financial position, results of operations, and to demonstrate accountability for the revenues GRDA receives.

Questions about this report, or requests for additional financial information, should be directed to the Authority at: Grand River Dam Authority, PO Box 669, Chouteau, OK 74337.

GRAND RIVER DAM AUTHORITY
(A Component Unit of the State of Oklahoma)

STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2021 and 2020

ASSETS:	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents:		
General operating accounts	\$17,340,610	\$34,103,110
Restricted accounts	173,880	895,853
Investments:		
General operating accounts	3,518,841	59,233,656
Restricted accounts	39,729,540	27,913,493
Accounts receivable – net	73,108,515	36,787,919
Accrued interest receivable	1,818,392	1,837,011
Fuel stock	6,992,092	9,341,945
Materials and supplies	48,333,979	44,966,363
Under recovered fuel costs	28,646,075	-
Prepaid assets	4,838,164	4,961,463
Other current assets	3,942,271	70,427
Total current assets	228,442,359	220,111,240
Noncurrent assets:		
Investments:		
General operating accounts	173,834,438	209,347,964
Restricted accounts	171,393,535	169,152,134
Net utility plant:		
Nondepreciable – at original cost	89,029,501	74,649,307
Depreciable – at original cost, less depreciation	1,124,253,731	1,153,556,637
Under recovered fuel costs	62,197,807	-
Nonutility plant – at original cost, less depreciation	23,251,235	8,140,478
Assets related to pension plans - restricted	30,042,207	-
Other noncurrent assets	5,543,071	3,832,434
Total noncurrent assets	1,679,545,525	1,618,678,954
Total assets	1,907,987,884	1,838,790,194
DEFERRED OUTFLOWS OF RESOURCES:		
Related to pension plans	5,375,121	13,484,694
Related to post employment benefits	3,110,655	3,408,830
Related to loss on advanced refunding	24,650,250	27,810,693
Related to derivative hedges	-	333,110
Total deferred outflows of resources	33,136,026	45,037,327

GRAND RIVER DAM AUTHORITY
(A Component Unit of the State of Oklahoma)

STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
LIABILITIES:		
Current liabilities:		
Accounts payable and accrued liabilities	\$43,653,773	\$35,130,367
Accrued interest payable	3,494,212	3,640,229
Bonds payable – current portion	41,675,000	39,240,000
Over recovered fuel costs	-	926,974
Total current liabilities	88,822,985	78,937,570
Noncurrent liabilities:		
Bonds payable – net	899,569,299	951,431,405
Liabilities related to pension plans	210,956	23,192,358
Liabilities related to post employment benefits	20,714,763	19,461,886
Other noncurrent liabilities	10,487,591	10,921,596
Total noncurrent liabilities	930,982,609	1,005,007,245
Total liabilities	1,019,805,594	1,083,944,815
DEFERRED INFLOWS OF RESOURCES:		
Related to pension plans	36,383,164	603,759
Related to post employment benefits	494,229	633,829
Related to costs recovered or to be recovered	100,674,199	88,634,963
Related to derivative hedges	5,001,140	-
Total deferred inflows of resources	142,552,732	89,872,551
NET POSITION:		
Net investment in capital assets	317,117,339	305,481,403
Restricted for:		
Board designated	60,304,898	40,381,000
Debt service	24,310,417	22,889,999
Other special purposes	2,106,229	2,208,452
Pension benefits	30,042,207	-
Unrestricted	344,884,494	339,049,301
TOTAL NET POSITION	\$778,765,584	\$710,010,155

GRAND RIVER DAM AUTHORITY
(A Component Unit of the State of Oklahoma)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES:		
Sales of power	\$534,202,694	\$380,115,355
Other operating revenues	43,686,459	24,695,083
Regulatory asset revenues	1,894,078	24,057,317
Transfer (provision) for rate stabilization	-	(31,703,098)
Total operating revenues	579,783,231	397,164,657
OPERATING EXPENSES:		
Fuel	(176,955,635)	(82,451,994)
Purchased power – net	(115,552,213)	(68,162,828)
Operations	(71,525,025)	(68,833,979)
Deprecation	(61,722,410)	(72,422,157)
Maintenance	(24,000,269)	(24,722,494)
Administrative and general	(16,339,863)	(31,624,140)
Total operating expenses	(466,095,415)	(348,217,592)
OPERATING INCOME	113,687,816	48,947,065
NONOPERATING REVENUES (EXPENSES):		
Investment income – net	(5,071,429)	17,846,422
Award revenue – operating	14,197	86,255
Income (loss) – non-operating	-	3,182
Income (loss) – non-utility operations	(5,782,860)	(4,445,325)
Interest expense	(45,821,069)	(47,672,958)
Costs recovered or to be recovered	(13,987,866)	(3,854,699)
Amortization of debt discount	-	(38,706)
Amortization of bond premium	10,187,106	10,662,823
Total nonoperating expenses	(60,461,921)	(27,413,006)
CAPITAL CONTRIBUTIONS:		
Award revenue– capital	15,529,534	12,037,982
NET INCREASE IN NET POSITION	68,755,429	33,572,041
NET POSITION– Beginning of year	710,010,155	676,438,114
NET POSITION– End of year	\$778,765,584	\$710,010,155
See notes to financial statements.		

**GRAND RIVER DAM AUTHORITY
(A Component Unit of the State of Oklahoma)**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Received from customers	\$577,659,854	\$393,917,885
Received from award revenues– operating	164,031	192,359
Payments to employees for services	(49,701,422)	(47,972,239)
Payments to suppliers for goods and services	(484,739,453)	(201,599,362)
Net cash provided by operating activities	43,383,010	144,538,643
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Additions to utility plant	(61,039,756)	(50,010,697)
Payments for retirements of utility plant	(1,155,670)	(652,710)
Received from sales of retirements of utility plant	300,036	2,653,891
Received from award revenues– capital	13,558,701	6,654,457
Insurance proceeds spent	-	(2,166,076)
Repayment of principal	(39,240,000)	(37,505,000)
Interest paid	(42,806,643)	(44,548,307)
Net cash used in capital and related financing activities	(130,383,332)	(125,574,442)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	6,883,476	9,473,317
Purchases of securities	(598,455,219)	(770,008,486)
Proceeds from sales and maturities of securities	661,087,592	743,000,718
Net cash provided by (used in) investing activities	69,515,849	(17,534,451)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(17,484,473)	1,429,750
CASH AND CASH EQUIVALENTS– Beginning of year	34,998,963	33,569,213
CASH AND CASH EQUIVALENTS– End of year	\$17,514,490	\$34,998,963

GRAND RIVER DAM AUTHORITY
(A Component Unit of the State of Oklahoma)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
NONCASH ITEMS FROM CAPITAL AND RELATED ACTIVITIES:		
Noncash award revenues– capital	\$1,970,834	\$5,674,490
NONCASH ITEMS FROM INVESTING ACTIVITIES:		
Change in unrealized gain (loss) on investments	(\$7,520,419)	(\$1,645,653)
Amortization of premiums and discounts	(\$1,836,716)	(\$399,252)
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$113,687,816	\$48,947,065
Noncash items included in net operating income:		
Income from nonutility operations	(18,445,789)	(2,963,597)
Depreciation	61,722,410	72,422,157
Changes in assets and liabilities:		
Receivables:		
Customers	(35,811,838)	(2,426,761)
Other	(28,922,521)	(3,836,589)
Fuel stock	2,349,853	9,359,125
Materials and supplies	(3,367,616)	(1,732,985)
Other	(4,051,594)	(62,293)
Deferred outflows related to pension plans	8,109,573	(9,197,791)
Deferred outflows related to post employment benefits	298,175	(2,357,418)
Deferred outflows related to derivative hedges	333,110	2,262,055
Accounts payable and accrued liabilities	8,523,406	508,290
Over (under) recovered fuel costs	(91,770,856)	3,007,697
Other noncurrent liabilities	(21,951,300)	20,645,509
Deferred inflows related to pension plans	35,639,805	(1,497,452)
Deferred inflows related to rate stabilization	-	12,000,000
Deferred inflows related to deferred revenues	12,039,236	(538,369)
Deferred inflows related to derivative hedges	5,001,140	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$43,383,010	\$144,538,643
See notes to financial statements.		

GRAND RIVER DAM AUTHORITY
(A Component Unit of the State of Oklahoma)

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021, AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business—The Grand River Dam Authority (the “Authority” or “GRDA”), a non-appropriated state agency was created by the State of Oklahoma in 1935 as a conservation and reclamation district. The Authority has the power to control, store, preserve, and distribute the waters of the Grand River and its tributaries for any useful purpose and to develop and generate water power, electric power, and electric energy within the boundaries of the Authority and to buy, sell, resell, interchange, and distribute electric power and energy. The Grand River lies entirely within Oklahoma, but its drainage basin also extends over the states of Arkansas, Kansas, and Missouri. As part of the Authority’s licensing agreements, the Authority also has lake area responsibilities. The costs of those activities are funded primarily through electricity sales. The Authority’s financial statements are included in the State of Oklahoma Annual Comprehensive Financial Report as a discretely presented component unit.

Basis of Accounting—The Authority is licensed to operate under the Federal Power Act, which requires the use of the uniform system of accounts, prescribed for public utilities and licensees. The Authority is a cost-of-service organization and establishes its rates to provide revenues sufficient to pay all expenses necessary for the operation and maintenance of the system, all payments, transfers, and deposits related to outstanding debt, and all other charges or obligations imposed by law or contract.

Basis of Presentation—The Authority’s basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The Authority’s basic financial statements conform to the provisions of standards issued by the Governmental Accounting Standards Board (GASB). GASB establishes standards for external financial reporting for all state and local governmental entities, which include Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows. It requires the classification of net position into three components—net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets—This component of net position consists of capital assets, net of accumulated depreciation and costs recovered or to be recovered from future revenues reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted—This component of net position consists of funds subject to constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use for the same purpose, it is the Authority’s practice to use unrestricted resources first, then restricted resources as they are needed, unless directed by the Board of Directors, as enabled by legislation.

Unrestricted Net Position—This component of net position consists of any remaining net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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—Cash and cash equivalents include unrestricted cash in banks, unrestricted money market funds, and unrestricted certificates of deposit with original maturities of three months or less. Balances are presented on a net basis to the extent such balances are subject to the right of offset. Unrestricted cash and cash equivalents are shown as General Operating Accounts and restricted cash and cash equivalent are shown as Restricted Accounts on the Statements of Net Position.

Investments—Investments principally comprise U.S. government securities, U.S. government agencies, U.S. government-sponsored enterprises, state government obligations, money market funds, certificates of deposit and Certificates of Deposit Account Registry Service. The Authority reports investments at fair value, which is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Unrestricted investments are shown as General Operating Accounts and restricted investments are shown as Restricted Accounts on the Statements of Net Position.

Fuel Stock—Fuel stock is valued using the lower of the average cost method or fair market value. The delivered commodity is expensed monthly based on fuel burned, and undistributed costs, which includes costs of coal handling and railcar and railroad track maintenance, are expensed monthly independent of fuel burned.

Materials and Supplies—Materials and supplies are valued using the average cost and specific identification methods.

Under/Over Recovered Fuel Costs— The Authority’s rate structure, as approved by the Board of Directors, allows the Authority to increase or decrease monthly charges from wholesale and retail customers to recover actual fuel costs incurred by the Authority. This monthly charge, referred to as the Ordinary Power Cost Adjustment (PCAO), is calculated monthly based on an estimated 12-month average of future fuel costs. The cumulative difference between the actual fuel costs and the revenue collected by the PCAO is reflected as either an asset (“under recovery”) or liability (“over recovery”) in the Authority’s accompanying Statements of Net Position, as these amounts will be included in the PCA Factor and either collected from or refunded to customers of the Authority in subsequent periods.

Effective for reporting period ending December 31, 2021, the Authority amended the schedule PCA to include a new component, referred to as PCAx, which is designed to recover Extraordinary Power Cost (EPC) events. EPC events are designated by the Board of Directors. The costs associated with an EPC event can be recovered from customers via three options:

PCAx-120 – EPC Customer pays its Customer Costs via not more than 120 monthly payments. This method does accrue additional EPC Carrying Costs for financing.

PCAx-12 – EPC Customer pays its Customer Costs via not more than 12 monthly payments. This method does not accrue additional carrying costs for financing.

PCAx-Base – EPC Customer pays the original 12-month PCA calculation under the PCA in place during the EPC event. This amount varies monthly based upon EPC Customer’s energy usage and is assessed on a \$/kWh basis. This method does not require EPC Customer to pay additional carrying costs for financing.

Joint Ownership—On October 1, 2008, the Authority purchased certain assets and assumed certain liabilities in the Redbud combined-cycle gas plant near Luther, Oklahoma. The Authority’s undivided interest in the assets and liabilities of the facility is 36%, while Oklahoma Gas & Electric’s (OG&E) interest is 51%, and Oklahoma Municipal Power Authority’s (OMPA) interest is 13%.

OG&E operates the Redbud facility under an operating agreement with the Authority and OMPA and allocates certain costs and expenses attributable to Redbud to the Authority and to OMPA, in accordance with their undivided ownership interests (36% and 13%, respectively). The Redbud facility has long-term service agreements with a large industrial manufacturer for the maintenance of the gas and steam turbines. These amounts have been included in the contractual commitments in Note 9 to Financial Statements, Commitments and Contingencies.

Utility Plant and Depreciation— The cost of utility plant includes direct costs, such as material, labor, and payments to contractors, as well as indirect costs, such as engineering, supervision, and administrative and general expenses. Generally, assets which have a cost of \$500 or more at the date of acquisition and have an expected useful life of more than one year, and are not consumable, are capitalized. The cost of maintenance and repairs to property is expensed. Consistent with the Redbud plant operator’s treatment, certain costs of the long-term service agreement payments for the Redbud plant are capitalized. Gain or loss is recognized on retirements and dispositions.

Depreciation is computed on the straight-line basis at rates based upon the estimated useful lives of assets. Depreciation expense, calculated as a percentage of depreciable plant, averaged approximately 5.1% and 5.9% for each of the years ended December 31, 2021, and 2020.

The utility depreciable property classes range from 3 to 87 years. The depreciable lives for the Redbud plant generally align with the majority owner.

Other Noncurrent Assets—Other noncurrent assets are made up mostly of non-utility property, long-term deposits, long-term accounts receivable, and long-term hedging derivatives. The Authority maintains a deposit with the Southwest Power Pool. The receivable is attributed to a customer’s portion of the closure and post-closure costs, as well as receivables from a FEMA claim.

Other Noncurrent Liabilities—Other noncurrent liabilities include the accumulated provision for the closure and post-closure costs for the solid waste landfill, the accrued liability for annual leave of more than one year, and long-term deferred credits. For more information on the closure and post-closure costs, see Note 10 to Financial Statements, Landfill Closure and Post-closure Costs.

Costs Recovered or to be Recovered—Certain items included in operating costs are recovered by the Authority through rates set by the Board of Directors. The Authority, as a self-regulated utility, is subject to the requirements of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. GASB Statement No. 62 provides that certain costs that would otherwise be charged to revenue and expense can be deferred as regulatory liabilities and assets, based on the expected recovery from customers in future rates. Recognition of these costs is deferred to the extent that such costs are later included in rates charged by the Authority in future years.

Management continuously monitors the future recoverability of regulatory items, and when, in management’s judgment, any future recovery becomes impaired, the amount of the deferred inflow is written off, as appropriate. For additional information about the costs recovered or to be recovered, see Note 5 to Financial Statements, Costs Recovered or to be Recovered.

Bonds Payable—The Authority is operating under its Board’s General Bond Resolution No. 5107 (“Resolution No. 5107”), which provides for the issuance of revenue bonds and defines eligible investment securities.

Unamortized Debt Discount or Premium—Debt discount or premium are amortized using the bonds outstanding method over the periods of the applicable issues.

Unamortized Gains and Losses on Advance Refunding of Long-Term Debt—Gains and losses realized on advance refunding of long-term debt are deferred and amortized over the shorter of the life of the new bonds or the related refunding issues using the bonds outstanding method.

Deferred Outflows—In addition to assets, the Statements of Net Position reports a separate section for the deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The deferred outflows of resources relate to deferrals required by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) related to pension obligations, deferrals required by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 75), related to other postemployment benefits (OPEB), and deferred losses on reacquired debt. For additional information about the pension plans and OPEB, see Note 7 to Financial Statements, Retirement Plans, Postretirement, and Other Employee Benefits. For additional information about the loss on reacquired debt, see Note 6 to Financial Statements, Bonds Payable.

Deferred Inflows—In addition to liabilities, the Statements of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows of resources relate to deferrals required by GASB 68 deferrals required by GASB 75 regulated operations, which includes deferred revenues from third-party contributions to capital projects and contributions to a rate stabilization account, and derivative hedges. For additional information about the pension plans and OPEB, see Note 7 to Financial Statements, Retirement Plans, Postretirement, and Other Employee Benefits. For additional information about regulated operations, see Note 5 to Financial Statements, Costs Recovered or to be Recovered. Refer to Note 11 to Financial Statements, Risk Management, for additional information related to derivative hedges.

Operating and Nonoperating Revenues and Expenses— Operating revenues include the sales of power, other operating revenues, and regulatory asset revenues. Other operating revenues consist primarily of transmission revenues, but also include sales of water, lake permitting fees, and renewable energy certificates. Regulatory asset revenues are the recognition of deferred revenues. Operating expenses include costs to operate and maintain the Authority’s generation and transmission assets, and include fuel, purchased power, depreciation, and administrative and general expenses. Nonoperating revenues include investment income, net increase in the fair value of investments, amortization of bond premiums, and income from nonutility operations, which includes scenic river operations fees. Nonoperating expenses include interest expense, costs recovered or to be recovered from future revenues, amortization of bond-related expenses, and expenses from nonutility operations, which include scenic river operating expenses.

Purchased Power—Purchased power includes the cost of energy and power purchased for resale to customers. Included are the settlements for the hourly net exchange of electricity in the Southwest Power Pool (SPP) Integrated Marketplace and bilateral purchases, primarily from long-term wind and customer generation purchase agreements.

Energy Hedging— The Authority has a formalized Risk Management Policy and Energy Hedging Program. Accordingly, the Authority evaluates transactions under GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. For additional information about the hedging program, see Note 11 to Financial Statements, Risk Management.

Capital Contributions—Cash and capital assets are contributed to the Authority from customers, municipalities, or external parties. The value of property contributed to the Authority is reported as award revenues on the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

Income Taxes—The Authority is a governmental agency organized under the laws of the State of Oklahoma and is not subject to federal or Oklahoma state income taxes.

Comparative Data—Certain amounts presented in the prior year data may have been reclassified to be consistent with the current year’s presentation.

Adoption of New Accounting Standards—During the year, the Authority adopted the following accounting standards:

GASB Statement No. 93, Replacement of Interbank Offered Rates. The objective of this Statement is to address 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. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. This statement did not have an impact on the Authority’s financial statements.

GASB Statement No. 97, Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. This statement did not have an impact on the Authority’s financial statements.

GASB Statement No. 98, The Annual Comprehensive Financial Report. This Statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. This statement did not have a material impact on the Authority’s financial statements.

Recently Issued Accounting Standards—The following accounting standards will be adopted as applicable in future periods: GASB Statement No. 87, *Leases*, GASB Statement No. 92, *Omnibus 2020*, GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. When they become effective, application of these standards may restate portions of these financial statements.

2. DEPOSITS AND INVESTMENTS

The Authority’s Resolution No. 5107 provides for the issuance of revenue bonds and defines eligible investment securities as investments allowed pursuant to the Authority’s investment policy. The Authority’s Board Policy 5-2 defines the following categories of investments (1) bonds or other obligations, which are direct obligations of the United States of America, (2) bonds or other specifically named obligations, which are indirectly guaranteed by the United States of America, (3) direct and general obligations of any state which are rated in the two highest major categories of Moody’s, Standard & Poor’s (S&P), or Fitch, (4) certificates of deposit issued by a savings and loan association or a bank and trust company which are collateralized by the securities described in (1) and (2) or which are fully insured by the Federal Deposit Insurance Corporation (FDIC), (5) repurchase agreements with banks or government bond dealers which are secured by securities described in (1) and (2), (6) investment agreements with companies or banks whose senior debt obligations are rated no lower than the second highest category of Moody’s, S&P, or Fitch, (7) short-term obligations of any state or political subdivision which are rated in the highest short-term category by Moody’s or S&P, and (8) any cash swap or similar arrangement of the Bond Fund Trustee, the investments of which are limited to securities described in (1) and (2).

The Authority carries its investments at fair value. Fair value of a financial instrument is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The Authority and trustees monitor collateral pledged to secure deposits in financial institutions for compliance with rules and regulations promulgated by the Oklahoma State Treasurer.

Interest-Rate Risk—Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Resolution No. 5107 requires that investments not mature later than such times as the funds shall be necessary to provide monies when needed for payments to be made from the Debt Service Account, and in the case of the Debt Service Reserve Account, unless otherwise provided in a Supplemental Resolution, not later than ten (10) years from the date of investment. The Authority’s Board Policy 5-2 provides that general fund investments shall also not mature later than ten (10) years from the date of investment and requires specific diversification percentages by security type to reduce overall portfolio risk. The Authority attempts to hold the investments to maturity, which minimizes the exposure to rising interest rates and the investments are classified using a weighted average maturity.

As of December 31, 2021, and 2020, the Authority had the following investments (classified as either General Operating investments or Restricted investments on the Statements of Net Position) and corresponding maturities:

2021				
Investment Type	Investment Maturities (in Years)			
	Fair Value	Less than 1	1-5	6-10
U.S. government securities				
U.S. Treasury Bills	\$29,823,724	\$29,823,724	\$ -	\$ -
U.S. Treasury Notes	155,381,602	-	146,192,596	9,189,006
U.S. government sponsored enterprises				
FFCB	16,377,458	-	10,413,678	5,963,780
FHLB	58,613,567	-	50,645,739	7,967,828
FHLMC	73,337,561	1,088,846	40,738,784	31,509,931
FNMA	27,013,789	251,074	26,762,715	-
GNMA	12,931,347	352,413	12,199,078	379,856
State government obligations	987,100	-	987,100	-
Total	\$374,466,148	\$31,516,057	\$287,939,690	\$55,010,401

2020				
Investment Type	Investment Maturities (in Years)			
	Fair Value	Less than 1	1-5	6-10
U.S. government securities				
U.S. Treasury Bills	\$25,973,985	\$25,973,985	\$ -	\$ -
U.S. Treasury Notes	205,804,496	2,523,225	130,560,798	72,720,473
U.S. government sponsored enterprises				
FFCB	25,534,370	17,206,090	8,328,280	-
FHLB	11,452,195	5,013,425	2,500,450	3,938,320
FHLMC	90,651,648	17,059,177	55,361,870	18,230,601
FNMA	61,212,239	14,138,470	40,530,156	6,543,613
GNMA	22,769,989	145,497	22,624,492	-
State government obligations	4,058,255	-	3,033,605	1,024,650
Total	\$447,457,177	\$82,059,869	\$262,939,651	\$102,457,657

The above investment types exclude certificates of deposits.

Credit Risk—Credit risk is the risk that the insurer or other counterparty to an investment will not fulfill his obligation. Mortgage-backed securities (MBS) are not rated, because the agencies that issue such securities did not apply to any of the nationally recognized statistical rating organizations (NRSRO), such as Moody’s Investors Service and S&P for ratings on their MBS. However, the agencies and the Government Sponsored Enterprises (GSE) carry “Aaa/AA+” ratings from Moody’s and S&P for their debentures, and the MBS which carry their label (e.g., Federal National Mortgage Association—“FNR”; Federal Home Loan Mortgage Corporation—“FHR”) are direct obligations of the agencies. Except for Federal National Mortgage Association (“Fannie Mae”) and the Federal Home Loan Mortgage Corporation (“Freddie Mac”), which are government-sponsored quasi-governmental agencies, the agencies have the backing of the U.S. Government; therefore, the “Aaa/AA+/AAA” rating by Moody’s, Standard & Poor’s, and Fitch is implied. MBS issued by the Government National Mortgage Association, with the label GNR, carry the explicit full faith and credit of the U.S. Government. Securities issued by the Federal Farm Credit Bank (FFCB) and the Federal Home Loan Bank (FHLB) are rated “Aaa/AA+/AAA” by Moody’s, S&P, and Fitch credit rating agencies. Fannie Mae and Freddie Mac are rated “Aaa/AA+/AAA” by Moody’s, S&P, and Fitch credit rating agencies. The MBS are senior in the credit structure to the debentures for the FNMA and FHLMC. The certificates of deposit are held by various banks and are subject to the FDIC guarantees up to \$250,000. The Authority addresses credit risk of investments through the Authority’s Board Policy 5-2 which states that investments must be backed by the U.S. government, collateralized, fully insured by the FDIC or be rated no lower than the second highest category of Moody’s “Aa”, S&P “AA”, or Fitch “AA”. The Authority addresses concentration of credit risk of investments through the Authority’s Board Policy 5-2 which outlines the diversification desired in order to reduce overall portfolio risk from an over-concentration of assets.

As of December 31, 2021 and 2020, the Authority’s investments had the following ratings:

Investment Ratings	Moody’s/S&P/Fitch	2021	2020
U.S government securities	“Aaa/AA+/AAA”	\$185,205,326	\$231,778,481
U.S. government sponsored enterprises	“Aaa/AA+/AAA”	188,273,722	211,620,441
State government obligations	“Aa1/AA/AA” or higher	987,100	4,058,255

As of December 31, 2021, and 2020, the Authority had the following portfolio of investments with credit exposure by investment type as a percentage of total investments:

Concentration of Credit Risk

	<u>2021</u>	<u>2020</u>
U.S. government securities		
U.S. Treasury Bills	8.0%	5.8%
U.S. Treasury Notes	41.5	46.0
U.S. government sponsored enterprises		
FFCB	4.4	5.7
FHLB	15.6	2.5
FHLMC	19.6	20.3
FNMA	7.2	13.7
GNMA	3.4	5.1
State government obligations	0.3	0.9

Custodial Credit Risk—Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment for collateral securities that are in the possession of an outside party. All money to be held by the Authority under Resolution No. 5107 is required to be deposited in one or more depositories in the name of the Authority. All money deposited under the provisions of Resolution No. 5107 with the Bond Fund Trustee and the Construction Fund Trustee is required to be held in trust and applied only in accordance with the provisions of Resolution No. 5107; money held by the Authority and deposited in any depository is required to be held and secured in the manner provided by Oklahoma law.

Restricted noncurrent investment funds in the bond service reserve account, and certain funds in the construction account are included in Investments in Noncurrent assets on the Statements of Net Position. Restricted current investment funds in the bond service account and certain deposits in the construction account are included in Investments in Current assets on the Statements of Net Position. Restricted investments (noncurrent and current) are not available for general operations.

Unrestricted cash deposits, certificates of deposits, and money market funds are fully collateralized or covered by FDIC.

Fair Value Measurements—According to GASB Statement No. 72, *Fair Value Measurement and Application*, the Authority is required to disclose the valuation technique and level of inputs for all investments. The Authority’s investments fall into input Level 1 and Level 2.

Level 1 inputs are quoted (unadjusted) prices in active markets for identical assets or liabilities that the government can access at the measurement date. Observable markets include exchange markets, dealer markets, brokered markets and principal-to-principal markets.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation or by other means, e.g., “market-corroborated” inputs. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Market-corroborated inputs

Level 3 inputs are unobservable inputs for the asset or liability; they should be used only when relevant Level 1 and Level 2 inputs are unavailable. Governments may use their own data to develop unobservable inputs if there is no information available without undue cost and effort. The Authority has no investments that fall into Level 3.

Money Market Funds and Certificates of Deposit are not subject to classification.

The valuation methods for each investment listed in the following fair value of investments table include interactive data from Government/Agency Sector (GV/AGENCY) and Collateralized Mortgage Obligation Sector) pricing sources.

2021				
Fair Value				
	Level 1	Level 2	Level 3	Total
U.S. government securities	\$185,205,326	\$ -	\$ -	\$185,205,326
U.S. government sponsored enterprises	116,040,712	72,233,010	-	188,273,722
State government obligations	-	987,100	-	987,100
Derivative instruments	-	5,001,140	-	5,001,140

2020				
Fair Value				
	Level 1	Level 2	Level 3	Total
U.S. government securities	\$231,778,481	\$ -	\$ -	\$231,778,481
U.S. government sponsored enterprises	87,801,197	123,818,544	-	211,620,441
State government obligations	-	4,058,255	-	4,058,255
Derivative instruments	-	(333,110)	-	(333,110)

Carrying Values—Cash and cash equivalents and current and noncurrent investments on December 31, 2021 and 2020, follows:

2021							
	General Operations	Board Designated (Restricted)	Rate Stabilization (Restricted)	Bond Service (Restricted)	Bond Service Reserve (Restricted)	Special Purposes (Restricted)	Total
Current:							
Cash deposits—net	\$628,270	\$ -	\$ -	\$ -	\$ -	\$ -	\$628,270
Money market funds—cash and investments	16,712,340	-	-	75,424	-	98,456	16,886,220
U.S. government securities, agencies, sponsored enterprises & state government obligations	1,374,826	-	-	27,729,204	-	2,078,438	31,182,468
Certificates of Deposit Account Registry Service	717,187	9,921,898	-	-	-	-	10,639,085
Certificates of deposits—maturity <12 months	1,426,828	-	-	-	-	-	1,426,828
Total current	20,859,451	9,921,898	-	27,804,628	-	2,176,894	60,762,871
Noncurrent:							
U.S. government securities, agencies, sponsored enterprises & state government obligations	173,834,438	50,383,000	31,703,098	-	87,363,143	-	343,283,679
Money market funds	-	-	-	-	1,944,294	-	1,944,294
Total noncurrent	173,834,438	50,383,000	31,703,098	-	89,307,437	-	345,227,973
Total cash and investments	\$194,693,889	\$60,304,898	\$31,703,098	\$27,804,628	\$89,307,437	\$2,176,894	\$405,990,844

2020							
	General Operations	Board Designated (Restricted)	Rate Stabilization (Restricted)	Bond Service (Restricted)	Bond Service Reserve (Restricted)	Special Purposes (Restricted)	Total
Current:							
Cash deposits—net	\$118,537	\$ -	\$ -	\$ -	\$ -	\$1,872	\$120,409
Money market funds—cash and investments	33,984,573	-	-	760,116	-	113,865	34,878,554
U.S. government securities, agencies, sponsored enterprises & state government obligations	46,727,471	-	-	25,770,113	-	-	72,497,584
Certificates of Deposit Account Registry Service	10,603,192	-	-	-	-	2,143,380	12,746,572
Certificates of deposits—maturity <12 months	1,902,993	-	-	-	-	-	1,902,993
Total current	93,336,766	-	-	26,530,229	-	2,279,117	122,146,112
Noncurrent:							
U.S. government securities, agencies, sponsored enterprises & state government obligations	209,347,964	40,381,000	31,703,098	-	93,527,531	-	374,959,593
Money market funds	-	-	-	-	3,540,505	-	3,540,505
Total noncurrent	209,347,964	40,381,000	31,703,098	-	97,068,036	-	378,500,098
Total cash and investments	\$302,684,730	\$40,381,000	31,703,098	26,530,229	97,068,036	2,279,117	500,646,210

Additional information relating to cash and investment restrictions follows:

Rate Stabilization—Customer contracts contain requirements for the establishment and funding of a Rate Stabilization Account. Board Resolution No. 5107 and No. 5358 contain further guidelines for the establishment, maintenance, and allocation of the fund. For the year ended December 31, 2016, the Authority established and deposited \$21.0 million into the Rate Stabilization Account (RSA I). In 2020, \$1.3 million was used to credit wholesale full requirements customers, at a rate of \$0.00055 per kWh. In October 2020, Board Resolution No. 5381 was approved to give the CEO the discretion to defer certain revenues and authorized the creation of Rate Stabilization Account II (RSA II). For the year ended December 31, 2020, \$19.7 million in deferred revenues from RSA I was recognized. In addition, the Authority deferred an additional \$31.7 million of operating revenues into RSA II.

Bond Service—On December 31, the bond service fund in the accompanying Statements of Net Position reflects the restricted amount sufficient to pay seven months of principal and one month of interest due the following June 1.

Capital Reserve Fund—These designated, restricted funds were established in December 2021 as Board-designated funds for system capital improvements. This account is funded annually, up to a maximum of \$100 million, by the unspent portion of the annual base rate recovery for capital improvements. Contributions to this account in excess of \$100 million shall be at the discretion and direction of the Board. This fund may be used for any Board-approved capital projects.

Bond Service Reserve—The restricted amount in the accompanying Statements of Net Position reflects, at a minimum, the maximum aggregate debt service requirement for one year for all bonds outstanding per Resolution No. 5107.

Restricted for Special Purposes: FERC—Due to agreements with FERC, the Authority has restricted money for two purposes. The first restriction is for the Fish and Wildlife Mitigation Fund, established in June 2003 as required by FERC. The Authority funded an initial deposit of \$260,000 in 2003 and was required to make \$100,000 annual contributions (adjusted for inflation) each year the Pensacola Dam license is in effect. In December 2015, the Authority funded the balance of \$1.45 million, which represented the estimated annual contributions through the year 2022. Generally, the purpose of this fund is to support projects to protect and enhance fish and wildlife resources at the direction of various groups external to the Authority. Expenditures of approximately \$71,200 and \$35,040 were made from the fund in 2021 and 2020, respectively. The second restriction is for the Nature Conservancy Fund, established in May 2008 as required by FERC. The Authority funded an initial deposit of \$27,000 in 2008. The Authority is required to replenish the fund to \$27,000 on the first working day in January of each year. Generally, the purpose of this fund is to maintain bat caves protection on Grand Lake. Expenditures of approximately \$0- and \$261 were made from the fund in 2021 and 2020, respectively.

Restricted for Special Purposes: Other—The Authority also has restricted money for riparian leases under the Oklahoma Conservation Commission and Grand River Dam Authority Cooperative Agreement, the Authority either acquired or secured and paid for deeds of conservation easements. Enrollees that wish to terminate and/or are removed due to breach of agreement from the Riparian Protection Easement Program are required to pay back a pro-rated amount of the remaining years of the lump-sum payment received to the Authority as outlined in the agreement, the balance of which was \$70,665 and \$107,125 as of December 31, 2021 and 2020, respectively, with the obligation to use the funds to secure additional easements within the Illinois River Watershed.

The Reserve and Contingency Fund I and II—These designated, restricted funds were established in December 2004 as Board-designated funds for future use. The intended use of these funds will be for extraordinary items such as maintenance, operational and environmental expenses, or for expenses related to unforeseen risks, such as unscheduled outages, unexpected purchased power, or other extraordinary expenses not covered by insurance proceeds. These Board-designated funds had a balance of \$0 and \$40.4 million as of December 31, 2021, and 2020, respectively. These funds were eliminated in 2021 by the Board of Directors.

The Special Reserve and Contingency Fund—This designated, restricted fund was established in December 2021 as Board-designated funds for future use. The fund will be used at the discretion of the Board for extraordinary maintenance, operations, environmental expenses, or expenses related to unforeseen risks, including, but not limited to, unscheduled unit outages, unexpected purchase power expenses, and other extraordinary expenses not covered by insurance proceeds. In December 2021, the Board approved the transfer of \$383,000 from the Supplemental Reserve and Contingency Fund II to this fund and to contribute an additional \$50 million to this fund.

Letter of Credit—In 2015, the Authority established an unsecured letter of credit with Bank of Oklahoma to meet the requirements for participating in the SPP Integrated Marketplace. On December 31, 2021, and 2020, the line of credit was \$8.0 million. The letter of credit expires May 31, 2022, but has an auto-renewal clause.

Realized Gains and Realized Losses—For purposes of computing gross realized gains and gross realized losses, cost is determined by specific identification. The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on any investments that had been held for more than the current year may have been recognized as an increase or decrease in the fair value of investments reported in prior years.

Gross realized gains and gross realized losses on sales of investment securities for the years ended December 31, 2021, and 2020, were as follows:

	<u>2021</u>	<u>2020</u>
Gross realized gains	\$23,927,951	\$13,879,743
Gross realized losses	(26,507,102)	(3,464,508)

Gross realized gains and losses are included in Investment income-net in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

3. RECEIVABLES

Accounts receivable is comprised on December 31, 2021 and 2020 of the following amounts:

	<u>2021</u>	<u>2020</u>
Customers	\$68,070,522	\$32,258,685
Less allowance for doubtful accounts	(100,000)	(100,000)
Other	5,137,993	4,629,234
Total Current Accounts Receivable	73,108,515	36,787,919
Other Noncurrent Accounts Receivable	809,381	814,197
Total Accounts Receivable	\$73,917,896	\$37,602,116

On December 31, 2021 and 2020, the Authority's Other current accounts receivable, from the table above, includes reimbursable amounts from grants, mutual aid events, and deeds of conservation, as well as lake-related billings. Other noncurrent accounts receivable includes a customer's portion of closure and post closure costs, as well as receivables from a FEMA claim.

4. UTILITY PLANT

A summary of changes in utility plant for the years ended December 31, 2021 and 2020, follows:

2021				
	Balance December 31, 2020	Additions/ Transfers	Retirements	Balance December 31, 2021
Capital assets– nondepreciable:				
Land	\$39,176,917	\$416,356	\$ -	\$39,593,273
Construction work in progress	35,472,390	13,963,838	-	49,436,228
Total capital assets– nondepreciable	74,649,307	14,380,194	-	89,029,501
Capital assets– depreciable:				
GREC 2 coal-fired plant	632,239,296	2,324,180	(45,819)	634,517,657
GREC 3 combined-cycle gas plant	454,825,627	1,016,067	-	455,841,694
Redbud combined-cycle gas plant	385,088,734	5,374,190	(2,958,680)	387,504,244
Hydraulic production plants	187,459,743	3,396,480	(2,135,553)	188,720,670
Transmission and distribution system	472,939,267	13,888,229	(1,021,302)	485,806,194
Other properties and production plant	132,161,423	9,429,926	(914,923)	140,676,426
	2,264,714,090	35,429,072	7,076,277	2,293,066,885
Less accumulated depreciation:				
GREC 2 coal-fired plant	(518,914,263)	(11,255,787)	46,232	(530,123,818)
GREC 3 combined-cycle plant	(48,877,121)	(13,377,122)	-	(62,254,243)
Redbud combined-cycle gas plant	(216,039,878)	(16,858,224)	1,634,305	(231,263,797)
Hydraulic production plants	(45,899,317)	(2,971,011)	716,285	(48,154,043)
Transmission and distribution system	(191,256,603)	(10,501,044)	1,081,492	(200,676,155)
Other properties and production plant	(90,170,271)	(6,759,222)	588,395	(96,341,098)
	(1,111,157,453)	(61,722,410)	4,066,709	(1,168,813,154)
Total capital assets– depreciable	1,153,556,637	(26,293,338)	(3,009,568)	1,124,253,731
Net utility plant	<u>\$1,228,205,944</u>	<u>(\$11,913,144)</u>	<u>(\$3,009,568)</u>	<u>\$1,213,283,232</u>

2020				
	Balance December 31, 2019	Additions/ Transfers	Retirements	Balance December 31, 2020
Capital assets– nondepreciable:				
Land	\$38,501,422	\$711,520	(\$36,025)	\$39,176,917
Construction work in progress	30,890,535	4,581,855	-	35,472,390
Total capital assets– nondepreciable	69,391,957	5,293,375	(36,025)	74,649,307
Capital assets– depreciable:				
GREC 1 coal-fired plant	334,566,390	(92,979,916)	(241,586,474)	-
GREC 2 coal-fired plant	527,613,218	108,622,589	(3,996,511)	632,239,296
GREC 3 combined-cycle gas plant	457,334,619	(2,508,992)	-	454,825,627
Redbud combined-cycle gas plant	384,315,499	1,454,220	(680,985)	385,088,734
Hydraulic production plants	185,985,082	1,566,525	(91,864)	187,459,743
Transmission and distribution system	451,529,762	23,739,666	(2,330,161)	472,939,267
Other properties and production plant	137,236,423	6,526,047	(11,601,047)	132,161,423
	2,478,580,993	46,420,139	(260,287,042)	2,264,714,090
Less accumulated depreciation:				
GREC 1 coal-fired plant	(316,265,541)	79,071,913	237,193,628	-
GREC 2 coal-fired plant	(425,960,384)	(99,073,832)	6,119,953	(518,914,263)
GREC 3 combined-cycle plant	(35,580,184)	(13,296,937)	-	(48,877,121)
Redbud combined-cycle gas plant	(199,611,879)	(16,927,014)	499,015	(216,039,878)
Hydraulic production plants	(42,981,013)	(2,955,436)	37,132	(45,899,317)
Transmission and distribution system	(182,936,253)	(10,136,697)	1,816,347	(191,256,603)
Other properties and production	(91,938,364)	(9,104,154)	10,872,247	(90,170,271)
	(1,295,273,618)	(72,422,157)	256,538,322	(1,111,157,453)
Total capital assets– depreciable	1,183,307,375	(26,002,018)	(3,748,720)	1,153,556,637
Net utility plant	\$1,252,699,332	(\$20,708,643)	(\$3,784,745)	\$1,228,205,944

The change in construction work in progress during 2021 and 2020 is presented on a net basis to avoid a duplication of additions and retirements in the preceding tables. In 2020, the Authority chose early adoption of GASB Statement No. 89, which ceased capitalization of interest; therefore, no capitalized interest is included in construction work in progress. The Authority had depreciation and amortization expense of \$61,722,410 and \$72,422,157 for 2021 and 2020, respectively.

On July 29, 2019, GREC 2 experienced a mechanical failure and subsequent shutdown, which resulted in damages to the low pressure (LP) section of the turbine. GREC 2 successfully returned to operation June 9, 2020. In 2020, the final reimbursement of \$6,199,705 was processed and the receivable was cleared.

The Authority entered a lease vehicle program in 2016, initially leasing 14 passenger vehicles with a term of 48 months with an additional 3 passenger vehicles added in 2017. The leased equipment is amortized on a straight-line basis over the shorter of the useful life of the related assets or the lease term. The first 14 passenger vehicles were returned at the end of their lease term in 2020, resulting in a gross amount of assets acquired under capital leases for 2020 of \$75,939 for the remaining 3 vehicles. Total accumulated amortization related to the leased vehicles was \$70,128 on December 31, 2020. The remaining 3 passenger vehicles were returned at the end of their lease term in 2021, resulting in a gross amount of assets acquired under capital leases for 2021 of \$0. Total accumulated amortization related to the leased vehicles was \$0 on December 31, 2021. The balance of capital leases payable on December 31, 2021, was \$0 and was recorded as a portion of accounts payable and accrued liabilities. The Authority currently has no plans to expand the program beyond 2021. The interest rate related to the lease obligation is variable based on the current interest rate on delivery date. The interest portion of the capital lease minimum payments was \$1,136 and \$8,719 in 2021 and 2020, respectively.

In 2017, the Authority entered a Riparian Conservation Easement program with the Oklahoma Conservation Commission (OCC). The Authority secures 30-year minimum easement agreements with landowners. A lump sum is paid upfront for each easement. The costs are amortized on a straight-line basis, and the residual values are the difference between the total amortization and the amortization to date. For each easement, a corresponding liability is recorded, and relieved for the same life.

Riparian Conservation Easements			
	Initial Cost	Depreciation	Carrying Cost
2020	\$1,574,562	(\$47,554)	\$1,527,008
2021	\$1,659,252	(\$100,537)	\$1,558,715

5. COSTS RECOVERED OR TO BE RECOVERED

In 2017, the Authority determined that it should defer the capital asset portion of the revenue proceeds from insurance recoveries resulting from the July 2016 GREC fire restoration as per GASB Statement No. 62. Deferral of revenue in accordance with this Statement requires Board Resolution. Board Resolution No. 5307 pertaining to this matter was passed and adopted by the Board of Directors on March 8, 2017.

Board Resolution 5325 was then passed and adopted by the Board of Directors on December 13, 2017. This Board Resolution further grants the Chief Financial Officer the discretion to record certain revenues as regulatory assets regarding revenues related to certain third-party reimbursement for capital assets procured or constructed and recognize those revenues proportionately as said assets are depreciated.

The deferred inflow of resources consists of recognized revenues associated with certain third-party reimbursement on capital assets, as approved by one of the two resolutions described above. This amount is a portion of deferred inflows related to regulated operations on the Statements of Net Position. A roll forward of costs recovered or to be recovered from future revenues follows:

	Balance 12/31/2020	Increase	Decrease	Balance 12/31/2021
Third Party Reimbursement (Capital Assets)	\$56,931,865	\$13,987,865	\$1,948,629	\$68,971,101
Rate Stabilization Fund	31,703,098	-	-	31,703,098
Total	\$88,634,963	\$13,987,865	\$1,948,629	\$100,674,199
	Balance 12/31/2019	Increase	Decrease	Balance 12/31/2020
Third Party Reimbursement (Capital Assets)	\$57,470,234	\$3,854,699	\$4,393,068	\$56,931,865
Rate Stabilization Fund	19,703,098	31,703,098	19,703,098	31,703,098
Total	\$77,173,332	\$35,557,797	\$24,096,166	\$88,634,963

In 2020, the Authority passed Board Resolution 5388, which granted the Chief Financial Officer the discretion to adopt regulatory accounting for the deferral of certain expenses, in accordance with GASB 62. Additionally in 2020, the Authority expanded the policy for regulatory assets. This created a threshold for the treatment and recognition of revenues, with a minimum of \$1.0 million for individual projects, or \$100,000 in annual amortization amounts. As a result of the established threshold, the Authority recognized \$2.4 million in revenues, previously held in deferred inflows.

6. BONDS PAYABLE

A summary of changes in bonds payable for the years ended December 31, 2021 and 2020, follows:

	2021			
	December 31, 2020	Bonds Issued	Retirements	December 31, 2021
Revenue Bonds, 2010 Series B: 3.71% to 7.155% Series 2010B (fully taxable)—maturing 2015 through 2040	\$68,630,000	\$ -	(\$1,675,000)	\$66,955,000
Revenue Bonds, 2014 Series A & B: 3% to 5% Series 2014A—maturing in 2018 through 2039	203,945,000	-	(7,685,000)	(196,260,000)
1.804% to 3.961% Series 2014B (fully taxable)—maturing 2018 through 2039	77,215,000	-	(2,740,000)	74,475,000
Total Series 2014 A & B	281,160,000	-	(10,425,000)	270,735,000
Revenue Bonds, 2016 Series A & B: 3% to 5% Series 2016A—maturing in 2019 through 2039	443,075,000	-	(22,100,000)	420,975,000
1.828% to 3.503% Series 2016B (fully taxable)—maturing 2020 through 2033	20,540,000	-	(640,000)	19,900,000
Total Series 2016 A & B	463,615,000	-	(22,740,000)	470,875,000
Revenue Bonds, 2017 Series: 3% to 5% Series 2017—maturing in 2021 through 2040	90,455,000	-	(4,400,000)	86,055,000
Total bonds payable	\$903,860,000	\$ -	(\$39,240,000)	\$864,620,000
Less current portion	\$(39,240,000)	\$ -	\$ -	\$(41,675,000)
Long-term portion	864,620,000	-	-	822,945,000
Add (deduct): Unamortized debt premium	86,811,405	-	(10,187,106)	76,624,299
Long-term bonds payable	\$951,431,405	\$ -	(\$10,187,106)	\$899,569,299

2020				
	December 31, 2019	Bonds Issued	Retirements	December 31, 2020
Revenue Bonds, 2010 Series A & B: 3% to 5.25% Series 2010A—maturing 2015 through 2040	\$4,095,000	\$ -	(\$4,095,000)	\$ -
3.71% to 7.155% Series 2010B (fully taxable)—maturing 2015 through 2040	70,220,000	-	(1,590,000)	68,630,000
Total Series 2010 A & B	74,315,000	-	(5,685,000)	68,630,000
Revenue Bonds, 2014 Series A & B: 3% to 5% Series 2014A—maturing in 2018 through 2039	211,350,000	-	(7,405,000)	203,945,000
1.804% to 3.961% Series 2014B (fully taxable)—maturing 2018 through 2039	79,850,000	-	(2,635,000)	77,215,000
Total Series 2014 A & B	291,200,000	-	(10,040,000)	281,160,000
Revenue Bonds, 2016 Series A & B: 3% to 5% Series 2016A—maturing in 2019 through 2039	464,320,000	-	(21,245,000)	443,075,000
1.828% to 3.503% Series 2016B (fully taxable)—maturing 2020 through 2033	21,075,000	-	(535,000)	20,540,000
Total Series 2016 A & B	485,395,000	-	(21,780,000)	463,615,000
Revenue Bonds, 2017 Series: 3% to 5% Series 2017—maturing in 2021 through 2040	90,455,000	-	-	90,455,000
Total bonds payable	\$941,365,000	\$ -	(\$37,505,000)	\$903,860,000
Less current portion	(37,505,000)	-	-	(39,240,000)
Long-term portion	903,860,000	-		864,620,000
Add (deduct):				
Unamortized debt premium	97,474,228	-	(10,662,823)	86,811,405
Unamortized debt discount	(38,706)	-	38,706	-
Long-term bonds payable	\$1,001,295,522	\$ -	(\$10,624,117)	\$951,431,405

Oklahoma state statutes have authorized the Authority to issue revenue bonds from time to time with the aggregate outstanding indebtedness not to exceed \$1,410,000,000.

The scheduled maturities of bonds payable on December 31, 2021, are as follows and reflect the scheduled payments to be remitted by the trustee to the bondholders:

Due to Bond Holders			
Year Ended December 31	Annual Principal	Semiannual Interest	Calendar Year Bond Payments
2022	\$41,675,000	\$20,965,270	
		20,046,383	\$82,686,653
2023	43,080,000	20,046,383	
		19,004,104	82,130,487
2024	49,225,000	19,004,104	
		17,851,468	86,080,572
2025	49,425,000	17,851,468	
		16,657,622	83,934,090
2026	52,650,000	16,657,622	
		15,365,776	84,673,398
2027-2031	274,070,000	121,659,224	395,729,224
2032-2036	231,785,000	54,941,712	286,726,712
2037-2040	122,710,000	11,420,322	134,130,322
	\$864,620,000	\$371,471,458	\$1,236,091,458

To secure the bonds, the Authority has pledged all revenues of the Authority. Resolution No. 5107 and supplemental bond resolutions specify multiple covenants made by the Authority to the Bond Fund Trustee and bondholders. Among the more significant requirements, the Authority has covenanted to charge adequate rates, operate and maintain the facilities, and make any necessary repairs, renewals, replacements, and improvements. System properties are not to be encumbered, sold, or disposed of, and additional parity bonds are not to be issued unless certain conditions are met. As of December 31, 2021, the Authority complied with bond covenants.

In general, federal tax laws require the Authority to rebate to the US Treasury any profit from investments that yield a higher rate than the tax-exempt revenue bond proceeds. The Authority has no liability for arbitrage rebate on December 31, 2021, and 2020, respectively.

All of the Authority's outstanding bonds fall under Resolution No. 5107, which contains a provision that if one or more Events of Default shall happen, then either the Bond Trustee or the Holders may declare the principal of all Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately.

7. RETIREMENT PLANS, POSTRETIREMENT, AND OTHER EMPLOYEE BENEFITS

The Authority participated in five retirement plans during 2021 and 2020. The plans currently available to the Authority personnel include three defined benefit plans and two defined contribution plans. The defined benefit plans include the Oklahoma Public Employees Retirement System (OPERS) plan, the Oklahoma Law Enforcement Retirement System (OLERS) plan, and the Authority's postemployment Healthcare Plan. The defined contribution plans include the Oklahoma State Employees Deferred Compensation Plan (the "State Plan") and the OPERS Pathfinder plan. A summary of significant data for each of the retirement plans and discussion of postemployment and other employee benefits follows:

The Authority is a participant in two multiple employer defined benefit pension plans, the Oklahoma Public Employees Retirement Plan (the "OPERS Plan") and the Oklahoma Law Enforcement Retirement Plan (the "OLERS Plan"). The table below shows both pensions as reported in the basic financial statements.

For the year ended December 31, 2021:

	OPERS	OLERS	Total
Deferred outflows of resources	\$5,012,888	\$362,233	\$5,375,121
Deferred inflows of resources	34,534,698	1,848,466	36,383,164
Pension liability (asset)	(30,042,207)	210,956	(29,831,251)
Pension expense recognized	(3,101,096)	116,302	(2,984,794)

For the year ended December 31, 2020:

	OPERS	OLERS	Total
Deferred outflows of resources	\$12,135,043	\$1,349,651	\$13,484,694
Deferred inflows of resources	503,704	100,055	603,759
Pension liability (asset)	19,877,360	3,314,998	23,192,358
Pension expense recognized	12,405,678	1,148,296	13,553,974

The Authority's proportionate share of plan assets for OPERS as of December 31, 2021, is \$270,117,824, while proportionate share of plan liabilities is \$240,075,617. The Authority's proportionate share of plan assets for OPERS as of December 31, 2020, were \$216,581,973, while proportionate share of plan liabilities was \$236,456,178.

The Authority's proportionate share of plan assets for OLERS as of December 31, 2021, is \$19,535,348, while proportionate share of plan liabilities is \$19,746,305. The Authority's proportionate share of plan assets for OLERS as of December 31, 2020, were \$15,400,193, while proportionate share of plan liabilities was \$18,715,191.

Oklahoma Public Employees Defined Benefit Retirement Plan

General Information about the Pension Plan

Plan Description. The Authority contributes to the OPERS Plan, a cost-sharing multiple-employer public employee defined benefit retirement plan administered by the OPERS, a component unit of the State of Oklahoma (the "State"). The OPERS Plan provides retirement, disability and death benefits to its members and beneficiaries, primarily state, county, and local agency employees. The benefits provided are established by and may be amended by the legislature of the State. Title 74 of the Oklahoma Statutes, Sections 901 through 943, assigns the authority for management and operation of the OPERS Plan to the OPERS Board of Trustees.

In 2014, the Oklahoma Legislature enacted legislation effective November 1, 2015, requiring a defined contribution system be established by the OPERS for most state employees first employed by a participating State employer on or after November 1, 2015, and ceasing the acceptance of any new participants to the defined benefit retirement plan.

OPERS issues a publicly available financial report that includes financial statements and required supplementary information for OPERS. That annual report may be obtained online at www.opers.ok.gov, by writing to OPERS, PO Box 53007, Oklahoma City, OK 73152-3007, or by calling 1-800-733-9008.

Vesting. OPERS requires eight years of credited service (including six full years of full-time equivalent employment) to be eligible to vest.

Benefits Provided. Employees who became a member of OPERS before November 1, 2011, can begin receiving full, unreduced retirement benefits at the age of 62 with six full years of full-time equivalent employment; or when the sum of the member's age and years of service equals 80 when membership began before July 1, 1992; or when the sum of the member's age and years of service equals 90 when membership began on or after July 1, 1992.

Employees who became a member of OPERS on or after November 1, 2011, can begin receiving full, unreduced retirement benefits at the age of 65 with six full years of full-time equivalent employment; or when the member is at least 60 years of age and the sum of the member's age and years of service equals 90.

Employees may retire at age 60 (55 when membership began before November 1, 2011) and receive reduced benefits with at least 10 years of participating service. Members who choose early retirement will receive a permanent actuarial reduction in benefit based on the age at retirement.

The benefit on or after normal retirement, payable monthly for life, is 2% of final average compensation, multiplied by years of credited service. For members who have elected the Step-Up Option, a 2.5% multiplier is applied to the “stepped-up” full years.

Contributions. OPERS members and the Authority are required to contribute to the OPERS Plan at a rate set by statute. Contribution rates are established and may be amended by the State. Each member participates based on gross salary earned (excluding overtime). As state employees, the Authority employees contribute 3.5% on salary. The Authority contributed 16.5%, on all salary for the Plan’s fiscal years-ended June 30, 2021, and 2020.

OPERS members have the option to elect to increase the benefit computation factor for all future service from 2.0% to 2.5%. The election is irrevocable, binding for all future employment under OPERS, and applies only to full years of service. Those who make the election pay the standard contribution rate plus an additional contribution rate of 2.91% which is actuarially determined. The election is available for all state, county, and local government employees, except for elected officials and hazardous duty members.

During the reporting period for 2021 and 2020, the OPERS recognized \$5,696,252 and \$5,838,607, respectively, in contributions from the Authority.

Contribution rates as of December 31, 2021 and 2020, are as follows:

Employee Category	Employee	Employer
General	3.50%	16.50%
Elected Officials	3.50%	16.50%

OPERS Hazardous Duty Employees. On July 1, 2016, SB 1388 became effective, which required the Authority’s public safety officers to participate in OPERS as Hazardous Duty Employees. This group of employees contributes 8% of allowable compensation as defined in 74 O.S. § 902(9) for a maximum of 20 years of hazardous duty participating service, while the Authority contributes 16.5%, on allowable compensation. After the employee has contributed at the higher rate for 20 years, the employee will contribute at the nonhazardous duty rate. Employees vest when they have eight years of credited service (including six full years of full-time-equivalent employment). Because all Authority employees will have become members of the plan after November 1, 2011, the employee can begin receiving full, unreduced retirement benefits when he or she is at least age 65 with six full years of full-time-equivalent employment or is at least 60 years of age and the sum of age and years of service equals 90.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, investments are reported at fair value.

On December 31, 2021, the Authority reported a liability (asset) of (\$30,042,207) for its cumulative proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of July 1, 2021. The Authority's proportion of the net pension liability (asset) was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating employers. On June 30, 2021, the Authority's proportion was 2.2383% which is a 0.48% increase from the prior year. For the year ended December 31, 2021, the Authority recognized pension expense of (\$3,101,096).

As of December 31, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

OPERS Plan 2021		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$755,379
Changes in assumptions	2,179,565	-
Net differences between projected and actual earnings on pension plan investments	-	33,454,472
Employer contributions subsequent to the measurement date	2,833,323	-
Change in proportion	-	324,847
Total	\$5,012,888	\$34,534,698

As of December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

OPERS Plan 2020		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$110,007
Changes in assumptions	7,098,869	-
Net differences between projected and actual earnings on pension plan investments	2,137,685	-
Employer contributions subsequent to the measurement date	2,898,489	-
Change in proportion	-	393,697
Total	\$12,135,043	\$503,704

The amounts reported as deferred outflows related to employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Plan
Year Ended December 31	Net Pension Expense
2022	(\$6,948,827)
2023	(7,971,545)
2024	(8,212,249)
2025	(9,222,512)
	<u>(\$32,355,133)</u>

Actuarial Assumptions. The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>2021</u>	<u>2020</u>
Actuarial valuation date:	July 1, 2021	July 1, 2020
Measurement date of net pension liability:	June 30, 2021	June 30, 2020
Actuarial cost method:	Entry age	Entry age
Asset valuation method for contributions:	Five-year moving average of expected and actual market values	Five-year moving average of expected and actual market values
Asset valuation method for assets under GASB 68:	Fair value of assets	Fair value of assets
Long-term expected rate of return:	6.5%	6.5%
Discount rate:	6.5%	6.5%
Salary increases:		
Inflation:	2.5%	2.5%
Seniority/merit:	3.5% to 9.25% per year including inflation	3.5% to 9.25% per year including inflation
Mortality:	RP-2014 Blue Collar Active Mortality Table	RP-2014 Blue Collar Active Mortality Table

Actuarial assumptions are based upon the most recent experience study, which covered the three-year period ending June 30, 2019. The experience study report is dated May 13, 2019.

Long-Term Expected Return on Plan Assets. The long-term expected rate of return on pension plan investments was determined using a lognormal distribution analysis 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 asset allocation and best estimates of geometric real rates of return for each major asset class used in the June 30, 2019, experience study, are summarized in the following table:

Asset Class	Real Rate of Return	Target Allocation
U.S. Large Cap Equity	4.7%	34.0%
U.S. Small Cap Equity	5.8	6.0
Int's Developed Equity	6.5	23.0
Emerging Market Equity	8.5	5.0
Core Fixed Income	0.5	25.0
Long Term Treasuries	0.0	3.5
US TIPS	0.3	3.5
Total		100.0%

Single Discount Rate. The discount rate used to measure the total pension liability is 6.5% for 2021 and 6.5% for 2020. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employees will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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. The discount rate determined does not use a municipal bond rate.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the Authority's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.5%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5%) or 1-percentage-point higher (7.5%) than the current rate:

2021			
	1% Decrease to discount Rate (5.5%)	Current Discount Rate (6.5%)	1% Increase to Discount Rate (7.5%)
Proportionate share of the net pension liability (asset)	(\$2,789,054)	(\$30,042,207)	(\$53,077,605)
2020			
	1% Decrease to Discount Rate (5.5%)	Current Discount Rate (6.5%)	1% Increase to discount Rate (7.5%)
Proportionate share of the net pension liability (asset)	\$46,785,500	\$19,877,360	(\$2,865,544)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at www.opers.ok.gov.

Payables to the Pension Plan

On December 31, 2021, and 2020, the Authority has outstanding payables to OPERS of \$567,114 and \$571,690, respectively, related to December 2021 and 2020 employer, employee, and voluntary contributions, which are payable in the following month. These amounts are included in accounts payable on the Statements of Net Position.

Oklahoma Law Enforcement Retirement Plan

General Information about the Pension Plan

Plan Description. Legislation passed during 2003 mandated that any lake patrolmen and dispatchers hired on or after July 1, 2003, shall participate as members of the OLERS Plan, a cost-sharing multiple-employer public employee-defined benefit retirement plan administered by the Oklahoma Law Enforcement Retirement System (OLERS), a component unit of the State. The OLERS Plan provides retirement, disability, and death benefits to its members and beneficiaries, primarily state employees providing law enforcement. The benefits provided are established and may be amended by the legislature of the State. Three of the Authority's patrolmen elected to transfer from the OPERS Plan to the OLERS Plan under Oklahoma Statutes, Title 47, Section 2-315, which provided for Authority lake patrolmen and dispatchers as of June 30, 2003, to make an irrevocable written election by January 1, 2004, to either pay the difference between the amount transferred between the plans or receive eligible prorated service credit as defined in statute. Oklahoma Statutes, Title 47, Sections 2-300, *et seq.*, established the Oklahoma Law Enforcement Retirement Board to administer this retirement system.

SB 1388, as codified in Oklahoma Statutes, Title 47, Sections 902, *et seq.*, placed all of the Authority's public safety officers hired after July 1, 2016, under the OPERS plan as hazardous duty employees.

The System issues a publicly available annual financial report that includes financial and required supplementary information for OLERS. That annual report may be obtained online at www.olders.state.ok.us, by writing to OLERS, 421 NW 13th St, Suite 100, Oklahoma City, OK 73103 or by calling 1-877-213-0856.

Vesting. OLERS requires ten years of credited service to be eligible to vest.

Benefits Provided. Employees can begin receiving full, unreduced retirement benefits after twenty years of service or at the age of 62 with ten full years of full-time equivalent employment.

The benefit on or after normal retirement is 2.5% of the greater of final average salary or the salary paid to active employees as described under "salary considered" multiplied by the years and completed months of credited service. There is no maximum service.

Contributions. System members and the Authority are required to contribute to the OLERS Plan at a rate set by statute. These contributions are established and may be amended by the legislature of the State. Each member participates based on gross salary earned (excluding overtime). The Authority's patrolmen and dispatchers participating in the OLERS Plan contributed 8.0%, and the Authority contributed 10% of total base salary through October 2012. Beginning November 2012, the Authority contribution rates increased to 11% of total base salary. Additional funds are also provided by the State of Oklahoma as summarized in the table below. Non-employer contributions are recorded as non-operating revenue in the Statements of Revenues, Expenses, and Changes in Net Position.

During the reporting period for 2021 and 2020, the OLERS recognized \$156,832 and \$147,637 in contributions from the Authority, respectively.

Contribution rates as of December 31, 2021 and 2020, are as follows:

Category	Contribution Rate
State	License Agency Fees equals to 1.2% of Driver's License taxes, plus 5% of Insurance Premium Tax
Agency	10% of actual base salary until October 31, 2012, and 11% of actual base salary as of November 1, 2012
Member	8% of paid salary. Accumulated contributions after tax up to December 31, 1989, and before-tax after December 31, 1989

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, investments are reported at fair value.

On December 31, 2021, the Authority reported a liability of \$210,956 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating employers. On June 30, 2021, the Authority's proportion was 1.5688% which is an 2.242% increase from the prior year. For the year ended December 31, 2021, the Authority recognized pension expense of \$116,302.

On June 30, 2020, the Authority's proportion was 1.5344%. For the year ended December 31, 2020, the Authority reported a liability of \$3,314,998 and recognized pension expense of \$1,148,296.

On December 31, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

OLERS Plan 2021		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$198,323	\$30,024
Changes in assumption	1,492	-
Net differences between projected and actual earnings on pension plan investments	-	1,782,995
Employer contributions subsequent to the measure date	74,453	-
Change in proportion	87,966	35,447
Total	\$362,234	\$1,848,466

On December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

OLERS Plan 2020		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$274,029	\$52,143
Changes in assumption	4,563	-
Net differences between projected and actual earnings on pension plan investments	887,676	-
Employer contributions subsequent to the measure date	72,569	-
Change in proportion	110,814	47,912
Total	\$1,349,651	\$100,055

The amounts reported as deferred outflows related to employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

OLERS Plan	
Year Ended December 31	Net Pension Expenses
2022	(\$304,351)
2023	(264,795)
2024	(379,902)
2025	(611,628)
2026	(9)
	(\$1,560,685)

Actuarial Assumptions. The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>2021</u>	<u>2020</u>
Actuarial valuation date:	July 1, 2021	July 1, 2020
Measurement date of net pension liability:	June 30, 2021	June 30, 2020
Actuarial cost method:	Entry age	Entry age
Asset valuation method for contributions:	Five-year moving average of expected and actual market values	Five-year moving average of expected and actual market values
Asset valuation method for assets under GASB 68:	Fair value of assets	Fair value of assets
Long-term expected rate of return:	7.5%	7.5%
Discount rate:	7.5%	7.5%
Salary increases:		
Inflation:	2.75%	2.75%
Seniority/Merit:	3.5% - 9.75%, including inflation	3.5% - 9.75%, including inflation
Mortality:	RP-2014 Blue Collar Healthy Employees with Generational Projection using Scale MP-2016	RP-2014 Blue Collar Healthy Employees with Generational Projection using Scale MP-2016

Actuarial assumptions used in the July 1, 2020, valuation are based upon an experience study conducted using experience from the five-year period ending June 30, 2016.

Long-Term Expected Return on Plan Assets. The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) were developed for each major class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentages and adding expected inflation.

The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by the System’s investment consultant, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Large Cap Equity	9.89%	20%
Small Cap Equity	11.18	10
Long/Short Equity	8.21	10
International	10.89	10
Emerging Market	12.23	5
Private Equity	13.17	5
Fixed Income	16.65	30
Real Assets	20.46	10
Total		100 %

Single Discount Rate. A single discount rate of 7.5% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.5% for both the June 30, 2020, and June 30, 2019, measurement dates. A municipal bond rate was not used in determining the discount rate.

The projection of cash flows used to determine the discount rate assumed that plan contributions from members, state agencies, insurance premium taxes, and other state sources would be made at the current contribution rates set out in state statute.

Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

Sensitivity of the Authority’s Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the Authority’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5%, as well as what the Authority’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

2021			
	1% Decrease to discount Rate (6.5%)	Current Discount Rate (7.5%)	1% Increase to Discount Rate (8.5%)
Proportionate share of the net pension liability (asset)	\$2,546,962	\$210,956	(\$1,708,500)
2020			
	1% Decrease to Discount Rate (6.5%)	Current Discount Rate (7.5%)	1% Increase to discount Rate (8.5%)
Proportionate share of the net pension liability (asset)	\$5,573,051	\$3,314,998	\$1,461,075

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at www.olders.state.ok.us.

Payables to the Pension Plan

On December 31, 2021, and 2020, the Authority has outstanding payables to OLERS of \$21,391 and \$21,310, respectively, related to December 2021 and 2020, employer, employee, and voluntary contributions, which are payable in the following month. These amounts are included in accounts payable on the Statements of Net Position.

Oklahoma Public Employees Retirement Defined Contribution Plan

In 2014, the Oklahoma Legislature enacted legislation in HB 2630 requiring a Defined Contribution System be established by the OPERS for most state employees first employed by a participating State employer on or after November 1, 2015. This bill is codified in Oklahoma Statutes as Title 74, Section 935.1, *et seq.* Employees of the Authority who first became employees on or after November 1, 2015, and have no prior participation in OPERS must participate in the mandatory Defined Contribution Plan created in accordance with Internal Revenue Code Section 401(a) and 457(b) and Title 590, Chapter 40 of the Oklahoma Administrative Code. The Defined Contribution Plan is known as Pathfinder. Pathfinder and its related Trust(s) are intended to meet the requirements of the Internal Revenue Code. Pathfinder is administered by the OPERS.

Contribution rates are established by Oklahoma Statute and may be amended by the Oklahoma Legislature. For 2015, the initial period of implementation, employees must make mandatory employee contributions of 4.5% of pretax salary to the 401(a) plan and may make additional voluntary contributions to the 457(b) plan, subject to the maximum deferral limit allowed under the Internal Revenue Code. Employees are vested 100% for all employee contributions. The Authority must make mandatory contributions of 6% of the employee's pretax salary and 7% if the employee elects to participate in the 457(b) plan. Employees become vested for the employer contributions based on an established vesting schedule. The amount of the Authority's contributions for Pathfinder for the year ended December 31, 2021, and 2020, was approximately \$671,675 and \$551,858, respectively.

Additionally, in order to reduce the liabilities of the defined contribution plan, the Authority is required to contribute the difference between the established 16.5% defined benefit employer contribution rate and the amount required to match the participating employees' contribution in the defined contribution plan. The amount contributed by the Authority for the year ended December 31, 2021, and 2020, to meet this requirement is \$951,403 and \$785,004, respectively. The Authority had outstanding payables to OPERS for the defined benefit plan for the year ended December 31, 2021, and 2020, of \$119,431 and \$94,840, respectively, which were payable in the following month.

Oklahoma State Employees Deferred Compensation Plan

Plan Description. Employees of the Authority may also participate in the Oklahoma State Employees Deferred Compensation Plan (the "State Plan"), a voluntary deferred compensation plan administered by OPERS. The State Plan is a defined contribution plan available to all Authority employees, which permits participants to defer receipt of a portion of their salary until future years as authorized by Section 457 of the Internal Revenue Code and in accordance with the provisions of Oklahoma Statutes, Title 74, Sections 1701, *et seq.* The State Plan is established by and may be amended by the Legislature of the State. Oklahoma Statutes assign the authority for management and operation of the State Plan to the Board of Trustees of the OPERS. The minimum amount allowable to be deferred under the State Plan is \$25 per month. Under state law, each employee is eligible to receive a \$25 monthly matching contribution from the Authority to be deposited in a 401(a) retirement account. Employee contributions to the Plan totaled \$960,156 and \$1,055,713 for the years ended December 31, 2021, and 2020, respectively. The Authority paid matching contributions and administrative fees of \$127,698 and \$135,029 for the years ended December 31, 2021, and 2020, respectively.

GRDA Postemployment Healthcare Plan

Plan Description. GRDA Postemployment Healthcare Plan is a single-employer defined benefit healthcare plan administered by the Authority. GRDA Postemployment Healthcare Plan provides medical and dental insurance benefits to eligible retirees. In November 2007, the Authority’s Board of Directors authorized the Authority to subsidize \$200 per month for eligible retirees, effective January 1, 2008. This stipend is provided for life to employees hired prior to November 1, 2015. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75. The Plan does not issue a stand-alone financial report.

Benefits Provided. The OPEB plan provides for employee and dependent healthcare coverage from the date of retirement to age 65, provided the participant was covered by the plan before retiring. The participant can elect to enroll in spousal coverage. Surviving spouses may continue in the plan until age 65. Spouses do not receive the \$200 per month subsidy.

Employees Covered by the Plan: The following table details the Authority’s number of employees covered by the benefit terms:

Participant Data	December 31, 2021	December 31, 2020
Active participants:		
Employees hired prior to 11/01/2015 and eligible for \$200 subsidy	425	460
Employees hired 11/01/2015 or later and not eligible for \$200 subsidy	123	88
Total active participants	548	548
Inactive participants entitled to but not yet receiving benefits		
	-	-
Inactive participants receiving benefits:		
Retirees	274	274
Covered spouses (below age 65)	18	18
Total inactive participants receiving benefits	292	292
Total Participants	840	840

Funding Policy. The contributions of plan members and the Authority are established and may be amended by the Board of Directors within the limits of Oklahoma statutes. The contribution is based on estimated pay-as-you-go financing requirements. For the years ended December 31, 2021, and 2020, the Authority contributed \$679,460 and \$665,522, respectively, to the plan, which consisted entirely of current premiums and included no additional contribution to prefund benefits.

Actuarial Methods and Assumption. Projections of benefits for financial reporting purposes are based on the benefits provided under the terms of the substantive plan (the plan as understood by the employer and the plan members) at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total OPEB liability in the January 1, 2020, actuarial valuation was determined using the following assumptions:

	<u>2021</u>	<u>2020</u>
Actuarial valuation date	January 1, 2021	January 1, 2020
Inflation	2.10%	2.10%
Discount rate (from the Bond Buyer GO-20 Index)	2.12%	2.74%
Salary Increases	Variable from 9.50% to 3.50% based on age and service group	Variable from 9.50% to 3.50% based on age and service group
Healthcare cost trend rates	2020-2021 at 5.80% increasing 0.5% to 2022 then, decreasing by 0.1% each year to 2024, then decreasing by 0.3 to 2025 to an ultimate rate of 5.3% for 2026 and beyond	2020-2021 at 5.80% increasing 0.5% to 2022 then, decreasing by 0.1% each year to 2024, then decreasing by 0.3 to 2025 to an ultimate rate of 5.3% for 2026 and beyond
Actuarial cost method	Entry Age Normal	Entry Age Normal
Mortality	Pub-2010 Public Retirement Plans General Mortality Table weighted by Headcount projected by MP-2019 as of January 1, 2020	Pub-2010 Public Retirement Plans General Mortality Table weighted by Headcount projected by MP-2019 as of January 1, 2020

Changes in the Total OPEB Liability. Changes of assumptions and other inputs reflect a change in discount rate from 2.74% in 2020 to 2.12% in 2021. Changes in the Total OPEB Liability for the year ended December 31, 2021:

Changes in the Total OPEB Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at December 31, 2020	\$19,461,886	\$ -	\$19,461,886
Changes for the year			
Service Cost	733,886	-	733,886
Interest on Total OPEB Liability	538,912	-	538,912
Difference between expected and actual experience	(70,134)	-	(70,134)
Changes in assumptions	1,112,285	-	1,112,285
Employer contributions	-	1,062,072	(1,062,072)
Benefit payments, including employee refunds	(1,062,072)	(1,062,072)	-
Net changes	1,252,877	-	1,252,877
Balance at December 31, 2021	\$20,714,763	\$ -	\$20,714,763

For the year ended December 31, 2020:

Changes in the Total OPEB Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at December 31, 2019	\$16,980,723	\$ -	\$16,980,723
Changes for the year			
Service Cost	564,096	-	564,096
Interest on Total OPEB Liability	685,406	-	685,406
Difference between expected and actual experience	435,412	-	435,412
Changes in assumptions	1,790,433	-	1,790,433
Employer contributions	-	994,184	(944,184)
Benefit payments, including employee refunds	(994,184)	(994,184)	-
Net changes	2,481,163	-	2,481,163
Balance at December 31, 2020	\$19,461,886	\$ -	\$19,461,886

Sensitivity of the Total OPEB liability to changes in the discount rate. The following presents the Authority's total OPEB liability calculated using the 2021 discount rate of 2.12%, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.12%) or 1-percentage-point higher (3.12%) than the current rate:

2021			
	1% Decrease to Discount Rate (1.12%)	Current Discount Rate (2.12%)	1% Increase to Discount Rate (3.12%)
Total OPEB liability	\$22,940,526	\$20,714,763	\$18,808,397

The following presents the Authority's total OPEB liability calculated using the 2020 discount rate of 2.47%, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.74%) or 1-percentage-point higher (3.74%) than the current rate:

2020			
	1% Decrease to Discount Rate (1.74%)	Current Discount Rate (2.47%)	1% Increase to Discount Rate (3.74%)
Total OPEB liability	\$21,511,666	\$19,461,886	\$17,704,123

Sensitivity of the Total OPEB liability to changes in the healthcare cost trend rate. The following presents the Authority's total OPEB liability calculated using the 2021 healthcare cost trend rate of 5.80%, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.8% decreasing to 4.3%) or 1-percentage-point higher (6.8% decreasing to 6.3%) than the current rate:

2021			
	1% Decrease to Healthcare Cost Trend Rate (4.8% decreasing to 4.3%)	Current Healthcare Cost Trend Rate (5.8% decreasing to 5.3%)	1% Increase to Healthcare Cost Trend Rate (6.8% decreasing to 6.3%)
Total OPEB liability	\$20,090,333	\$20,714,763	\$21,454,779

The following presents the Authority's total OPEB liability calculated using the 2020 healthcare cost trend rate of 5.80%, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.80% decreasing to 4.30%) or 1-percentage-point higher (6.80% decreasing to 6.30%) than the current rate:

2020			
	1% Decrease to Healthcare Cost Trend Rate (4.8% decreasing to 4.3%)	Current Healthcare Cost Trend Rate (5.8% decreasing to 5.3%)	1% Increase to Healthcare Cost Trend Rate (6.8% decreasing to 6.3%)
Total OPEB liability	\$18,927,636	\$19,461,886	\$20,091,220

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB. For the year ended December 31, 2021, the Authority recognized OPEB expense of \$1,821,939. For the year ended December 31, 2020, the Authority recognized OPEB expense of \$1,597,163. The following table indicates the components of the recognized OPEB expense:

Components of OPEB Expense	2021	2020
Service Cost	\$733,886	\$564,096
Interest on Total OPEB Liability -over measurement	538,912	685,406
Recognition of Experience Changes	83,360	96,920
Recognition of Assumption Changes	465,781	250,741
Total OPEB Expenses recognized	\$1,821,939	\$1,597,163

As of December 31, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

OPEB Plan — 2021		
Summary of deferred outflows and inflows	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual experiences	\$295,325	\$56,568
Changes of actuarial assumptions	2,135,645	437,661
Employer contributions – subsequent to measurement date	679,685	-
Total	\$3,110,655	\$494,229

As of December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

OPEB Plan — 2020		
Summary of deferred outflows and inflows	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual experiences	\$392,251	\$ -
Changes of actuarial assumptions	1,685,309	633,829
Employer contributions – subsequent to measurement date	1,331,270	-
Total	\$3,408,830	\$633,829

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

OPEB Plan — 2021	
Year ended December 31	Net OPEB Expense
2022	\$549,142
2023	488,845
2024	589,912
2025	274,780
2026	34,062
	\$1,936,741

8. OTHER RELATED-PARTY TRANSACTIONS

The primary organizations considered related parties are those municipal, industrial, electric cooperative, tribal, and other governmental organizations or lake area organizations that have representatives serving on the Authority’s Board of Directors. The primary transactions in the ordinary course of business with these related parties include sales of electrical power and transmission and memberships in related trade associations or organizations, or tourism and economic development activities associated with the management of the lakes, including commercial and private dock permit fees.

OG&E operates the Redbud facility under an operating agreement with the Authority and OMPA and allocates certain costs and expenses attributable to Redbud to the Authority and OMPA, in accordance with their undivided ownership interests—see further discussion of Redbud facility in “Joint Ownership” in Note 1 to Financial Statements, Summary of Significant Accounting Policies.

9. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Authority makes and receives commitments for purchases of coal, natural gas, wind power, and long-term service agreements. In addition, in the normal course of business, the Authority enters into agreements, which commit the Authority to provide varying amounts of electric power to its customers. Management of the Authority does not believe the honoring of these commitments will have any material adverse effect on the Authority.

The Authority had construction contractual commitments on December 31, 2021, of approximately \$52,096,000 for equipment and construction contracts. Major projects include the construction of the WOKA water park for approximately \$15,561,000; construction of transmission lines and substations for approximately \$13,491,000; construction of the new administration office building for approximately \$11,550,000; purchase of fleet and mobile equipment for approximately \$5,954,000; refurbishment of the Pensacola flood gates for approximately \$1,803,000; and miscellaneous hydro projects for approximately \$2,764,000.

The Authority had contractual commitments as of December 31, 2021, for long-term service agreements at the Redbud facility for the maintenance of the gas and steam turbines of approximately \$51.6 million through the year 2028. The Authority had contractual commitments as of December 31, 2021, for natural gas at the Redbud facility of approximately \$6.6 million through January 2022, as well as for transportation of natural gas to the Redbud facility of approximately \$8.1 million through March 31, 2024.

The Authority had contractual commitments as of December 31, 2021, for long-term service agreements at the GREC 3 facility for the maintenance of the gas and steam turbines of approximately \$48.6 million through the year 2030. The Authority had contractual commitments as of December 31, 2021, for natural gas at the GREC 3 facility of approximately \$2.3 million through March 2022, as well as for transportation of natural gas to the GREC 3 facility of approximately \$130.1 million through March 31, 2047.

The Authority had contractual commitments as of December 31, 2021, for long-term wind power purchase agreements of approximately \$481.0 million through the year 2037 and for customer generation capacity agreements of approximately \$211.2 million through the year 2042.

The Authority is a defendant in a class action lawsuit in Ottawa County, Oklahoma, arising from a flood event in 2007. There are approximately 400 potential class members. Discovery is ongoing. Potential exposure related to this case cannot be projected by management of the Authority.

10. LANDFILL CLOSURE AND POSTCLOSURE COSTS

The Authority maintains a coal combustion residuals (CCR) landfill in Chouteau, Oklahoma. The Authority accounts for this CCR landfill in accordance with GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Post closure Care Costs*. State and federal regulations will require the Authority to place a final cover on the CCR site when it discontinues depositing of CCR and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure costs will only be paid near or after the date of discontinuance of use of the landfill, GASB Statement No. 18 requires proprietary funds to report a portion of these costs as an operating expense in each period based on landfill capacity and utilization.

This CCR landfill has a total capacity of 5,131,024 cubic yards, of which an estimated 4,382,455 cubic yards have been used through December 31, 2021. The remaining useful life at December 31, 2021, was approximately 37 years.

The amount recorded as a liability for the closure and post closure costs, included in Other Noncurrent Liabilities at December 31, 2021, and 2020, was \$7,488,510 and \$7,606,994, respectively. These amounts are based on 90% and 89% landfill utilization as of December 31, 2021, and 2020, respectively. The Authority will recognize the remaining estimated cost of closure and post closure care, of approximately \$635,187, as the remaining estimated capacity is filled. Amounts are estimated using what it would cost to perform all closure and post closure care in 2021. Actual costs are subject to change resulting from inflation or deflation, changes in technology, or changes in applicable laws or regulations.

The Oklahoma Department of Environmental Quality (ODEQ) has certain closure and post closure care financial assurance requirements. Each year, an auditor performs procedures to ensure that the Authority meets these requirements.

11. RISK MANAGEMENT

Resolution No. 5107 requires the Authority to, in each case where it is obtainable at a reasonable rate and on reasonable terms, insure its facilities, maintain liability insurance, and bond certain officers and employees. In general, all insurance coverage, including property (all risk coverage, including earthquake and flood), equipment, aircraft, employment practices liability, directors and officers liability, excess liability (including an endorsement for certified “acts of terrorism” as defined in the Federal Terrorism Risk Insurance Act), is purchased from private insurance carriers through the State of Oklahoma Risk Management Department (State Risk Management) of the Office of Management and Enterprise Services. State Risk Management contracts with a third-party insurance broker for brokerage services and advice. The Authority also participates in the State of Oklahoma’s Consolidated Workers’ Compensation Program, a self-insured program operated by States Risk Management. A private insurance carrier provides excess insurance coverage for the Consolidated Workers’ Compensation Program and a private company provides claims administration services. Settled claims have not exceeded commercial insurance coverage in any of the past three years.

Concentration of revenues from a single external customer increases credit and market concentration risks. The Authority had one customer that accounted for 21% of total operating revenues in 2021 and 23% in 2020.

In addition, the Authority is subject to generation supply and market price risks, which are continually evaluated as to level of risk and how to best mitigate exposure to loss. The Authority continued its hedging program throughout 2021, to hedge price and volatility risk relative to future natural gas commodity prices.

As of December 31, 2021, and 2020, the Authority had the following fair value balances and notional amounts of derivative instruments and the changes in fair value of such derivative instruments:

Fair Value at December 31, 2021				
Business-Type Activities	Changes in Fair Value	Classification	Amount	Notional Amount (MMBTUs)
Cash flow hedges: Commodity forward (swap)	\$5,334,250	Derivative instruments	\$5,001,140	6,245,000

Fair Value at December 31, 2020				
Business-Type Activities	Changes in Fair Value	Classification	Amount	Notional Amount (MMBTUs)
Cash flow hedges: Commodity forward (swap)	\$2,262,055	Derivative instruments	(\$333,110)	5,010,000

The following table displays the objective and terms of the Authority’s hedging derivative instruments outstanding on December 31, 2021, along with the credit rating of the associated counterparty.

Item	Type	Objective	Notional Amount (MMBTU’s)	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
A	Commodity forward contract (swap)	Hedge of changes in cash flows due to market price fluctuations related to expected purchase of natural gas	1,825,000	12/29/21	11/28/22	Pay \$2.645/MMBTU; scheduled monthly settlements based on 5,000 MMBTUs/day and Henry Hub pricing point at settlement date	“A-”
B	Commodity forward contract (swap)	Hedge of changes in cash flows due to market price fluctuations related to expected purchase of natural gas	1,825,000	12/29/21	11/28/22	Pay \$2.600/MMBTU; scheduled monthly settlements based on 5,000 MMBTUs/ day and Henry Hub pricing point at settlement date	“A-”
C	Commodity forward contract (swap)	Hedge of changes in cash flows due to market price fluctuations related to expected purchase of natural gas	1,825,000	12/28/22	11/28/23	Pay \$2.520/MMBTU; scheduled monthly settlements based on 5,000 MMBTUs/ day and Henry Hub pricing point at settlement date	“A-”
D	Commodity forward contract (swap)	Hedge of changes in cash flows due to market price fluctuations related to expected purchase of natural gas	280,000	01/27/22	01/27/22	Pay \$3.817/MMBTU; scheduled monthly settlements based on 10,000 MMBTUs/ day and Henry Hub pricing point at settlement date	“A-”
E	Commodity forward contract (swap)	Hedge of changes in cash flows due to market price fluctuations related to expected purchase of natural gas	140,000	01/27/22	01/27/22	Pay \$5.696/MMBTU; scheduled monthly settlements based on 5,000 MMBTUs/ day and Henry Hub pricing point at settlement date	“A-”
F	Commodity forward contract (swap)	Hedge of changes in cash flows due to market price fluctuations related to expected purchase of natural gas	140,000	01/27/22	01/27/22	Pay \$4.944/MMBTU; scheduled monthly settlements based on 5,000 MMBTUs/ day and Henry Hub pricing point at settlement date	“A-”
G	Commodity forward contract (swap)	Hedge of changes in cash flows due to market price fluctuations related to expected purchase of natural gas	70,000	01/27/22	01/27/22	Pay \$4.944/MMBTU; scheduled monthly settlements based on 2,500 MMBTUs/ day and Henry Hub pricing point at settlement date	“A-”
H	Commodity forward contract (swap)	Hedge of changes in cash flows due to market price fluctuations related to expected purchase of natural gas	70,000	01/27/22	01/27/22	Pay \$4.944/MMBTU; scheduled monthly settlements based on 5,000 MMBTUs/ day and Henry Hub pricing point at settlement date	“A-”

Item	Type	Objective	Notional Amount (MMBTU's)	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
I	Commodity forward contract (swap)	Hedge of changes in cash flows due to market price fluctuations related to expected purchase of natural gas	70,000	01/27/22	01/27/22	Pay \$3.730/MMBTU; scheduled monthly settlements based on 2,500 MMBTUs/ day and Henry Hub pricing point at settlement date	"A-"
J	Commodity forward contract (swap)	Hedge of changes in cash flows due to market price fluctuations related to expected purchase of natural gas	310,000	02/24/22	02/24/22	Pay \$3.615/MMBTU; scheduled monthly settlements based on 10,000 MMBTUs/ day and Henry Hub pricing point at settlement date	"A-"

Contracts are accounted for in accordance with GASB Statement No. 53, which addresses recognition, measurement, and disclosure related to derivative instruments with reporting required in the Statements of Net Position or recognized on the Statements of Revenues, Expenses, and Changes in Net Position, depending on effectiveness. Contracts are evaluated to determine whether they meet the definition of derivative instruments and, if so, whether they effectively hedge the expected change in cash flow associated with natural gas prices.

Effectiveness testing is performed at the end of each month using the consistent critical terms method and, as of December 31, 2021, the tests concluded that all of the Authority's derivative instruments are effective. If the derivative instrument(s) passes effectiveness testing, the change in fair value of the instrument(s) is deferred in the Statements of Net Position and then recorded as fuel expense in the Statements of Revenues, Expenses, and Changes in Net Position during the production cycle. If deemed to be ineffective, the change in fair value of the instrument(s) is immediately recognized in the Statements of Revenues, Expenses, and Changes in Net Position.

Credit Risk: The Authority is exposed to credit risk on hedging derivative instruments that are in asset positions. The aggregate fair value of hedging derivative instruments in asset positions, as of December 31, 2021, is \$5,565,900. This represents the maximum loss that would be recognized at the reporting date if the counterparty failed to perform as contracted. This maximum exposure is reduced by \$564,760 of liabilities included in netting arrangements with the Authority's counterparty. All of the Authority's hedging derivative instruments are held with a single counterparty, which has an S&P Long Term Issuer Credit Rating of "A-." Credit risk is mitigated using credit thresholds based on each party's credit rating. If either party exceeds their threshold, collateral can be demanded, net of the effect of applicable netting arrangements. Collateral can be posted in the form of cash or letters of credit. A monthly credit report is prepared by the Authority's Middle Office and is provided to the Authority's Risk Oversight Committee for monitoring of credit risk related to hedging derivatives.

Basis Risk: The Authority is exposed to basis risk on its commodity forward contracts because the expected commodity purchase will price based on a pricing point (Enable Gas or OneOK) that is different than the pricing point at which the forward contract is expected to settle (Henry Hub). The Authority is hedging the Henry Hub portion of the gas price only, not the basis for the individual pipeline(s).

Termination Risk: The Authority or its counterparty may terminate a derivative instrument if the other party fails to perform under the terms of the contract. Termination may also occur in the event of the following, as defined in the contract: illegality, force majeure event, tax event, tax event upon merger, or additional termination event. Additional termination event is defined in the contract as the Authority engaging in any transaction that does not have as its sole purpose to hedge against price risk for its use in its business of natural gas or is in any way intended to speculate on any commodity price. Termination risk is associated with all of the Authority's derivatives up to the fair value amounts.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

GRAND RIVER DAM AUTHORITY

(A Component Unit of the State of Oklahoma)

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (UNAUDITED) OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN

Fiscal Year Ending	Proportionate of the Net Pension Liability/ (Asset)	Proportionate Share of the Net Pension Liability/ (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability/ (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/ (Asset)
December 31, 2021	2.2383%	(\$30,042,207)	\$33,666,081	(89.24%)	112.51%
December 31, 2020	2.2776	19,874,205	34,801,153	57.11	91.59
December 31, 2019	2.3778	3,166,970	35,942,188	8.81	98.63
December 31, 2018	2.4118	5,138,160	37,965,024	13.53	97.96
December 31, 2017	2.3117	12,498,665	38,404,273	32.54	94.28
December 31, 2016	2.2462	21,890,211	38,995,445	56.14	89.48
Fiscal Year Ending	Contractually Required Contributions	Contributions in relation to the Contractually required contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2021	\$6,150,504	\$5,696,252	\$11,846,756	\$33,598,122	16.95%
December 31, 2020	6,109,333	5,838,606	270,727	34,266,124	17.04
December 31, 2019	6,258,254	6,243,328	14,926	35,239,125	17.72
December 31, 2018	6,309,340	6,485,378	(297,914)	37,001,348	17.53
December 31, 2017	6,218,254	6,516,168	(297,914)	38,300,232	17.01
December 31, 2016	6,641,675	6,615,357	26,318	38,811,001	17.05

The amounts determined for each fiscal year were determined as of June 30 in the calendar year.

The Authority is required to present the last ten fiscal years of data; however, until a full ten-year trend of data is compiled, GASB 68 allows the presentation for those years for which information is available.

Changes in Benefit Terms

House Bill 3350 provided a one-time benefit increase as of July 1, 2020. Members who retired on or prior to July 1, 2015, received a 4.0% benefit increase. Members who retired between July 1, 2015, and July 1, 2018, received a 2.0% benefit increase. Members who retired after July 1, 2018, did not receive a benefit increase.

Changes in Assumptions are as follows:

	2021	2020	2019	2018	2017	2016
Long-term expected rate of return	6.50%	6.50%	7.00%	7.00%	7.00%	7.25%
Discount rate	6.50	6.50	7.00	7.00	7.00	7.25
Price inflation	2.50	2.50	2.75	2.75	2.75	3.00
Real wage growth	0.75	0.75	0.75	0.75	0.75	1.00
There were no other changes in assumptions.						

GRAND RIVER DAM AUTHORITY

(A Component Unit of the State of Oklahoma)

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (UNAUDITED) OKLAHOMA LAW ENFORCEMENT RETIREMENT PLAN

Fiscal Year Ending	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
December 31, 2021	1.5688%	\$210,956	\$1,331,109	14.60%	98.93%
December 31, 2020	1.5344	3,314,998	1,342,159	246.99	82.29
December 31, 2019	1.5814	2,296,870	1,298,190	176.93	87.50
December 31, 2018	1.4701	1,574,732	1,222,118	128.85	90.31
December 31, 2017	1.4556	1,891,434	1,225,700	154.31	87.85
December 31, 2016	1.3370	1,631,598	1,234,942	132.12	81.88
Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2021	\$154,966	\$156,832	(\$1,866)	\$1,348,232	11.63%
December 31, 2020	145,820	147,637	(1,817)	1,351,889	10.92
December 31, 2019	141,092	142,911	(1,819)	1,308,269	10.92
December 31, 2018	133,523	134,432	(909)	1,268,728	10.60
December 31, 2017	134,827	134,826	1.00	1,209,093	11.15
December 31, 2016	136,630	136,630	-	1,241,483	11.01

The amounts determined for each fiscal year were determined as of June 30 in the calendar year.

The Authority is required to present the last ten fiscal years of data; however, until a full ten-year trend of data is compiled, GASB 68 allows the presentation for those years for which information is available.

Changes in Benefit Terms.

House Bill 3350 provided a one-time benefit increase as of July 1, 2020. Member show retired on or prior to July 1, 2015, received a 4.0% benefit increase. Members who retired between July 1, 2015, and July 1, 2018, received a 2.0% benefit increase. Members who retired after July 1, 2018, did not receive a benefit increase.

There were no Changes in Assumptions for 2021 or 2020, but historical changes are as follows:

	2021	2020	2019	2018	2017	2016
Price inflation	2.75%	2.75%	2.75%	2.75%	2.75%	3.00%

GRAND RIVER DAM AUTHORITY

(A Component Unit of the State of Oklahoma)

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (UNAUDITED) OTHER POSTEMPLOYMENT BENEFITS PLAN

	2021	2020	2019
Beginning Balance	\$19,461,886	\$16,980,723	\$17,668,568
Service Cost	733,886	564,096	548,426
Interest on Total OPEB Liability	538,912	685,406	611,515
Difference between expected and actual experience	(70,134)	435,412	66,460
Changes in assumptions	1,112,285	1,790,433	(1,025,961)
Benefits payments, including employee refunds	(1,062,072)	(994,184)	(888,285)
Net Changes	1,252,877	2,481,163	(687,845)
Ending Balance	\$20,714,763	\$19,461,886	\$16,980,723
Schedule of Changes in the Total OPEB Liability and Related Ratios			
Covered-employee payroll	\$33,598,122	\$34,266,124	\$35,239,125
Total OPEB Liability as a percentage of covered-employee	61.65%	56.80%	48.19%

The Authority is required to present the last ten fiscal years of data; however, until a full ten-year trend of data is compiled, GASB 75 allows the presentation for those years for which information is available.

Changes in Benefit Terms. There were no changes of benefit terms in the Plan.

Changes in Assumptions: Two assumption changes were made for this valuation. The discount rate on the Bond Buyer GO 20-Bond Municipal Bond Index as of the newest Measurement date of January 1, 2021, is 2.12%. The January 1, 2020, was 2.74%. The January 1, 2019, discount rate was 4.10%. The mortality table was also updated to a new public sector mortality table (Pub 2010) using the MP-2020 projection scale as of January 1, 2021. The January 1, 2020, mortality table used the MP-2019 projection scale. The January 1, 2019, mortality table used the MP-2018 projection scale.

**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With *Government Auditing Standards***

To the Board of Directors of
Grand River Dam Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Grand River Dam Authority, which comprise the statement of financial position as of December 31, 2021 and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements and have issued our report thereon dated March 31, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Grand River Dam Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grand River Dam Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Grand River Dam Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grand River Dam Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Madison, Wisconsin
March 31, 2022