



Oklahoma Municipal Power Authority  
**A Component Unit of the State of Oklahoma**  
Financial Statements

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2023 and 2022

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**As of and for the Years Ended December 31, 2023 and 2022**

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## Independent Auditors' Report

To the Board of Directors of  
Oklahoma Municipal Power Authority

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of the Oklahoma Municipal Power Authority (Authority), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2023 and 2022, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audits 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 (*Government Auditing Standards*). 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 the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 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 *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, 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 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 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 basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2024 on our consideration of the 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 the 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 the Authority's internal control over financial reporting and compliance.

*Baker Tilly US, LLP*

Austin, Texas  
March 28, 2024

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Management's Discussion and Analysis**  
**December 31, 2023 and 2022**  
**(Unaudited)**

***Introduction***

The following Management's Discussion and Analysis, or MD&A, serves as an introduction to the financial statements of the Oklahoma Municipal Power Authority (also referred to as the Authority or OMPA). It is intended to be an objective and easily understandable analysis of significant financial, operating activities and events for the fiscal year ending December 31, 2023 compared to the fiscal year ending December 31, 2022. It also provides an overview of the Authority's general financial condition and results of operations for the fiscal year ending December 31, 2022 compared to the previous fiscal year ending December 31, 2021.

***Basic Financial Statements***

***Statement of Net Position***

Assets are separated into current and non-current categories. Current assets include restricted and unrestricted cash and investments, accounts receivable, inventory, and other current assets. Non-current assets include restricted and unrestricted cash and investments, costs recoverable in future periods, net capital assets, other non-current assets, and derivative asset.

GASB Concept Statement No. 4, *Elements of Financial Statements*, defines deferred outflows of resources as the consumption of net assets in one period that are applicable to future periods. The Authority defines accumulated decrease in fair value of hedging derivatives, unamortized loss on advance refunding of bonds, and pension related items as deferred outflows of resources in the Statement of Net Position.

Consistent with the reporting of assets on the Statement of Net Position, liabilities are segregated into current and non-current categories. Current liabilities include accounts payable, interest payable and current portion of long term debt and notes payable, line of credit payable, current portion of derivative liabilities, lease payable, and other accrued expenses. Non-current liabilities includes long-term debt and notes payable, line of credit payable, lease payable, net pension liability, and non-current derivative liabilities.

Deferred inflows of resources are defined in GASB Concept Statement No. 4, as the acquisition of net assets that apply to future periods. The Authority defines rate stabilization, plant decommissioning reserves, unearned revenue – FPL, and pension related items as deferred inflow of resources in the Statement of Net Position.

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*Statement of Revenues, Expenses and Change in Net Position*

Operating results are reported separately from non-operating results. Non-operating results relate primarily to financing and investing activities. These statements identify operating revenues from sales to cities (system) and energy market sales (off-system). Operating expenses are presented by major cost category. Revenues remaining are available to service debt, finance capital activities, and to cover contingencies.

*Statement of Cash Flows*

The Statement of Cash Flows presents cash flows from operating activities, capital and related financing activities, non-capital financing activities, and investing activities. These statements are prepared using the direct method, which reports gross cash receipts and payments, and presents a reconciliation of operating income to net cash provided by operating activities.

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**Assets and Deferred Outflows of Resources**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Utility plant, net	\$ 358,956,922	\$ 378,459,178	\$ 399,476,444
Non-current assets	260,292,674	259,545,507	281,053,104
Current assets	<u>72,206,892</u>	<u>77,191,886</u>	<u>72,623,933</u>
Total assets	<u>691,456,488</u>	<u>715,196,571</u>	<u>753,153,481</u>
Deferred outflows of resources	24,990,372	28,248,104	27,977,166
Total assets and deferred outflows of resources	<u>\$ 716,446,860</u>	<u>\$ 743,444,675</u>	<u>\$ 781,130,647</u>

**Liabilities, Deferred Inflows of Resources and Net Position**

Long-term debt, net	\$ 551,284,260	\$ 579,718,426	\$ 613,599,672
Current portion of long-term debt	24,440,165	29,209,118	27,253,885
Other current liabilities	36,523,485	38,097,241	38,278,022
Other non-current liabilities	<u>9,622,942</u>	<u>10,618,302</u>	<u>8,059,256</u>
Total liabilities	<u>621,870,852</u>	<u>657,643,087</u>	<u>687,190,835</u>
Deferred inflows of resources	50,166,097	43,765,070	52,144,465
Net position			
Net investment in capital assets	(16,632,928)	(18,542,804)	(11,463,378)
Restricted	21,305,962	26,482,253	27,750,952
Unrestricted	<u>39,736,877</u>	<u>34,097,069</u>	<u>25,507,773</u>
Total net position	<u>44,409,911</u>	<u>42,036,518</u>	<u>41,795,347</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 716,446,860</u>	<u>\$ 743,444,675</u>	<u>\$ 781,130,647</u>

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**Revenues, Expenses and Changes in  
Net Position**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues			
System	\$ 160,857,099	\$ 212,335,069	\$ 183,878,386
Off-system	21,867,844	8,290,184	7,947,246
Non-operating revenues			
Investment income	3,890,178	2,226,723	310,039
Other revenue	4,526,448	6,226,932	4,530,407
Gain on bond defeasance	--	--	1,570,264
Net revenues (costs) recoverable	<u>14,879</u>	<u>(5,009,528)</u>	<u>(2,322,156)</u>
Total revenues	<u>191,156,448</u>	<u>224,069,380</u>	<u>195,914,186</u>
Operating expenses	169,109,352	198,606,747	168,497,987
Non-operating expenses			
Interest expense, net	21,673,907	23,156,177	25,597,847
Amortization	(1,551,769)	(1,860,604)	1,398,833
(Increase)/decrease in fair value of investments	<u>(448,435)</u>	<u>3,925,889</u>	<u>154,946</u>
Total expenses	<u>188,783,055</u>	<u>223,828,209</u>	<u>195,649,613</u>
Net increase in net position	<u>\$ 2,373,393</u>	<u>\$ 241,171</u>	<u>\$ 264,573</u>

**Financial Highlights**

Peak demand decreased slightly in 2023 with coincident system peak demand of 771 MW compared to 787 MW in 2022. Metered energy decreased to 2,877 GWH compared to 3,032 GWH in 2022. Authority supplied energy also decreased in 2023 to 2,561 GWH compared to 2,681 GWH in 2022. The difference between metered energy and energy supplied by the Authority is the result of 18 cities with Southwest Power Administration (SWPA) hydro-power allocations. Year to date average charges per KWH to full requirements cities decreased by 22% in 2023 to an average of 6.18 cents per KWH from 7.92 cents per KWH in 2022. The decrease in peak demand and energy use by member cities was due to a slightly milder summer in 2023 compared to 2022. The significant decrease in cents per KWH in 2023 was due to much lower natural gas prices and market energy prices compared to 2022.

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In 2022 the coincident system peak demand was 787 MW, compared to 722 MW in 2021. Metered energy increased to 3,032 GWH compared to 2,848 GWH in 2021. Authority supplied energy increased in 2022 to 2,681 GWH compared to 2,423 GWH in 2021. The difference between metered energy and energy supplied by the Authority is the result of 18 cities with Southwest Power Administration (SWPA) hydro-power allocations. Year to date average charges per KWH to full requirements cities increased in 2022 to an average of 7.92 cents per KWH from 7.00 cents per KWH in 2021. The increase in peak demand and energy use by member cities was due to a much warmer than normal summer in 2022 across Oklahoma. The increase in cents per kWh in 2022 was due to very high natural gas prices and market energy prices especially during the summer.

As explained in Note 1, the Authority was severely impacted by winter storm Uri in February 2021. Extreme cold caused natural gas and electricity prices in energy markets to spike to unprecedented levels. The direct cost impact to the Authority was approximately \$59 million.

To finance the cost impact of the storm, the Authority issued the 2021 A&B bonds. These bonds also refunded the 2013 A&B and the 2014A bonds. The Authority also contributed \$6 million from the rate stabilization fund and \$14 million that was made available from the Debt Service Reserve Fund by the defeasance of the 1992B bonds.

On July 1, 2021 The Authority issued \$125,963,000 of Series 2021A Power Supply System Revenue Refunding Bonds, and \$172,015,000 of Series 2021B Power Supply System Revenue Refunding Bonds (federally taxable). The 2021A series bonds carry a fixed interest rate of 3.000% to 5.000% and are due January 2022 through 2045. The 2021B series bonds carry a fixed interest rate of 0.461% to 2.551% and are due January 2022 through 2036 The proceeds were used to refund the Authority's Series 2013A, 2013B and most of the Series 2014A Bonds. Proceeds were also used to pay off a \$60 million term note with Bank of America.

Net costs recoverable in future years represent the amount by which depreciation/amortization either exceeds or is less than principal repayment on debt. The Authority sets rates to cities on a cash basis utilizing essentially level debt service, and the deferred costs allow the Authority to convert from cash-based rates to accrual accounting. The change in net costs recoverable in the future resulted in an increase to net position of \$14,879 in 2023, an decrease of net position of \$5,099,528 in 2022, and a decrease to net position of \$2,322,156 in 2021.

### ***Utility Plant and Debt Administration***

#### **Utility Plant**

Net utility plant decreased \$19,502,000 and \$21,017,000 in 2023 and 2022, respectively. At December 31, 2023, generation plant in service totaled \$307.4 million, net of depreciation. Electric plant consisted of ownership in 42 megawatts of undivided ownership in the Turk plant in Arkansas, 110 megawatts of the undivided ownership in the McClain plant, 156 megawatts of undivided ownership in the Redbud plant, plus 240 megawatts of generating plant owned and operated by the Authority in Oklahoma.

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The Authority also has \$21.5 million of general plant, net of depreciation, consisting of substation facilities, a small amount of transmission lines, the OMPA headquarters building, and two field services buildings.

**Debt Administration**

Revenue bonds outstanding at year end 2023 were \$530 million, including the current portion of debt paid January 2, 2024. This amount excludes the FPL Wind Energy note of approximately \$19 million that is secured by revenues from FPL Oklahoma Wind, LLC. The revenue bonds outstanding in 2022 and 2021 were \$556 million and \$580 million, respectively. The current portion of revenue bonds payable at year end 2023, in the amount of \$21 million, was paid in January 2024.

**Contacting the Authority's Financial Management**

Questions about this report or requests for additional financial information can be directed to:

OMPA  
Manager of Accounting Services  
P.O. Box 1960  
Edmond, Oklahoma 73083-1960

## **BASIC FINANCIAL STATEMENTS**

**Oklahoma Municipal Power Authority**  
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**Statements of Net Position**

**As of and for the Years Ended December 31, 2023 and 2022**

**Assets and Deferred Outflows of Resources**

	<b>2023</b>	<b>2022</b>
<b>Utility Plant, at Cost</b>		
Utility plant in service	\$ 648,602,686	\$ 661,592,460
Less Accumulated Depreciation	319,703,203	316,195,494
	328,899,483	345,396,966
Construction in progress	2,880,203	1,687,022
Intangible plant assets, net	550,673	1,378,468
Leased assets, net	7,600,443	7,786,484
FPL assets, net	19,026,120	22,210,238
Total utility plant, at cost	358,956,922	378,459,178
<b>Non-current Restricted Cash and Cash Equivalents</b>	12,177,716	12,735,556
<b>Non-current Restricted Investments</b>	16,136,280	20,896,410
<b>Non-current Investments</b>	52,988,598	37,350,664
<b>Other Assets</b>		
Net cost recoverable in future years	157,647,913	163,167,884
Receivable - FPL	18,066,929	22,583,661
Other non-current assets	3,266,718	2,811,332
Non-current derivative asset	8,520	-
Total other assets	178,990,080	188,562,877
Total non-current assets	619,249,596	638,004,685
<b>Current Assets</b>		
Cash and cash equivalents	10,190,593	5,751,989
Investments	6,924,418	7,654,837
Interest receivable	458,525	428,168
Accounts receivable	14,336,141	17,520,163
Inventory	1,737,511	1,827,923
Other current assets	2,044,563	1,784,234
Receivable - FPL	4,516,732	4,516,732
Restricted cash and cash equivalents	31,772,659	37,515,280
Restricted interest receivable	225,750	192,560
Total Current Assets	72,206,892	77,191,886
Total Assets	691,456,488	715,196,571
<b>Deferred Outflows of Resources</b>		
Accumulated decrease in fair value of derivatives	1,539,514	1,326,980
Amounts related to pensions	1,877,750	3,208,930
Unamortized loss on advance refunding of bonds	21,573,108	23,712,194
Total assets and deferred outflows of resources	\$ 716,446,860	\$ 743,444,675

## Liabilities, Deferred Inflows of Resources and Net Position

	<u>2023</u>	<u>2022</u>
<b>Long-term Liabilities</b>		
Revenue bonds payable	\$ 508,793,000	\$ 529,858,000
Less unamortized net premium/(discount)	26,840,305	30,834,306
Total debt, net of premium	535,633,305	560,692,306
Lease liability	7,388,392	7,600,443
Line of credit	800,000	196,500
Note payable - FPL	15,650,955	19,026,120
Net pension liability	1,434,550	2,743,528
Non-current derivative liability	-	77,831
Total long-term liabilities	560,907,202	590,336,728
<b>Current Liabilities</b>		
Accounts payable	12,839,048	16,216,529
Accrued expenses	11,231,905	8,616,435
Interest payable	10,692,447	11,225,587
Current portion of long-term debt	21,065,000	26,025,000
Current portion of lease liability	212,051	186,041
Current portion of line of credit	-	603,500
Current portion of note payable	3,375,165	3,184,118
Current derivative liability	1,548,034	1,249,149
Total current liabilities	60,963,650	67,306,359
Total liabilities	621,870,852	657,643,087
<b>Deferred Inflows of Resources</b>		
Amounts related to pensions	21,701	125,787
Unearned revenue - FPL	22,583,661	27,100,393
Plant decommissioning reserves	3,260,735	-
Unearned revenue- rate stabilization	24,300,000	16,538,890
<b>Net Position</b>		
Net investment in capital assets	(16,632,928)	(18,542,804)
Restricted - expendable for		
Debt service	21,305,962	26,482,253
Unrestricted	39,736,877	34,097,069
Total net position	44,409,911	42,036,518
Total liabilities, deferred inflow of resources, and net position	\$ 716,446,860	\$ 743,444,675

**Oklahoma Municipal Power Authority**  
**A component Unit of the State of Oklahoma**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Years Ended December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Operating Revenues</b>		
System	\$ 160,857,099	\$ 212,335,069
Off-system	21,867,844	8,290,184
<b>Total operating revenues</b>	182,724,943	220,625,253
<b>Operating Expense</b>		
Purchased power	39,491,963	39,836,889
Generation	60,400,035	89,106,800
Transmission	23,116,957	24,821,120
Other operating expenses	12,209,592	11,261,116
Amortization of regulatory assets	6,161,577	4,922,215
Depreciation and amortization	27,729,228	28,658,607
<b>Total operating expenses</b>	169,109,352	198,606,747
<b>Operating Income</b>	13,615,591	22,018,506
<b>Non-operating Revenues (Expenses)</b>		
Interest income	3,890,178	2,226,723
Net increase/(decrease) in fair value of investments	448,435	(3,925,889)
Other non-operating income	9,716	1,710,200
FPL asset revenue	4,516,732	4,516,732
Amortization of organizational costs	-	(85,420)
	8,865,061	4,442,346
<b>Interest and Debt Expense</b>		
Interest expense - revenue bonds	(21,495,740)	(22,776,095)
Build America Bond subsidy proceeds	1,488,610	1,482,228
Interest expense - leases	(334,163)	(349,463)
Interest expense - FPL assets	(1,332,614)	(1,512,847)
Amortization of loss on bond refunding, discount and bond issue costs	1,551,769	1,946,024
	(20,122,138)	(21,210,153)
Net non-operating expense	(11,257,077)	(16,767,807)
<b>Net Deferred Revenue (Cost) Recoverable in Future Years</b>	14,879	(5,009,528)
Increase in net position	2,373,393	241,171
<b>Net Position, Beginning of Year</b>	42,036,518	41,795,347
<b>Net Position, End of Year</b>	\$ 44,409,911	\$ 42,036,518

See Notes to Financial Statements

**Oklahoma Municipal Power Authority**  
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**Statements of Cash Flows**  
**For the Years Ended December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Cash Flows from Operating Activities</b>		
Cash received from customers	\$ 196,930,810	\$ 221,068,309
Cash paid to suppliers	(127,430,730)	(159,003,137)
Cash paid to employees	(10,923,563)	(9,806,273)
Net cash provided by/(used in) operating activities	58,576,517	52,258,899
<b>Cash Flows from Non-capital Financing Activities</b>		
Proceeds from line of credit	-	800,000
Net capital provided by non-capital financing activities	-	800,000
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital expenditures for utility plant	(7,775,941)	(6,862,583)
Interest paid on long-term debt	(22,028,880)	(23,240,934)
BAB subsidies received	1,488,610	1,482,228
Principal payments on long-term debt	(26,025,000)	(24,250,000)
Princial paid on leases	(186,041)	(160,541)
Interest paid on leases	(334,163)	(349,463)
Other proceeds	9,716	1,710,200
Net cash provided by/(used in) capital and related financing activities	(54,851,699)	(51,671,093)
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales and maturities of investments	20,065,001	51,566,180
Purchases of investments	(29,763,951)	(58,184,322)
Loan receivable receipts	285,644	349,862
Income received on investments	3,826,631	1,888,232
Net cash provided by/(used in) capital and related investing activities	(5,586,675)	(4,380,048)
Increase/(Decrease) in Cash and Cash Equivalents	(1,861,857)	(2,992,242)
<b>Cash and Cash Equivalents, Beginning of Year</b>	56,002,825	58,995,067
<b>Cash and Cash Equivalents, End of Year</b>	\$ 54,140,968	\$ 56,002,825
<b>Consisting of</b>		
Cash and cash equivalents	\$ 10,190,593	\$ 5,751,989
Restricted cash and cash equivalents	43,950,375	50,250,836
Total cash and cash equivalents	\$ 54,140,968	\$ 56,002,825

	<u>2023</u>	<u>2022</u>
<b>Noncash Items from Investing and Capital and Related Financing Activities</b>		
Change in fair value of investments	\$ <u>448,435</u>	\$ <u>(3,925,889)</u>
Discount accretion/premium amortization on investments	\$ <u>(836,158)</u>	\$ <u>(1,093,284)</u>
Reduction of note payable and interest expense - FPL	\$ <u>4,516,732</u>	\$ <u>4,516,732</u>
Capital expenditures for utility plant included in accounts payable	\$ <u>(677,813)</u>	\$ <u>573,150</u>

	<u>2023</u>	<u>2022</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating income	\$ 13,615,591	\$ 22,018,506
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	27,729,228	28,658,607
Amortization of regulatory assets	6,161,577	4,922,215
Unearned revenues – rate stabilization/decommissioning fund	11,021,845	1,000,000
Changes in assets and liabilities which provided/(used) cash		
Accounts receivable	3,184,022	(556,944)
Inventory	90,412	(168,574)
Net costs recoverable and other assets	(3,141,960)	(2,446,673)
Accounts payable and accrued expenses	<u>(84,198)</u>	<u>(1,168,238)</u>
Net cash provided by (used in) operating activities	\$ <u>58,576,517</u>	\$ <u>52,258,899</u>

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Notes to Financial Statements**

**As of and for the Years Ended December 31, 2023 and 2022**

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

***Nature of Operations***

The Oklahoma Municipal Power Authority (the Authority) is a governmental agency of the state of Oklahoma created in 1981 pursuant to the Oklahoma Municipal Power Authority Act to provide a means of municipal electric systems in Oklahoma to jointly plan, finance, acquire and operate electrical power supply facilities necessary to meet the electrical energy requirements of their consumers. As an agency of the State of Oklahoma (the State), the Authority is subject to the State of Oklahoma Council of Bond Oversight, and is bound by various state statutes related to units of the State. The Authority's employees are eligible to participate in the State retirement plan. The Authority is a discretely presented component unit in the financial statements of the State of Oklahoma.

On July 1, 1985, the Authority began selling electric power to its participating municipalities under Power Sales Contracts. The Power Sales Contracts have a primary term through December 31, 2027. In 2005, Amendment No. 1 to the Power Sales Contract was executed by the Authority and all members. Amendment No. 1 provides for a rolling 15-year notice of termination of the Power Sales Contract by either the Authority or the participating municipalities commencing in 2013. No participating municipality has given a notice of termination and neither has the Authority. Under the Power Sales Contract, either the participating municipality or the Authority may limit the power and energy to be purchased or provided. The Authority has not elected to limit its obligation to provide power and energy under the Power Sales Contracts, nor have any of the participating municipalities elected to limit their obligation to purchase full requirements power from the Authority.

The Authority has a 100% ownership interest in a 64 megawatts (MW) gas fired combined cycle generating facility, a 42 MW simple cycle gas fired generating facility, a 104 MW simple cycle gas fired generating facility, and a 29 MW hydroelectric generating facility. All of these facilities are located in or near Ponca City, Oklahoma.

The Authority also has joint ownership of 23%, 13%, and 6.67%, in three other generating facilities, having total generating capacities of 478 MW, 1,200 MW, and 650MW, respectively. All of the joint ownership facilities are operated by other entities. The Authority has also entered into certain power purchase and transmission arrangements in order to supplement generating capacity owned by the Authority and to provide for the transmission of the Authority's power and energy to the participating municipalities.

The Authority bills members and other power purchasers monthly for power used. The terms generally require payment within 20 days of the billing date. The Authority does not require participants to collateralize the obligation related to power billed.

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***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, deferred inflows 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.

***System of Accounts and Basis of Accounting***

The Authority's accounts are maintained in accordance with the Uniform System of Accounts of the Federal Energy Regulatory Commission, as required by the Power Sales Contracts with the participating municipalities, and in conformity with accounting principles generally accepted in the United States of America using the accrual basis of accounting, including the application of regulatory accounting as described in Governmental Accounting Standards Board (GASB) Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

The Authority considers electric revenues and costs that are directly related to the generation, purchase, transmission and distribution of electricity to be operating revenues and expenses. Revenues and expenses related to financing and other activities are reflected as non-operating.

***Utility Plant and Depreciation***

Utility plant is recorded at cost. Depreciation of generating facilities in which the Authority holds an undivided ownership interest is calculated on a straight-line basis using a group-composite method over the expected services' lives, which range from 20 to 45 years. Depreciation of other utility plant, including lease right-of-use assets, is calculated on a straight-line basis using the estimated useful lives of the depreciable property, which range from three to 10 years. A half year convention is generally used for all assets when placed in service, except in instances where specific assumptions have been made for rate making purposes. Retirements together with removal costs, less salvage value, are charged to accumulated depreciation based upon average unit cost.

The cost of major replacements of property is capitalized to utility plant accounts. The cost of maintenance, repairs and replacements of minor items of property is expensed as incurred.

The Authority has implemented GASB Statement No. 51, *Financial Reporting for Intangible Assets* (Statement 51). Statement 51 requires that all intangible assets not specifically excluded by its scope be classified as capital assets. Intangible assets are amortized using the straight line method over a period of 5 to 40 years.

***Cash Equivalents***

For the purpose of the statement of cash flow, cash and cash equivalents have original maturities of three months or less from the date of acquisition. The Authority considers investments in government security money market funds to be cash equivalents.

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***Investments and Investment Income***

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note 2. No Investments are reported at amortized cost. Investment income and net increase or decrease in fair value of investments are presented in the Statement of Revenues, Expenses and Changes in Net Position.

***Restricted Assets***

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties.

***Other Current Assets***

Other current assets consists primarily of the current portion of loans receivable and prepaid insurance, which will be recognized within 12 months. Other current assets total \$2,044,563 and \$1,784,234 at December 31, 2023 and 2022, respectively

***Accounts Receivable***

Accounts receivable are stated at the amount billed plus any accrued and unpaid interest. Accounts receivable are ordinarily due 20 days from the billing date. Accounts that are unpaid after the due date bear interest at a local bank's prime rate per month. The Authority does not consider an allowance for uncollectible accounts necessary. Its customers are municipalities and historically receivables have been collectible.

***Inventory Pricing***

Inventory consists of fuel stock and is stated at weighted average cost.

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**Letter of Credit**

The Authority holds transmission credit rights, which are financial obligations, issued by Southwest Power Pool (SPP) designed to mitigate variability in transmission costs by equalizing the difference in two locational marginal pricing points along the electric grid through a payment. SPP requires the posting of collateral to secure these obligations. The Authority has secured a letter of credit in the amount of \$5 million from the Bank of Oklahoma to satisfy this collateral requirement. At December 31, 2023, the collateral requirement with SPP was \$124,870. At December 31, 2022, the collateral requirement with SPP was \$105,899.

**Organization Costs**

Development activity costs incurred by the Authority through June 30, 1985, are included in organization costs. Such costs are being amortized on a straight-line basis over 37 years in accordance with the Authority's rate-making policy. Organization costs were fully amortized as of December 31, 2022.

**Net Costs Recoverable in Future Years**

The Power Sales Contracts with the participating municipalities provide for billings to those municipalities for output and services of the generating facilities, for payment of current operating and maintenance expenses (excluding depreciation and amortization), for payment of scheduled debt principal and interest, and for deposits in certain funds, all in compliance with the bond resolutions. Net deferred costs recoverable in future years includes the net amount of depreciation/amortization of bond discount, premium, issuance cost, loss on refunding and other costs approved by the Authority's Board of Directors. The Authority sets rates to cities on a cash basis utilizing essentially level debt service, and the deferred costs allow the Authority to convert from cash-based rates to accrual accounting. Net deferred cost will become a reduction in net income at such future time as the principal repayment exceeds depreciation and amortization. Annual budgets and changes in power rates are approved by the Authority's Board of Directors. During 2023 and 2022, billings to participating municipalities under Power Sales Contracts were \$162,756,140 and \$215,621,504, respectively.

The ending balance of net costs recoverable in future periods consist of the following at December 31:

	<b>2023</b>	<b>2022</b>
Net costs recoverable in future years		
Net amount of depreciation/amortization	\$ 92,805,976	\$ 92,791,097
Pension costs	(421,499)	(339,615)
Winter Storm Uri costs	48,633,516	53,696,132
Decommissioning and other plant costs	13,839,405	13,863,782
Bond issuance costs	2,790,515	3,156,488
Total net costs recoverable in future years	<u>\$ 157,647,913</u>	<u>\$ 163,167,884</u>

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Amortization of net costs recoverable in the future were as follows:

	<b>2023</b>	<b>2022</b>
Operating:		
Pension costs	\$ 81,884	\$ (281,209)
Winter Storm Uri costs	5,062,616	5,091,542
Decommissioning and other plant costs	1,017,077	111,882
Non-Operating:		
Net amount of depreciation/amortization	(14,879)	5,009,528
Bond issuance costs	365,973	405,183
Total amortization	\$ 6,512,671	\$ 10,336,926

***Winter Storm Uri***

In February 2021, winter storm Uri caused extreme cold in the central United States, which caused natural gas and electricity prices in energy markets to spike to unprecedented levels. The cost to the Authority of this one-week event was calculated to be approximately \$65 million. A regulatory asset has been created to account for the cost of \$59 million after the rate stabilization funds were applied. On March 12, 2021, the Authority closed on a \$60 million 5-year term note with Bank of America bearing a fixed interest rate of 1.75%. This term note was repaid in full on August 12, 2021, from the proceeds of the 2021 A&B bonds. Those bonds included \$60 million in new money bonds and also refunded the 2013 A&B and the 2014 A bonds. The regulatory asset will be amortized based on the debt service collected from the participants in rates on the 2021 A&B bonds. As part of the financing of the winter storm cost the Authority contributed approximately \$6 million from the Rate Stabilization fund and \$14 million that was made available from the Debt Service Reserve Fund by the defeasance of the 1992B bonds.

The Grand River Dam Authority (GRDA) is one of the Authority's power and energy suppliers through a purchase power agreement. GRDA was also severely affected by winter storm Uri. GRDA is collecting the winter storm cost from their customers, of which the Authority's share was approximately \$4 million. The Authority has agreed to pay, and subsequently paid, GRDA over a 12-month period beginning in November 2021 and ending in October 2022. The cost will be added to the Authority's revenue requirement and collected from participants over a 7-year period.

# Oklahoma Municipal Power Authority

## A Component Unit of the State of Oklahoma

### Notes to Financial Statements

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#### **Non-current Assets**

##### **Loans Receivables**

The Authority has established a policy whereby customers can borrow funds to finance improvements to their municipal electric systems. All lending is approved by the Authority's Board and is generally limited to 30% of the customers previous 12 month billing from the Authority. The loans are classified as other assets on the Authority's balance sheet. The current portion of loans receivables from cities totaled \$278,234 and \$285,543 at December 31, 2023 and 2022, respectively. Non-current portion of loans receivables from cities totaled \$179,402 and \$457,737 at December 31, 2023 and 2022, respectively.

##### **Other non current assets**

Other non-current assets consists primarily of the long-term portion of loans receivable and long-term service agreements. Other non-current assets total \$3,266,718 and \$2,811,332 at December 31, 2023 and 2022, respectively.

#### **Deferred Outflows of Resources**

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

##### **Unamortized Loss on Advance Refundings of Bonds**

Deferred charge on bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt using the effective interest method.

##### **Derivative Financial Instruments**

The Authority has implemented GASB Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments* (Statement 53). Statement 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The Authority has entered into an interest rate swap (Note 8) to synthetically cap the effects of the short-term fluctuations in the variable interest rates. The contract requires the Authority to pay a fixed rate and receive a variable price based upon indices. This transaction meets the requirements of Statement No. 53. Realized gains or losses on the interest rate swap are recorded as either a reduction of or an addition to interest expense.

The Authority uses commodity price swap contracts (Note 9) to hedge the effects of fluctuations in the prices for natural gas during the Authority's peak sales periods. The contracts require the Authority to pay a fixed price for natural gas and receive a variable price based upon common indices. These transactions meet the requirements of Statement No. 53. Realized gains and losses on commodity swap contracts are recorded as either a reduction of or addition to fuel cost.

# **Oklahoma Municipal Power Authority**

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### **Notes to Financial Statements**

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#### ***Pensions***

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oklahoma Public Employees Retirement System (OPERS) and additions to/deductions from OPERS fiduciary net position have been determined on the same basis as they are reported by OPERS. 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.

#### ***Accrued Expenses***

Accrued expenses consist of wages, compensated absences and reserve and contingency liabilities.

#### ***Compensated Absences***

Under terms of employment, employees are granted vacation and sick leave in varying amounts based on years of service. Only benefits considered vested are disclosed in these statements. Vested vacation leave is accrued when earned in the financial statements. The liability is liquidated from the general operating revenue of the Authority.

#### ***Long-Term Obligations***

Long-term debt and other obligations are reported as Authority liabilities. Bond premiums and discounts are amortized over the life of the bonds using the effective-interest method. Gains or losses on prior refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance at year end for premiums and discounts is shown as an increase or decrease in the liability section of the statement of net position. The balance at year end for the loss on refunding is shown as a deferred outflow in the statement of net position.

#### ***Deferred Inflows of Resources***

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

#### ***Unearned Revenues – Rate Stabilization***

The Authority designs its electric service rates to recover costs, as defined above, of providing power supply services. In order to minimize possible future rate increases, each year the Authority determines a rate stabilization amount to be charged or credited to revenues. There was a rate stabilization contribution recognized in off-system revenues of \$7,761,000 and \$1,000,000 in 2023 and 2022, respectively. These amounts are reflected as increases or decreases in unearned revenues – rate stabilization in the accompanying statements of net position. Plant decommissioning deferrals or withdrawals are approved by the Board of Directors.

# Oklahoma Municipal Power Authority

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#### ***Unearned Revenues – Plant Decommissioning***

In 2018, the Authority's Board began funding a plant decommissioning reserve through system revenues in anticipation of decommission costs for recently retired plants (see note 13). The Authority has incurred total decommission costs of \$17,701,399 and \$12,712,134, as of December 31, 2023 and 2022, respectively. The Authority's Board has approved a deferral of \$11.5 million of these costs as a regulatory asset and in 2023 began to amortize over twenty-four years (see regulatory assets). The total revenues deferred as of December 31, 2022 to pay for the remaining decommissioning costs was \$4,712,134. In 2023, the Authority's Board approved an annual transfer of system revenues of \$1,250,000 for 10 years as well as an additional one-time transfer of \$3.5 million. In 2023, \$6,201,399 of unearned revenues and decommissioning costs were recognized in system revenues and generation expense, respectively, resulting in an ending balance of \$3,260,735 in the plant decommissioning reserves.

#### ***FPL Receivable/Unearned Revenue***

The Authority entered into a financed sale agreement for the construction and installation of a wind project. The Authority issued a taxable limited obligation note in the amount of \$57,739,000, which represented the cost of construction and the sale price of the assets to FPL. The FPL assets, net of depreciation, and the note receivable are recorded in the Authority's Balance Sheet. The note is payable solely from payments made by FPLE Oklahoma with no recourse to the Authority (Note 4). Future note payments are recognized as a receivable, and totaled \$22,583,661, and \$27,100,393 at December 31, 2023 and 2022, respectively. Current portion of the receivables totaled \$4,516,732 at December 31, 2023 and 2022, respectively. Future note payments will be recognized as revenue in the period received.

#### ***Net Position***

Net position of the Authority is classified in three components. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted assets are non-capital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the Authority, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted assets are remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets or restricted assets. When both restricted and unrestricted resources are available for use for the same purpose, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

#### ***Risk Management***

The Authority manages its risks through coverages provided by private insurers for workers' compensation, employee dishonesty and boiler/machinery and other property risks by the State of Oklahoma's Risk Management Administration for automobile and tort liabilities. Settled claims have not exceeded reserves in the last three years. There were no significant reductions in coverage compared to prior year.

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***Income Taxes***

The Authority is exempt from Federal income taxes, as it is a political subdivision of the State. The Authority is exempt from Oklahoma state income taxes as provided under the Municipal Power Authority Act.

***Major Customers***

The Authority currently serves 42 municipalities in Oklahoma and three partial requirements customers. Five customers accounted for approximately 68% and 69% of the Authority's operating revenues (two of which accounted for 51% and 51% of the Authority's operating revenues) for the years ended December 31, 2023 and 2022, respectively.

***Effect of New Accounting Standards on Current Period Financial Statements***

GASB has approved Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*, GASB Statement No. 101, *Compensated Absences* and GASB Statement No. 102, *Certain Risk Disclosures*. When they become effective, application of these standards may restate portions of these financial statements.

***Comparative Data***

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

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**Note 2: Deposits, Investments and Investment Income**

***Summary of Carrying Values***

The carrying values of deposits and investments shown above are included in the Statements of Net Position as follows:

	<b>2023</b>	<b>2022</b>
Carrying value		
Deposits	\$ 544,318	\$ (23,738)
Investments	<u>129,645,946</u>	<u>121,928,474</u>
	<u>\$ 130,190,264</u>	<u>\$ 121,904,736</u>

Included in the following Statements of Net Position captions:

Cash and cash equivalents	\$ 10,190,593	\$ 5,751,989
Investments – current	6,924,418	7,654,837
Non-current investments	52,988,598	37,350,664
Restricted cash and cash equivalents	31,772,659	37,515,280
Non-current restricted cash and cash equivalents	12,177,716	12,735,556
Non-current restricted investments	<u>16,136,280</u>	<u>20,896,410</u>
	<u>\$ 130,190,264</u>	<u>\$ 121,904,736</u>

The Authority further classifies these deposits and investments as follows:

Operating and maintenance funds	\$ 42,542,873	\$ 34,218,600
Rate stabilization funds	24,300,000	16,538,890
Decommissioning funds	3,260,735	-
Debt service funds	31,772,659	37,515,280
Debt service reserve funds	20,462,111	22,965,557
Construction funds	<u>7,851,886</u>	<u>10,666,409</u>
	<u>\$ 130,190,264</u>	<u>\$ 121,904,736</u>

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***Deposits***

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Authority's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and city, county, school district or special road district of the State; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

The Authority had bank balances of \$1,591,567 and \$537,737 at December 31, 2023 and 2022, respectively. \$341,567 and \$0 of these balances were exposed to custodial risk at December 31, 2023 and 2022, respectively.

The Authority has collateral in the form of a irrevocable letter of credit with FHLBank of Topeka of \$1 million as of December 31, 2023 and 2022, respectively. The outstanding amount drawn on the letter of credit was \$0 at December 31, 2023 and 2022.

***Investments***

The management of investments is under the custody of the Authority's management. Investing is performed in accordance with the formally adopted investment policies of the Authority. The funds may be invested in (1) direct obligations of the United States government of which the full faith and credit of the United States government is pledged; (2) certificates of deposit at savings and loan associations and banks, which are federally insured or when the funds are secured by acceptable collateral; (3) savings accounts at savings and loan associations and banks, to the extent they are fully federally insured; (4) any bonds or other obligations guaranteed by any agency or corporation that has been created pursuant to an Act of Congress as an agency or instrumentality of the United States of America; (5) bonds, notes or other evidences of the indebtedness issued or guaranteed by any corporation which are, at the time of purchase, rated by two nationally recognized rating agencies in their highest rating category; (6) repurchase agreements secured by 1 or 4 above provided collateral is kept safe by a representative of the Authority; and (7) interests in portfolios of money market instruments containing obligations described above. Any un-invested funds shall be deposited in a bank or banks within Oklahoma that are approved and designated by the Board of Directors of the Authority. The management of investments in the bond funds is performed in accordance with applicable bond indentures.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined below. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Fair values may have changed significantly after year end.

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At December 31, 2023 and 2022, the Authority had the following investments and maturities:

<b>December 31, 2023</b>					
<b>Maturities in Years</b>					
<b>Type</b>	<b>Fair Value</b>	<b>Less Than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More Than 10</b>
U.S. agencies obligations	\$ 16,136,280	\$ 5,900,080	\$ 10,236,200	\$ —	\$ —
Municipal bonds	59,913,016	6,924,418	14,393,598	3,165,000	35,430,000
Money market funds	<u>53,596,650</u>	<u>53,596,650</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>\$ 129,645,946</u>	<u>\$ 66,421,148</u>	<u>\$ 24,629,798</u>	<u>\$ 3,165,000</u>	<u>\$ 35,430,000</u>
<b>December 31, 2022</b>					
<b>Maturities in Years</b>					
<b>Type</b>	<b>Fair Value</b>	<b>Less Than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More Than 10</b>
U.S. agencies obligations	\$ 17,396,410	\$ 1,908,060	\$ 15,488,350	\$ —	\$ —
U.S. treasury bonds	3,500,000	3,500,000			
Municipal bonds	45,005,500	7,248,436	20,638,828	1,518,236	15,600,000
Money market funds	<u>56,026,564</u>	<u>56,026,564</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>\$ 121,928,474</u>	<u>\$ 68,683,060</u>	<u>\$ 36,127,178</u>	<u>\$ 1,518,236</u>	<u>\$ 15,600,000</u>

**Interest Rate Risk** – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority’s investment policy limits investments of operating and maintenance funds with a term beyond five years to a total of \$11 million, with \$4 million of this amount invested at 10 years or less. The debt service reserve accounts may be invested beyond 10 years provided the yield is adequate. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately. Although the Authority holds investments with maturity in excess of 10 years that exceed the policy limit, the investments are callable on short notice therefore fall within the investment policy. The Authority was in compliance with this policy at December 31, 2023 and 2022.

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**Credit Risk** – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The various bond indentures limit the types of investments the Authority may invest in and the related credit risk of those investments. At December 31, 2023 and 2022, the Authority’s investments in U.S. agencies obligations not directly guaranteed by the U.S. government, municipal bonds and money market mutual funds were rated as follows:

<b>Investment</b>	<b>Moody’s</b>	<b>S&amp;P</b>	<b>Fitches</b>
U.S. agency securities not directly guaranteed by the U.S. government	Aaa	AA+	AAA
Municipal bonds	AAA/AA	AAA/AA	AAA/AA
Money market mutual funds	Aaamf	AAAm	AAAmmf

**Custodial Credit Risk** – For an investment, 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 or collateral securities that are in the possession of an outside party. All of the underlying securities for the Authority’s investments at December 31, 2023 and 2022 are held by the counterparties in the Authority’s name.

**Concentration of Credit Risk** – The Authority places no limit on the amount that may be invested in any one issuer. At December 31, 2022, the Authority’s investment in agency obligations of Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, US Treasury securities, and E Baton Rouge Indl-A revenue bonds constituted 14.27%, 0%, 0%, 2.87%, and 8.28%, respectively, of its total investments. At December 31, 2023, the Authority’s investment in agency obligations of Federal Home Loan Bank, E Baton Rouge Indl-A Revenue bonds, and Iowa St. Finance Authority Revenue Bonds constituted 12.45%, 9.05%, 5.43%, respectively, of its total investments fair value

**Fair Value**

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 are significant unobservable inputs.

The valuation methods for fair value measurement for 2023 are as follows:

<b>Investment</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
U.S. agency securities	\$16,136,280	---	---
Municipal bonds	---	59,913,016	---
Money market funds	53,596,650	---	---
Natural gas hedges	(1,539,514)	---	---

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The valuation methods for fair value measurement for 2022 are as follows:

Investment	Level 1	Level 2	Level 3
U.S. agency securities	\$17,396,410	---	---
U.S. treasury bonds	3,500,000		
Municipal bonds	---	45,005,500	---
Money market funds	56,026,564	---	---
Interest rate swaps	---	(122,470)	---
Natural gas hedges	(1,204,510)	---	---

U.S. agency securities, U.S. treasury bonds and municipal bonds are valued using matrix pricing techniques, interest rate swaps are valued using an option adjusted discounted cash flow model, and gas swaps and money market funds are valued with quoted market prices.

**Note 3: Electric Utility Plant**

Electric utility plant assets activity for the years ended December 31, 2023 and 2022, were:

	2023			
	January 1	Additions	Retirements	December 31
Non-depreciable plant				
Construction work in progress	\$ <u>1,687,022</u>	\$ <u>1,985,200</u>	\$ <u>(792,019)</u>	\$ <u>2,880,203</u>
Depreciable plant				
General plant	41,496,812	1,619,822	—	43,116,634
Generation plant	620,091,865	5,116,699	(19,722,517)	605,486,047
Fuel reserves, net	3,778	—	(3,778)	—
Intangible assets	8,552,047	301,050	—	8,853,097
Leased assets	8,082,566	—	—	8,082,566
FPL assets	<u>57,739,000</u>	<u>—</u>	<u>—</u>	<u>57,739,000</u>
Total depreciable plant	<u>735,966,068</u>	<u>7,037,571</u>	<u>(19,726,295)</u>	<u>723,277,344</u>
Total electric utility plant	<u>737,653,090</u>	<u>9,022,771</u>	<u>(20,518,314)</u>	<u>726,157,547</u>
Less accumulated depreciation for				
General plant	(19,820,036)	(1,762,903)	—	(21,582,939)
Generation plant	(296,375,453)	(21,467,322)	19,722,516	(298,120,259)
Intangible assets	(7,173,579)	(1,128,845)	—	(8,302,424)
Leased assets	(296,082)	(186,041)	—	(482,123)
FPL assets	<u>(35,528,762)</u>	<u>(3,184,118)</u>	<u>—</u>	<u>(38,712,880)</u>
Total accumulated depreciation	<u>(359,193,912)</u>	<u>(27,729,229)</u>	<u>19,722,516</u>	<u>(367,200,625)</u>
Electric utility plant, net	\$ <u>378,459,178</u>	\$ <u>(18,706,458)</u>	\$ <u>(795,798)</u>	\$ <u>358,956,922</u>

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	<b>2022</b>			
	<b>January 1</b>	<b>Additions</b>	<b>Retirements</b>	<b>December 31</b>
Non-depreciable plant				
Construction work in progress	\$ <u>2,019,321</u>	\$ <u>881,134</u>	\$ <u>(1,213,433)</u>	\$ <u>1,687,022</u>
Depreciable plant				
General plant	39,107,731	2,462,530	(73,449)	41,496,812
Generation plant	653,682,228	5,748,467	(39,338,830)	620,091,865
Fuel reserves, net	459,335	4,473	(460,030)	3,778
Intangible assets	8,333,847	218,200	—	8,552,047
Leased assets	8,082,566			8,082,566
FPL assets	<u>57,739,000</u>	<u>—</u>	<u>—</u>	<u>57,739,000</u>
Total depreciable plant	<u>767,404,707</u>	<u>8,433,670</u>	<u>(39,872,309)</u>	<u>735,966,068</u>
Total electric utility plant	<u>769,424,028</u>	<u>9,314,804</u>	<u>(41,085,742)</u>	<u>737,653,090</u>
Less accumulated depreciation for				
General plant	(18,272,224)	(1,621,261)	73,449	(19,820,036)
Generation plant	(313,043,571)	(22,670,712)	39,338,830	(296,375,453)
Intangible assets	(5,971,371)	(1,202,208)	—	(7,173,579)
Leased assets	(135,541)	(160,541)	—	(296,082)
FPL assets	<u>(32,524,877)</u>	<u>(3,003,885)</u>	<u>—</u>	<u>(35,528,762)</u>
Total accumulated depreciation	<u>(369,947,584)</u>	<u>(28,658,607)</u>	<u>39,412,279</u>	<u>(359,193,912)</u>
Electric utility plant, net	\$ <u>399,476,444</u>	\$ <u>(19,343,803)</u>	\$ <u>(1,673,463)</u>	\$ <u>378,459,178</u>

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**Note 4: Long-term Liabilities**

Long-term liability activity for the years ended December 31, 2023 and 2022, are as follows:

**2023**

	<b>January 1</b>	<b>Additions</b>	<b>Payments or Amortization</b>	<b>December 31</b>	<b>Amounts Due Within One Year</b>
Revenue bonds payable	\$ 555,883,000	\$ —	\$ (26,025,000)	\$ 529,858,000	\$ 21,065,000
Less unamortized net (discount)/premium	<u>30,834,306</u>	<u>—</u>	<u>(3,994,001)</u>	<u>26,840,305</u>	<u>—</u>
Total revenue bonds payable	586,717,306	—	(30,019,001)	556,698,305	21,065,000
Note payable	22,210,238	—	(3,184,118)	19,026,120	3,375,165
Line of credit	800,000	—	—	800,000	—
Lease liability	7,786,484	—	(186,041)	7,600,443	212,051
Derivative liabilities	<u>1,326,980</u>	<u>221,054</u>	<u>—</u>	<u>1,548,034</u>	<u>1,548,034</u>
Total long-term liabilities	<u>\$ 618,841,008</u>	<u>\$ 221,054</u>	<u>\$ (33,389,160)</u>	<u>\$ 585,672,902</u>	<u>\$ 26,200,250</u>

**2022**

	<b>January 1</b>	<b>Additions</b>	<b>Payments or Amortization</b>	<b>December 31</b>	<b>Amounts Due Within One Year</b>
Revenue bonds payable	\$ 580,133,000	\$ —	\$ (24,250,000)	\$ 555,883,000	\$ 26,025,000
Less unamortized net (discount)/premium	<u>35,506,433</u>	<u>—</u>	<u>(4,672,127)</u>	<u>30,834,306</u>	<u>—</u>
Total revenue bonds payable	615,639,433	—	(28,922,127)	586,717,306	26,025,000
Note payable	25,214,124	—	(3,003,886)	22,210,238	3,184,118
Line of credit	—	800,000	—	800,000	603,500
Lease liability	7,947,025	—	(160,541)	7,786,484	186,041
Derivative liabilities	<u>1,271,775</u>	<u>55,205</u>	<u>—</u>	<u>1,326,980</u>	<u>1,249,149</u>
Total long-term liabilities	<u>\$ 650,072,357</u>	<u>\$ 855,205</u>	<u>\$ (32,086,554)</u>	<u>\$ 618,841,008</u>	<u>\$ 31,247,808</u>

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**Revenue Bonds Payable**

The Authority has issued Power Supply System Revenue Bonds to finance portions of its acquisition and construction activities and establish bond reserve investments.

Revenue bonds outstanding at December 31, 2023 and 2022, are as follows:

	<b>2023</b>	<b>2022</b>
Power Supply System Revenue Bonds, Series 2005A, Variable Rate Demand Obligations (3.66% at December 31, 2022), due January 1, 2007 to January 1, 2023	\$ ---	\$ 5,400,000
Power Supply System Revenue Bonds, Series 2010B, 6.31% to 6.44%, due January 1, 2039 to January 1, 2045	70,000,000	70,000,000
Power Supply System Revenue Refunding Bonds, Series 2014A, 3.00% to 5.00%, due January 1, 2019 to January 1, 2038	1,630,000	1,630,000
Power Supply System Revenue Refunding Bonds, Series 2014B, 3.00% to 5.00%, due January 1, 2021 to January 1, 2027	28,235,000	31,290,000
Power Supply System Revenue Refunding Bonds, Series 2016A, 2.25% to 5.00%, due January 1, 2028 to January 1, 2047	124,315,000	124,315,000
Power Supply System Revenue Refunding Bonds, Series 2019A, 5.00%, due January 1, 2020 to January 1, 2028	10,230,000	26,295,000
Power Supply System Revenue Refunding Bonds, Series 2021A, 4.00% - 5.00%, due January 1, 2022 to January 1, 2047	123,833,000	125,068,000
Power Supply System Revenue Refunding Bonds (federally taxable), Series 2021B, 0.461% - 2.903%, due January 1, 2022 to January 1, 2047	<u>171,615,000</u>	<u>171,885,000</u>
	529,858,000	555,883,000
Less current portion of revenue bonds payable	<u>21,065,000</u>	<u>26,025,000</u>
Revenue bonds payable less current portion	<u>\$ 508,793,000</u>	<u>\$ 529,858,000</u>

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Principal and interest payments of revenue bonds for the years ending after December 31, 2023, are as follows:

Year Ending December 31,	Principal	Interest	Total
2024	\$ 21,065,000	\$ 19,807,167	\$ 40,872,167
2025	22,090,000	18,805,362	40,895,362
2026	23,170,000	17,727,907	40,897,907
2027	24,315,000	16,579,570	40,894,570
2028	25,365,000	15,533,380	40,898,380
2029 – 2033	93,785,000	66,778,002	160,563,002
2034 – 2038	93,440,000	51,614,192	145,054,192
2039 – 2043	116,390,000	34,526,927	150,916,927
2044 – 2047	<u>110,238,000</u>	<u>10,549,132</u>	<u>120,787,132</u>
	<u>\$ 529,858,000</u>	<u>\$ 251,921,639</u>	<u>\$ 781,779,639</u>

The bonds are payable from, and collateralized by, a pledge of and security interest in the proceeds of the sale of the bonds, the operating revenues of the Authority and assets in the funds established by the respective bond resolution. Interest on all fixed rate and term rate bonds is payable semiannually on January 1 and July 1; interest on variable rate bonds is payable on the first business day of each month. Neither the State nor any political subdivision thereof, nor any participating municipality which has contracted with the Authority, is obligated to pay principal or interest on the bonds. The Authority does not have any taxing authority. Additionally, the Authority must have approval from the State of Oklahoma Council of Bond Oversight in order to issue bonds.

The Power Supply System Revenue Bonds, Series 2005A, 2010A, 2014A, 2014B, 2016A, 2019A, 2021A, and 2021B were issued to advance refund previously outstanding bonds of the Authority. The differences between the Authority's net carrying amount of the refunded bonds and the net proceeds of the refunding bonds were deferred and are being amortized over the terms of the refunding bonds. The transactions resulted in a net reduction of debt service cost over the term of the refunding bonds.

The Authority issued Series 2005A Revenue Refunding Bonds on October 6, 2005, to refund the outstanding balance of the Series 1990A bonds. A refunding loss of approximately \$4.9 million was recorded and amortized over the life of the new bond issue. The refunding provided a present value refunding savings of approximately \$3,600,000. The Series 2005A bonds bore a variable interest rate pursuant to a weekly auction rate process until November 21, 2008, at which time the Authority converted them to daily mode (Variable Rate Demand Obligations). The Series 2005A bonds are limited to a per annum interest rate of 14%. The Series 2005A bonds, when issued initially in the auction rate mode, were insured by MBIA Insurance Corporation.

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The Authority issued \$70,000,000 of Series 2010B Power Supply System Revenue Bonds (Federally Taxable Build America Bonds – Direct Pay) on August 11, 2010. The proceeds were used for the construction of the John W. Turk Jr. power plant and other capital projects. The Series 2010B bonds carry a fixed interest rate of 6.31% to 6.44% and are due January 2039 thru January 2045. The Authority receives a Federal subsidy equal to 33% of interest payable.

On November 21, 2014, The Authority issued \$88,740,000 of Series 2014A and \$34,440,000 of Series 2014B Power Supply System Revenue Refunding Bonds. The 2014 series bonds carry a fixed interest rate of 3.000% to 5.000% and are due January 2019 through 2038. The proceeds were used to refund \$25,575,000 of the Authority's Series 2001B Bonds, \$16,100,000 of the Authority's Series 2003A Bonds and \$87,330,000 of the Authority's Series 2008A Bonds. The transaction resulted in a net refunding loss of \$14,262,936, and had a net present value savings of 6.11%.

On October 5, 2016, The Authority issued \$124,315,000 of Series 2016A Power Supply System Revenue Refunding Bonds. The 2016A series bonds carry a fixed interest rate of 2.25% to 5.000% and are due January 2028 through 2047. The proceeds were used to refund \$135,375,000 of the Authority's Series 2007A Bonds. The transaction resulted in a net refunding loss of \$2,527,805, and had a net present value savings of 14.99%.

On October 3, 2019, The Authority issued \$59,105,000 of Series 2019A Power Supply System Revenue Refunding Bonds. The 2019A series bonds carry a fixed interest rate of 5.000% and are due January 2020 through 2028. The proceeds were used to refund \$64,005,000 of the Authority's Series 2010A Bonds. The transaction resulted in a net refunding loss of \$1,328,820, and had a net present value savings of 8.45%.

On July 1, 2021 The Authority issued \$125,963,000 of Series 2021A Power Supply System Revenue Refunding Bonds, and \$172,015,000 of Series 2021B Power Supply System Revenue Refunding Bonds (federally taxable). The 2021A series bonds carry a fixed interest rate of 3.000% to 5.000% and are due January 2022 through 2045. The 2021B series bonds carry a fixed interest rate of 0.461% to 2.551% and are due January 2022 through 2036. The proceeds were used to refund the Authority's Series 2013A, 2013B and most of the Series 2014A Bonds. Proceeds were also used to pay off a \$60 million term note with Bank of America, see note 13. The transaction resulted in a net refunding loss of \$24,188,835, and had a net present value savings of 8.51%.

On March 29, 2021, The Authority authorized the defeasance of all the outstanding principal amount of the 1992B Bonds. As of March 29, 2021, the 1992B Bonds had an outstanding principal amount of \$10,370,000. The Authority authorized the transfer of \$12,083,099 currently on deposit in the Debt Service Reserve Account to the Escrow Account. A portion of the cash contribution was used to purchase escrowed securities and the remaining was placed in an escrow account to defease the bonds. The Escrow agent pays the debt service requirements of the defeased bonds.

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Under the bond resolutions, the Authority has covenanted that it will establish and collect rents, rates and charges under the Power Sales Contracts and will otherwise charge and collect rents, rates and charges for the use or sale of the output, capacity or service of its system which, together with other available revenues, are reasonably expected to yield net revenues for the 12-month period commencing with the effective date of such rents, rates and charges equal to at least 1.10 times the aggregate debt service for such period and, in any event, as are required, together with other available funds, to pay or discharge all other indebtedness, charges and liens payable out of revenues under the resolutions.

Total outstanding defeased bonds totaled \$55,260,000 and \$176,175,000, as of December 31, 2023 and 2022, respectively, which represents the final callable date of the bonds as part of the 2013A, 2013B and 2014A bond issues.

**Note Payable - FPL**

The Authority has issued \$57,739,000 in a taxable limited obligation note. The note bears an interest rate of 6%. Annual principal and interest payments of \$4,516,732 are due through December 31, 2028. The note is payable solely from payments made by FPL Energy Oklahoma Wind, LLC on electric plant (*Note 11*) with no recourse to the Authority.

Principal and interest payments of the note payable for the years ending after December 31, 2023, are as follows:

Year Ending December 31,	Direct Placement		
	Principal	Interest	Total
2024	\$ 3,375,165	\$ 1,141,567	\$ 4,516,732
2025	3,577,675	939,057	4,516,732
2026	3,792,336	724,396	4,516,732
2027	4,019,876	496,856	4,516,732
2028	4,261,068	255,664	4,516,732
	\$ 19,026,120	\$ 3,557,540	\$ 22,583,660

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**Note 5: Restricted Net Position**

At December 31, 2023 and 2022, restricted net position is available for the following purposes:

	<b>2023</b>	<b>2022</b>
Debt service	\$ <u>21,305,962</u>	\$ <u>26,482,253</u>
Total restricted expendable net position	\$ <u>21,305,962</u>	\$ <u>26,482,253</u>

The restrictions of the various accounts are as follows:

- Debt service accounts – This account is restricted for payment of the current portion of bond principal and interest, and maintenance of debt service reserves sufficient to cover the maximum annual principal and interest requirements of the respective related bond issues.

**Note 6: Defined Benefit Pension Plan Participation**

***Plan Description***

The Authority, as the employer, participates in Oklahoma Public Employees Retirement Plan—a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Title 74 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the OPERS. OPERS issues a publicly available financial report that can be obtained at [www.opers.ok.gov](http://www.opers.ok.gov).

***Benefits Provided***

OPERS provides retirement, disability, and death benefits to members of the plan. Members qualify for full retirement benefits at their specified normal retirement age or, for any person who became a member prior to July 1, 1992, when the sum of the member’s age and years of credited service equals or exceeds 80 (Rule of 80), and for any person who became a member after June 30, 1992, when the member’s age and years of credited service equals or exceeds 90 (Rule of 90). Normal retirement date is further qualified to require that all members employed on or after January 1, 1983 must have six or more years of full-time equivalent employment with a participating employer before being eligible to receive benefits. Credited service is the sum of participating and prior service. Prior service includes nonparticipating service before January 1, 1975, or the entry date of the employer and active wartime military service. A member with a minimum of ten years of participating service may elect early retirement with reduced benefits beginning at age 55 if the participant became a member prior to November 1, 2011, or age 60 if the participant became a member on or after November 1, 2011. As of November 1, 2015, the OPERS plan is closed to new participants.

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Benefits are calculated for each member category as follows:

Employees

- Benefits are determined at 2% of the average annual salary received during the highest thirty-six months of the last ten years of participating service, but not to exceed the applicable annual salary cap, multiplied by the number of years of credited service. Members who join OPERS on or after July 1, 2013, will have their salary averaged over the highest 60 months of the last ten years. Normal retirement age under the Plan is 62 or Rule of 80/90 if the participant became a member prior to November 1, 2011, or age 65 or Rule of 90 if the participant became a member on or after November 1, 2011.
- Members who elect to pay the additional contribution rate, which became available in January 2004, will receive benefits using a 2.5% computation factor for each full year the additional contributions are made. In 2004, legislation was enacted to provide an increased benefit to retiring members who were not yet eligible for Medicare. The Medicare Gap benefit option became available to members under age 65 who retired on or after May 1, 2006. Members may elect to receive a temporary increased benefit to cover the cost of health insurance premiums until the member is eligible to receive Medicare. After the member becomes eligible for Medicare, the retirement benefit will be permanently reduced by an actuarially determined amount. The option is irrevocable, must be chosen prior to retirement, and is structured to have a neutral actuarial cost to the Plan.
- Members become eligible to vest fully upon termination of employment after attaining eight years of credited service, or the members' contributions may be withdrawn upon termination of employment.

Disability retirement benefits are available for members having eight years of credited service whose disability status has been certified as being within one year of the last day on the job by the Social Security Administration. Disability retirement benefits are determined in the same manner as retirement benefits, but payable immediately without an actuarial reduction.

Upon the death of an active member, the accumulated contributions of the member are paid to the member's named beneficiary in a single lump sum payment. If a retired member elected a joint annuitant survivor option or an active member was eligible to retire with either reduced or unreduced benefits or eligible to vest the retirement benefit at the time of death, benefits can be paid in monthly payments over the life of the spouse if the spouse so elects.

Upon the death of a retired member, the Plan will pay a \$5,000 death benefit to the member's beneficiary or estate of the member if there is no living beneficiary. The death benefit will be paid in addition to any excess employee contributions or survivor benefits due to the beneficiary.

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**Contributions**

The contribution rates for each member category of the Plan are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates. Employees are required to contribute 3.5% percent of their annual pay. Participating entities are required to contribute 16.5% of the employees' annual pay. Contributions to the pension plan from the Authority were \$925,579 and \$924,206 in 2023 and 2022, respectively.

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

The Authority reported a liability of \$1,434,550 and \$2,743,528 for its proportionate share of the net pension obligation at December 31, 2023 and 2022, respectively. For the year ended December 31, 2023, the net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023. For the year ended December 31, 2022, the net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The Authority's proportion of the net pension liability was based on the Authority's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30<sup>th</sup>. Based upon this information, the Authority's proportion was 0.31311% and 0.32639% in 2023 and 2022, respectively.

The Authority recognized pension expense of \$858,996 at December 31, 2023. The Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows Of Resources</b>	<b>Deferred Inflows Of Resources</b>
Differences between expected and actual experience	\$ 39,302	\$ 21,701
Change of assumptions	302,632	
Net difference between projected and actual earnings on pension plan investments	1,190,842	---
Authority contributions subsequent to the measurement date	344,974	---
Total	\$ 1,877,750	\$ 21,701

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The Authority recognized pension expense of \$621,909 at December 31, 2022. The Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows Of Resources</b>	<b>Deferred Inflows Of Resources</b>
Differences between expected and actual experience	\$ ---	\$ 125,787
Net difference between projected and actual earnings on pension plan investments	2,879,679	---
Authority contributions subsequent to the measurement date	329,251	---
 Total	 \$ 3,208,930	 \$ 125,787

\$344,974 and \$329,251 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended December 31, 2023 and 2022, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

	<u>Deferred Inflows/Outflows</u>
2024	\$ 422,164
2025	59,974
2026	1,300,392
2027	(271,455)
Thereafter	-
	\$ 1,511,075

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***Actuarial Assumptions***

The total pension liability as of June 30, 2023 and 2022, was determined based on an actuarial valuation prepared as of July 1, 2023 and July 1, 2022, respectively using the following actuarial assumptions:

- Investment return – 6.5% for 2023 and 2022 compounded annually net of investment expense and including inflation.
- Salary increases – 3.5% to 9.25% for 2023 and 2022.
- Mortality rates – Pub 2010 Below Media, General Membership Active/Retiree Healthy Mortality Table with base rates projected to 2030 using Scale-MP2019. Males rates are set back one year, and Female rates are set forward two year.
- No annual post-retirement benefit increases
- Assumed inflation rate – 2.50% for 2023 and 2022.
- Payroll growth – 3.25% for 2023 and 2022.
- Actuarial cost method – Entry age
- Select period for the termination of employment assumptions – 10 years

The actuarial assumptions used in the July 1, 2023, valuation is based on the results of the most recent actuarial experience study, which cover the three-year period ending June 30, 2022. The experience study report is dated April 12, 2023.

The actuarial assumptions used in the July 1, 2022, valuation is based on the results of the actuarial experience study, which cover the three-year period ending June 30, 2019. The experience study report is dated May 13, 2020.

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 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.

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The Target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	34.0%	5.1%
U.S. Small Cap Equity	6.0%	5.1%
Global Equity ex-US	28.0%	8.2%
Core Fixed Income	25.0%	1.9%
Long Term Treasuries	3.5%	2.1%
US TIPS	3.5%	1.8%
Total	100.0%	

The Target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2022, are summarized in the following table:

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

***Discount Rate***

The discount rates used to measure the total pension liability was 6.5% for 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers 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.

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

In 2023, the net liability of the employer is calculated using the discount rate of 6.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	June 30, 2023		
	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Net Pension Liability	\$ 5,533,424	\$ 1,434,550	\$ (2,015,548)

In 2022, the net pension liability of the employer is calculated using the discount rate of 6.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	June 30, 2022		
	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Net Pension Liability	\$ 6,724,400	\$ 2,743,528	\$ (623,136)

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OPERS; which can be located at [www.opers.ok.gov](http://www.opers.ok.gov).

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**Note 7: Other Employee Benefit Plans**

***Oklahoma Public Employees Retirement Defined Contribution Plan***

Effective November 15, 2015, the Oklahoma Legislature enacted legislation 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. Employees of the Authority who first become 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 chapter 40 of Title 590 of the Oklahoma Statute. 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 OPERS. The board of trustees of OPERS may amend Pathfinder or Trust(s) but no amendment shall authorize or permit any part of the Trust for Pathfinder to be used or diverted to purposes other than for the exclusive benefit of the Pathfinder participants and their beneficiaries.

Contribution rates are established by Oklahoma Statute and may be amended by the Oklahoma Legislature. For 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 maximum deferral limits allowed under the 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 was \$82,699 and \$64,756 for the year ending December 31, 2023 and 2022, respectively.

Additionally, in order to reduce the liabilities of the defined benefit 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 of the Authority's contributions was \$144,724 and \$113,323 for the year ending December 31, 2023 and 2022, respectively. The Authority reports no liability for Pathfinder.

***Mission Square Deferred Compensation Plan***

Authority employees may participate in a voluntary deferred compensation plan provided for under Section 457 of the Internal Revenue Code. Employees pay no state or federal income tax (*i.e.*, only FICA on amounts contributed to the plan), and the income earned on plan assets is also nontaxable. The assets in the plan are held in trust until paid or made available to participants. The assets are not subject to claims of the Authority's general creditors.

Contributions to the deferred compensation plan may not exceed the maximum allowable by IRS guidelines. Plan withdrawals are available at retirement, termination of employment and in the event of disability or unforeseen emergency. In the event of death, the beneficiary receives the full account value based upon current fair value.

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***Mission Square 401(a) Money Purchase Plan***

The Authority participates in a voluntary deferred compensation plan provided for under Section 401(a) of the Internal Revenue Code. The plan is structured so that the Authority will match employee contributions into the Section 457 plan, up to a limit of 5% of the employee's annual salary. The Authority contributed \$132,000 and \$125,000 into the plan in 2023 and 2022, respectively. The assets are not subject to claims of the Authority's general creditors.

The deferred compensation plan and the money purchase plan are administered by Mission Square Retirement Corporation, a nonprofit organization specifically designed to serve municipal employees. The assets are held by Mission Square, and are not presented in the Authority's financial statements.

**Note 8: Interest Rate Swap Agreements**

***Objective of the Interest Rate Swap***

The Authority's asset/liability strategy is to have a mixture of fixed- and variable-rate debt to take advantage of market fluctuations. As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Authority entered into an interest rate swap agreement in a notional amount equal to the outstanding principal on the 2005A bond issue. The intention of the swap was to effectively change the Authority's variable interest rate on the 2005A issue to a synthetic fixed rate of 5.05%. The Authority follows hedge accounting for derivatives that are considered effective hedges. Under hedge accounting, the increase or decrease in fair value of a hedge is reported as a deferred inflow or deferred outflow in the Statement of Net Position. For 2022, the interest rate swap was considered effective.

***Terms***

On March 19, 2009, the Authority entered into an interest rate swap agreement with Deutsche Bank. The agreement, which continued until January 1, 2023, provided for the Authority to receive interest from the counterparty at SIFMA Municipal Swap Index, and to pay interest to the counterparty at a fixed rate of 5.05% on notional amounts that match the outstanding principal portion of the 2005A bonds, which was \$0 and \$5,400,000 at December 31, 2023 and 2022, respectively. Under the agreement, the Authority paid interest semi-annually and receives interest monthly. The net interest expense resulting from the agreement is included in interest expense.

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***Fair Value***

As of December 31, 2022, the agreements had a negative fair value of \$122,470, calculated using the par-value method (*i.e.*, the fixed rate on the swap was compared with the current fixed rates that could be achieved in the marketplace should the swap be unwound). The fixed-rate component was valued by discounting the fixed-rate cash flows using the current yield to maturity of a comparable bond. The variable-rate component was assumed to be at par value because the interest rate resets to the market rate at every reset date. The fair value was then calculated by subtracting the estimated market value of the fixed component from the established market value of the variable component.

***Credit Risk***

The swap's fair value represented the Authority's credit exposure to the counterparty as of December 31, 2022. Should the counterparty to this transaction fail to perform according to the terms of the swap agreement, the Authority has a maximum possible loss equivalent to the swap's fair value at that date. At December 31, 2022, the Authority was not exposed to credit risk because the swap had a negative fair value. The transaction does not require collateral from the Authority or the counterparty.

Deutsche Bank, the counterparty in this transaction, had the following credit rating at December 31, 2022:

<u>Moody's</u>	<u>S&amp;P</u>	<u>Fitches</u>
A1	A-	A-

***Basis Risk***

The swap exposed the Authority to basis risk should the relationship between the variable rate being paid on the 2005A bond issue and the SIFMA Municipal Swap Index rate being received change in a manner adverse to the Authority. If an adverse change occurs in the relationship between these rates, the expected cost savings may not be fully realized.

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***Termination Risk***

The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate notes would no longer have a synthetic fixed rate of interest. Also, if the swap has a negative fair value at the time of termination, the Authority would be liable to the counterparty for a payment equal to the swap's then fair value.

**Note 9: Commodity Price Swap Contracts**

***Objective of the Swap***

The Authority is exposed to market price fluctuations on its purchase of natural gas. To protect itself from natural gas price fluctuations, the Authority periodically enters into natural gas price swap contracts. The Authority follows hedge accounting for derivatives that are considered effective hedges. Under hedge accounting, the increase or decrease in fair value of a hedge is reported as a deferred inflow or deferred outflow in the Statement of Net Position. For 2023 and 2022, the natural gas price swaps were considered effective.

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**Terms**

The Authority enters into natural gas price swap contracts at various fixed prices and notional amounts. Each swap contract provides for the Authority to pay a fixed price, and for the contract counterparty to pay a floating price for the notional amount of the contract. The notional amount of each natural gas price swap contract is measured in MMBtu's with the floating price based on a specific published natural gas price index (spot price) for the relevant contract month. At December 31, 2023, the Authority's outstanding natural gas price swap contracts were as follows:

<b>Maturity Date</b>	<b>Notional Quantity (MMBTU)</b>	<b>Fixed Price (\$/MMBTU)</b>	<b>Fair Value</b>
Jan. 31, 2024	186,000	\$ 3.313 – 4.98	\$ (272,902)
Feb. 29, 2024	174,000	3.313 – 4.98	(247,460)
Mar. 31, 2024	155,000	4.165 – 4.98	(306,591)
June 30, 2024	400,000	2.29 – 4.20	(223,875)
July 31, 2024	400,000	2.29 – 4.20	(163,429)
Aug. 31, 2024	400,000	2.29 – 4.20	(147,179)
Sept. 30, 2024	400,000	2.29 – 4.20	(171,226)
Dec. 31, 2024	62,000	3.87	(15,374)
Jan. 31, 2025	62,000	3.87	20,394
Feb 28, 2025	58,000	3.87	14,907
Mar. 31, 2025	62,000	3.87	(25,630)
June 30, 2025	50,000	2.903	(3,604)
July 31, 2025	50,000	2.903	718
Aug. 31, 2025	50,000	2.903	1,449
Sept. 30, 2025	<u>50,000</u>	2.903	<u>288</u>
	<u>2,559,000</u>		<u>\$ (1,539,514)</u>

At December 31, 2022, the Authority had outstanding natural gas price swap contracts with notional amounts totaling 1,799,000 MMBtu's at fixed prices between \$2.87 and \$7.18 per MMBtu, and expiring between February 2023 and September 2024.

**Fair Value**

The outstanding natural gas price swap contracts had a negative fair value of \$1,539,514 and \$1,204,510 at December 31, 2023 and 2022, respectively. The fair value is estimated by discounting actual and implied forward prices using the zero-coupon method. The future net settlement amounts are calculated by assuming that the current forward rates implied by the forward curve for natural gas prices correctly anticipate future spot prices. The future net settlement amounts are then discounted using the spot rates implied by the current interest yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of each contract.

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**As of and for the Years Ended December 31, 2023 and 2022**

***Credit Risk***

At December 31, 2023 and 2022, the Authority was not exposed to credit risk because the natural gas price swaps had a negative fair value. The swap agreements do not require collateral from the Authority or the counterparty.

At December 31, 2023 and 2022, all swap transactions had the following credit ratings:

	<u>Moody's</u>	<u>S&amp;P</u>	<u>Fitches</u>
Morgan Stanley	A1	A-	A+
JP Morgan Chase	Aa2	A+	AA

***Termination Risk***

The Authority or the counterparty may terminate any of the swap contracts if the other party fails to perform under the contract terms. Also, if at the time of the termination, any swap contract has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swaps fair value.

**Note 10: Commitments and Contingencies**

***Purchase Power***

During 2023 and 2022, approximately \$19,784,000 and \$20,768,000 of power was purchased pursuant to several long-term purchase agreements. The Authority is obligated to purchase, at a minimum, approximately \$21,337,000 of power in 2024, and is committed to purchase capacity and energy under various purchase power contract in future years.

***General Litigation***

The Authority is subject to claims and lawsuits that arise in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the changes in financial position and cash flows of the Authority. There were no claims asserted or lawsuits pending against the Authority as of December 31, 2023.

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**Note 11: FPL Assets - Financed Sale**

The Authority executed a power purchase agreement for 51 MW with FPL Energy Oklahoma Wind, LLC (FPLE Oklahoma) for the development of a wind generation facility in northwestern Oklahoma. The power purchase agreement has a term of approximately 25 years, and power is sold on a take and pay basis. Under the Agreement, FPLE Oklahoma was responsible for acquiring, constructing and installing the wind project. The Authority issued a taxable limited obligation note (the Note), which is payable solely from payments made by FPLE Oklahoma with no recourse to the Authority (*Note 4*). The Authority used the proceeds of the note to finance the Authority's acquisition of the wind project and has sold the wind project to FPLE Oklahoma under a financed sale agreement for an amount sufficient to pay debt service, principal and interest on the Note. FPLE Oklahoma retains the operational risk related to the wind project, and will own the project at the end of the agreement.

The Authority has recorded a receivable for the future note payments to be received (*Note 4*). The receivable amount totals \$22,583,661 and \$27,100,393 as of December 31, 2023 and 2022, respectively.

**Note 12: Leased Assets**

On January 1, 2021, the Authority entered into a facilities lease with the City of Ponca City, Oklahoma. The term of the lease is 20 years. This lease agreement is the fourth amendment to the Capacity Purchase Agreement and Lease and Operating Agreement of the Ponca City Power Plant.

The amendment terminates the prior capacity purchase agreement with the City of Ponca City. The lease entitles the Authority to full operational control of the Ponca City Power Plant. The Authority operates three natural gas generating units at the facility. At the termination of the lease The City of Ponca City will retain ownership of the facility.

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Based on a 3% discount rate, which approximates the Authority's cost of capital, principal and interest payments over the remaining life of the lease are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 212,051	\$ 318,557	\$ 530,608
2025	238,581	302,639	541,220
2026	265,643	286,402	552,045
2027	293,245	269,841	563,086
2028	321,399	252,948	574,347
2029 - 2033	2,049,416	999,289	3,048,705
2034 - 2038	2,842,696	523,321	3,366,017
2039 - 2040	1,377,412	65,128	1,442,540
	<u>\$ 7,600,443</u>	<u>\$ 3,018,125</u>	<u>\$ 10,618,568</u>

**Note 13: Plant Retirements**

In November of 2020, the co-owners of the Pirkey lignite fired steam electric generating plant decided to close the plant at the end of March 2023. The \$1.5 million in remaining depreciation and \$460,000 in fuel reserves will be written off by the date of closing.

The decision to close the plant was made because the plant was increasingly un-economical in the Southwest Power Pool energy market, due to an abundance of less expensive natural gas and wind generation.

The plant had a service life in excess of 35 years. A service life of 35 years was the expected life when this plant was placed in service in the mid 1980's. Therefore, the plant does not meet the definition of an impaired asset as defined by GASB 42.

Depreciation for the Pirkey assets was accelerated in 2021 and completed at the end of 2022.

For the Pirkey plant, \$1.7 million in depreciation and \$460,000 in fuel reserves and advanced royalties were written off in 2022.

**Note 14: Subsequent Events**

In January 2024, winter storm Gerri caused extreme cold in the central United States, which caused natural gas and electricity prices in energy markets to increase significantly. The Authority realized approximately \$3.5 million in excess costs due to the storm. The Authority's Board elected to use approximately \$2 million in rate stabilization funds to mitigate the effect of the storm.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Oklahoma Municipal Power Authority**  
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**Required Supplemental Information**  
**As of and for the Years Ended December 31, 2023 and 2022**  
**(Unaudited)**

**Schedule of Proportionate Share of the Net Pension Liability (Asset) – Oklahoma Public Employees Retirement System**

**Last 10 Fiscal Years \***

	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
OMPA proportion of net pension liability	0.313113%	0.326390%	0.325935%	0.318251%	0.356446%	0.327189%	0.318826%	0.031058%	0.030422%	0.030084%
OMPA proportionate share of net pension liability/(asset)	\$ 1,434,550	\$ 2,743,528	\$(4,374,579)	\$2,839,318	\$ 474,744	\$ 638,153	\$1,723,775	\$3,081,110	\$1,094,248	\$ 552,236
Covered Payroll	\$ 4,137,538	\$ 4,090,995	\$ 4,373,056	\$4,834,918	\$5,073,878	\$5,087,203	\$4,956,925	\$5,292,418	\$5,034,873	\$4,616,788
OMPA proportionate share of net pension liability as a percentage of covered payroll	34.67%	67.06%	100.03%	58.73%	9.36%	12.54%	34.77%	58.22%	21.73%	11.96%
Plan fiduciary net position as a percentage of total pension liability	95.9%	92.2%	112.5%	91.6%	98.6%	97.9%	94.3%	89.5%	93.6%	88.6%

**Changes in Benefit Terms.** There were no changes of benefit terms for any participating employer in the Plan.

Changes in Assumptions are as follows:

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Long-term rate of return	6.50	6.50 %	6.50 %	6.50 %	7.00 %	7.00 %	7.25 %	7.25 %	7.50 %
Discount rate	6.50	6.50	6.50	6.50	7.00	7.00	7.25	7.25	7.50
Price Inflation	2.50	2.50	2.50	2.50	2.75	2.75	2.75	3.00	3.00
Real Wage Growth	3.25	3.25	3.25	0.75	0.75	0.75	0.75	1.00	1.00

There were no other changes in assumptions.

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**Required Supplemental Information**  
**As of and for the Years Ended December 31, 2023 and 2022**  
**(Unaudited)**

**Schedule of Contributions – Oklahoma Public Employees Retirement System**

**Last 10 Fiscal Years \***

	12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Contractually Required Contributions	\$ 925,579	\$ 922,289	\$ 895,602	\$ 910,035	\$ 938,136	\$ 845,397	\$ 857,632	\$ 920,625	\$ 874,210	\$ 761,770
Actual employer contributions	\$ 925,579	\$ 922,289	\$ 895,602	\$ 910,035	\$ 938,136	\$ 845,397	\$ 857,632	\$ 920,625	\$ 874,210	\$ 761,770
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 4,124,309	\$ 4,074,171	\$ 4,231,544	\$ 4,517,268	\$ 4,985,182	\$ 4,762,999	\$ 4,804,161	\$ 5,072,249	\$ 5,298,243	\$ 4,845,832
Contributions as a percentage of covered payroll	22.4%	22.6%	21.2%	20.1%	18.8%	17.7%	17.9%	18.2%	16.5%	15.7%

**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***

Independent Auditors' Report

To the Board of Directors of  
Oklahoma Municipal Power 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 (*Government Auditing Standards*), the financial statements of Oklahoma Municipal Power Authority (the Authority), which comprise the Authority's statement of net position as of December 31, 2023, and the related statements of revenues, expenses and changes of net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 28, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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*

Austin, Texas  
March 28, 2024