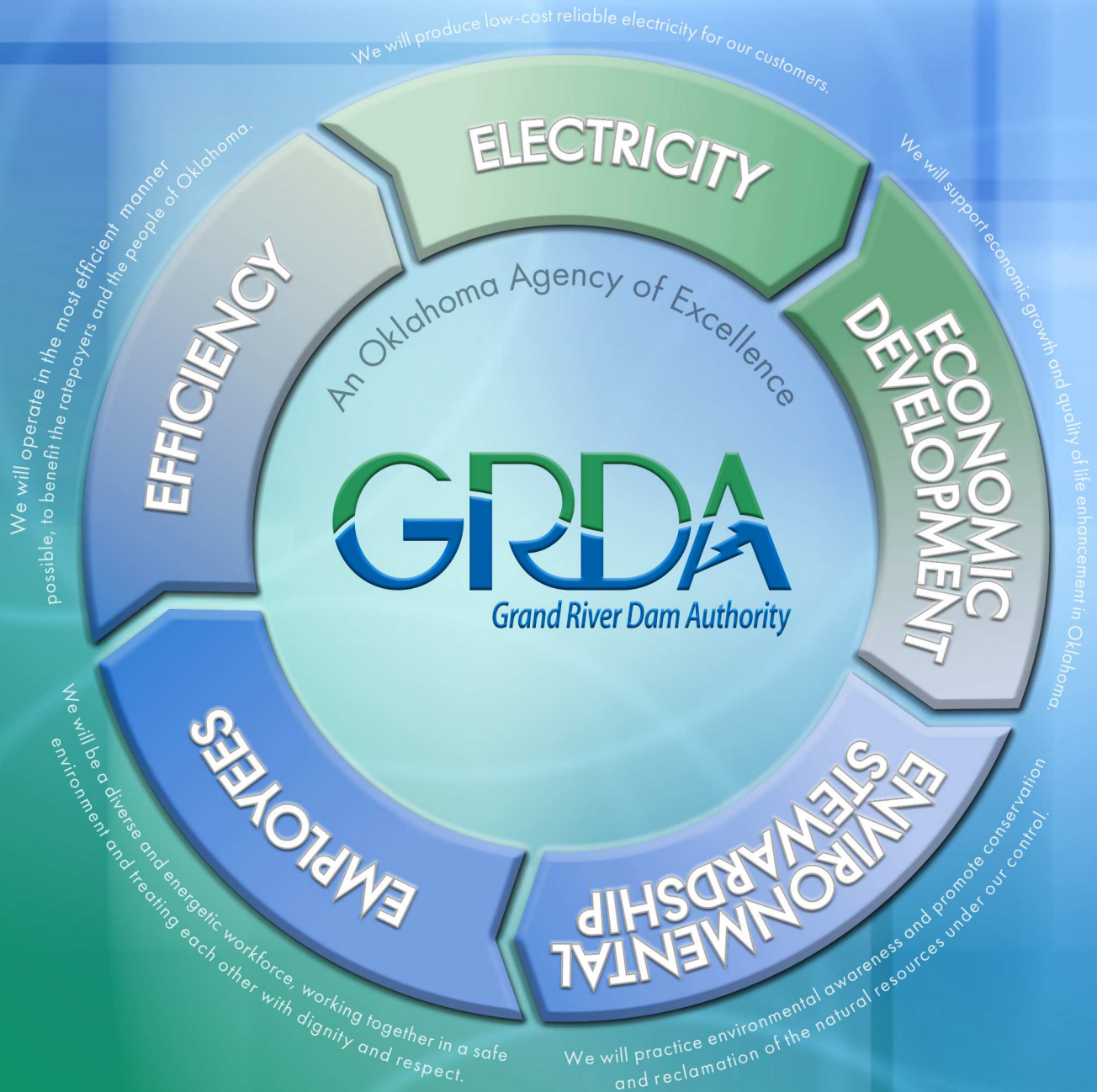


# Grand River Dam Authority

A component unit of the state of Oklahoma

Comprehensive Annual Financial Report  
For The Years Ended December 31, 2015 and 2014



*"Perfection is not attainable, but if we  
chase perfection we can catch excellence."*

*– Vince Lombardi*



# **GRAND RIVER DAM AUTHORITY**

*A component unit of the State of Oklahoma*

Comprehensive Annual Financial Report for the Years Ended  
December 31, 2015 and 2014

Prepared by GRDA's Finance and Corporate Communications Departments

# TABLE OF CONTENTS

## Introductory Section - Unaudited

Transmittal Letter .....	1
A Grand Commitment to Excellence: 2015 Highlights and Accomplishments .....	2
Certificate of Achievement for Excellence in Financial Reporting .....	7
Board of Directors, Management and Organizational Chart .....	8

## Financial Section

Independent Auditors' Report .....	10
Management's Discussion and Analysis (MD&A) - Unaudited .....	12
Basic Financial Statements as of and for the Years Ended December 31, 2015 and 2014:	
Statements of Net Position .....	25
Statements of Revenues, Expenses, and Changes in Net Position .....	26
Statements of Cash Flows .....	27
Notes to Financial Statements:	
Note 01. Summary of Significant Accounting Policies .....	28
Note 02. Deposits and Investments .....	32
Note 03. Receivables .....	37
Note 04. Utility Plant .....	37
Note 05. Cost to Be Recovered from Future Revenues .....	38
Note 06. Bonds Payable .....	39
Note 07. Retirement Plans, Postretirement, and Other Employee Benefits .....	41
Note 08. Other Related-Party Transactions .....	49
Note 09. Commitments and Contingencies .....	49
Note 10. Flyash Landfill Closure and Post-closure Costs .....	50
Note 11. Risk Management .....	50

## Required Supplementary Information - Unaudited

Oklahoma Public Employees Retirement Plan .....	52
Oklahoma Law Enforcement Retirement Plan .....	53
Other Post-Employment Benefits Plan .....	54

## Statistical Section - Unaudited

Revenue Capacity:	
Largest 20 Customers by Net Revenues: Current Year and Nine Years Ago .....	56
Rate History (10 years) .....	57
Debt Capacity:	
Debt Service Coverage (10 years) .....	59
Revenue Bonds Outstanding and Limits (10 years) .....	59
Financial Trends:	
Net Position and Change in Net Position (10 years) .....	61
Cash and Investment Balances (10 years) .....	63
Operating Information:	
Historical Energy Resources (10 years) .....	63
Historical Sales by Customer Group (10 years) .....	63
Number of Full-time Employees .....	64
Miscellaneous Operating Information:	
Nature of Capital Assets:	
Generating Facilities .....	65
Renewable Purchase Power Agreements .....	65
Customer Capacity Purchase Agreements .....	65
Other Facilities .....	65
Transmission Facilities .....	65
Miles of Transmission Line .....	65
Interconnections .....	65
Regional Transmission Organization .....	65
Map of Customers and GRDA Facilities .....	66
Demographic & Economic Indicators:	
State of Oklahoma Demographics .....	67
Major Employers in the State of Oklahoma—Non Government, Non Tribal .....	67
Population Change: 2006-2015 .....	67



UNAUDITED

GRDA 2015 COMPREHENSIVE ANNUAL FINANCIAL REPORT

# INTRODUCTORY SECTION



May 6, 2016

To GRDA customers, bondholders, and citizens of Oklahoma:

On behalf of the Grand River Dam Authority (GRDA or Authority), we respectfully submit the Comprehensive Annual Financial Report for the year ended December 31, 2015. The GRDA Finance and Corporate Communications Departments prepared this comprehensive report in conformity with accounting principles generally accepted in the United States of America. We believe the information represented is accurate in all material respects and that all disclosures necessary to enable the reader to gain an adequate understanding of GRDA's financial position and results of operations have been included. Responsibility for the accuracy, completeness and fairness of the financial statement presentation and disclosure rests with the management of the Authority.

GRDA is a non-appropriated agency of the State of Oklahoma, using revenues earned as a public power utility to finance our conservation and reclamation district responsibilities. Our financial statements are included by the State as a discretely presented component unit.

A Grand Commitment to Excellence truly summarizes the 2015 financial and operating highlights. Three core missions have driven internal activities for the past several years: reliable ELECTRIC POWER, ECONOMIC DEVELOPMENT, and ENVIRONMENTAL STEWARDSHIP. In early 2015, two more E's were added to emphasize the importance of EFFICIENCY and EMPLOYEES. The resulting five-pronged mission for GRDA will guide us in achieving excellence for our customers for decades to come.

The following pages illustrate the 2015 highlights of applying the five core missions to GRDA's Operations and its quest for excellence. In 2014, bonds were issued providing proceeds to finance a cleaner generation resource portfolio. During 2015, those proceeds have been used to add air-quality upgrades to GRDA Unit 2, a coal-fired plant and construct the foundational structure for a highly efficient combined-cycle plant scheduled for commercial operations in summer 2017. Output from two additional wind facilities was also added to the renewable hydro portfolio during the year. The details behind the financial results are discussed in the Management Discussion and Analysis included in the financial section of this report.

The use of the construction funds to pay for these large capital additions drove the 2015 financial results. A strong bottom line also allowed other capital projects to be paid for with current operating revenues. We invite you to read about the specifics contained herein as GRDA continues our commitment to be an agency of excellence.

Sincerely,

Daniel S. Sullivan  
General Manager/  
Chief Executive Officer

Carolyn Vowell Dougherty  
Chief Financial Officer/Treasurer



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**ENERGY CONTROL CENTER**  
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**TRANSMISSION HEADQUARTERS**  
PO Box 1128, Pryor OK 74362  
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# A Grand Commitment To *Excellence*

## SUMMARY OF THE 2015 HIGHLIGHTS AND ACCOMPLISHMENTS

The Authority's 2015 year included several landmarks on its road to remaining among Oklahoma's leading public utilities. Among those landmarks were the substantial completion of Air Quality Control System Upgrades to GRDA Unit 2 and the installation of multiple key components of GRDA Unit 3,

including the long river voyage of the M501J gas turbine, which was received on Oklahoma soil in early 2016. GRDA also included the commercial operation of two wind farms from which it has purchased power agreements. The landmarks point to an exciting and diverse generation portfolio around which the Authority will build its future.





A concrete pour at Grand River Energy Center created the foundation for the new Heat Recovery Steam Generator as part of the ongoing Unit 3 construction.



The HRSG modules/drum for GREC Unit 3 arrived on site in November.



### A Focus on the Core Missions

Early in the year, the Board of Directors elected to revise GRDA's mission to include an emphasis on Efficiency and Employees to the long-standing goals of Economic Development, Environmental Stewardship, and Electricity. As the public power utility industry continues to evolve with changing technologies and regulatory rulings, focusing on best practices keeps employees safe so they can return to their families at the end of their shifts. Being innovative also provides customers what they need, economically, and when and how they want it. At the heart of the change is open and ongoing communication between GRDA and its customers.

Not unlike many public power utilities, the Authority has a large portion of its workforce that is eligible for retirement or is very near to eligibility. Given these employees harbor decades of knowledge and experience, management is working on succession plans and providing leadership training.

### Grand Lake Watershed Plan

As part of the Authority's focus on Environmental Stewardship, the Authority has established a new commitment to caring for the Grand River Watershed and promoting its importance across the region. The Authority's Board has approved two interagency agreements with the University of Oklahoma and Oklahoma State University for watershed conservation and the study of the economic value of water-based recreation associated with the watershed. These groups will compile and assess watershed data to focus on not only environmental quality metrics such as bacteria, dissolved oxygen and sediment, but also with the intent to educate the public across the area.

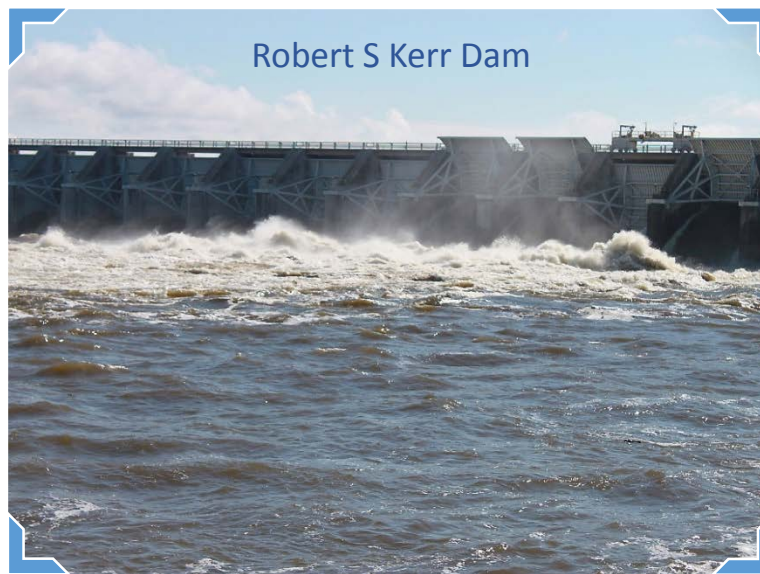
### Bassmaster Classic Returns to Grand Lake

Given the phenomenal success of the 2013 Bassmaster Classic, the tournament returned to Grand Lake in March 2016. The event brings hundreds of thousands of spectators to the lake area and Tulsa for the weigh-ins. Grand Lake has been the host of several fishing tournaments, drawing in both competitors and spectators from across the country.

### Heavy Rainfalls Lead to Historic Lake Levels

Northeastern Oklahoma and areas north in Southeast Kansas received historic rainfall amounts in the last half of December, leading to near-record lake levels for both Grand Lake and Hudson Lake. The rainfall presented both pros and cons; along with the abundant generation came area flooding. GRDA is working with FEMA and the Oklahoma Emergency Management Agency for potential reimbursement of damages.

### Robert S Kerr Dam





The Authority also received a temporary waiver from the Federal Energy Regulatory Commission (FERC) from the required lake level across the summer recreation season. The result is more flexibility in hydro generation to meet operational needs as well as increased safety for those boating and playing on Grand Lake. The goal is to obtain approval to keep the lake levels within a bandwidth rather than at a defined level each day.

### Greener Generation

Output from GRDA's two newest wind projects came online and performed well in 2015. The Authority purchased the capacity and energy under agreements from the Kay and Breckinridge projects, supplementing the purchases from the Canadian Hills project which began in 2012.

### A Reason to Celebrate

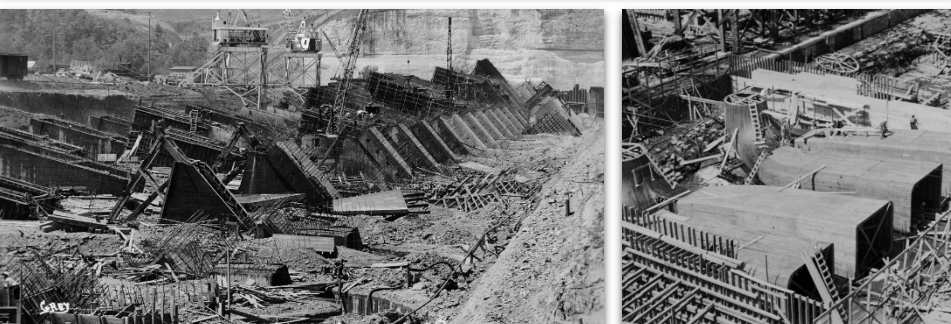
The public and employees had an opportunity to celebrate the contributions of public power to Oklahoma in events held throughout the summer. Pensacola Dam turned 75 years old, and the significant impact of the dam to the area was recognized and celebrated. More importantly, a spotlight was on what can and will the Authority do to contribute to the Oklahoma landscape and economy as we move forward. The Authority is determined to be an agency of excellence and to continue to earn a place in history over the next several decades.

### LOCAL ECONOMY

In March 2015, the Oklahoma Department of Commerce released new economic impact numbers on GRDA. Three



### Pensacola Dam & Grand Lake's 75th Birthday Celebration



factors were considered in addition to the total economic impact of the Authority: Operating activities; Construction and investment activities; and Externalities and amenities. Highlights from this impact report detail that GRDA is estimated to facilitate an annual economic activity impact of approximately \$1 billion in Oklahoma's economy during 2015 and 2016 as well as support over 7,100 jobs in Oklahoma. This report concludes, "With reliable power delivery and retail electric rates approximately 45% lower than the national average, GRDA contributes to the state's development by attracting companies that value sustainable, reliable and low-cost power. Electric reliability, combined with relatively low cost power, allows energy intensive companies to minimize their operating costs, thus improving their bottom-lines and enabling them to be more competitive in the global marketplace. GRDA is a vital component of Oklahoma's infrastructure and enriches the state's economy and quality of life. While its operational impact is considerable by itself,



GRDA's impact on the state economy goes beyond the impacts resulting from employment and payroll. In addition to a substantial impact from capital investment, there is also a sizeable impact resulting from sustainable, reliable and low-cost electric power to the state. The Grand River Dam Authority facilitates economic development and provides stewardship to the state's environmental resources thus enhancing quality of life in Oklahoma."

### Providing Public Power

GRDA sells electricity to customers under three primary customer relationships:

First, wholesale electricity is sold to municipals and a local electric cooperative located primarily in Northeastern Oklahoma. These customers take all of their energy requirements, with minor exceptions, from GRDA under take-and-pay contracts for metered loads connected directly to GRDA's transmission system or telemetered into GRDA's control area.

Second, the Authority sells wholesale electricity to off-system municipal and cooperative utilities under firm take-or-pay contracts with 75% minimum load factors.

Third, the Authority sells retail to customers located in or near the MidAmerica Industrial Park. These customers also take all of their energy requirements from GRDA under take-and-pay contracts.

Because GRDA has served the take-and-pay customers for decades, the load is relatively predictable. The scheduling requirements in the firm contracts provide a base load to the customers, and load and revenue security to the Authority. Those factors are important in calendar years such as 2015 and 2016 when the Oklahoma economy has taken a hit from low oil and gas prices. The Statistical Section of this report includes data on loads by customer categories over the past 10 years. To date, increased sales to the industrial park, primarily to Google, have offset other load decreases.

### Public Power Partnerships

GRDA directly serves 16 Oklahoma municipal customers, one Indian tribe, and two other municipalities just across the state border that own and operate their own distribution systems. Several of the Authority's customers have been under contract with the Authority for more than 75 years.

Coffeyville, Kansas, the Authority's largest municipal customer, is located just across the state line. Coffeyville has a population of over 10,000 with a strong industrial base, accounting for two-thirds of the Authority's power sales to the City.

In October of 2015, Coffeyville Municipal Power and Light (CMP&L) broke ground on a new 56.2 MW natural gas generation plant, a project made possible by the purchase power agreement made with GRDA.

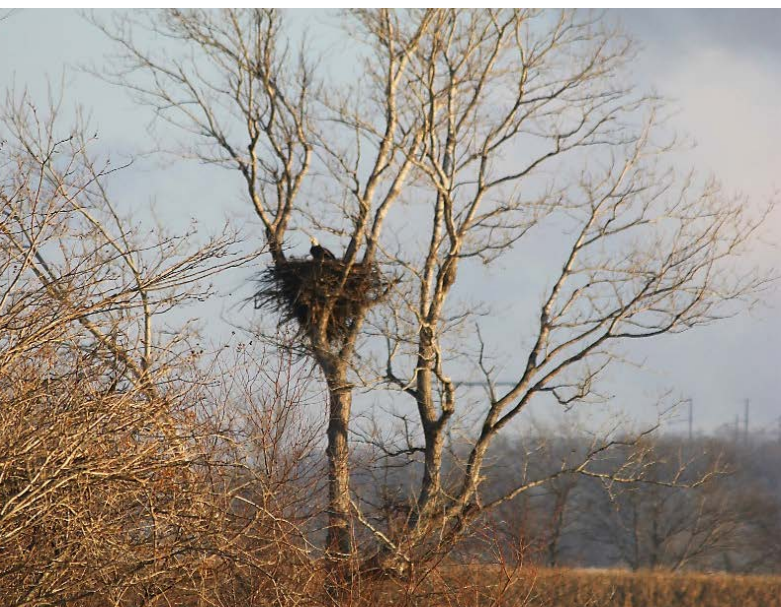
Likewise, the City of Stillwater, with a population of approximately 47,000, is the Authority's second largest municipal customer with primarily a residential and commercial revenue base, also broke ground on a 56.3 MW natural gas-fired reciprocating engine generating unit in July of 2015.

While the cities own their new generation, GRDA pays a capacity payment and offers the units' output into the SPP Integrated Market as part of the Authority's resource mix. GRDA also has a capacity purchase agreement with Cushing, Oklahoma.

Since 2013, Northeast Electric Cooperative, a cooperative which serves the Grand Lake Area, has been on a year to year contract as the trustees evaluate this power supply options. The relationship dates back to just after the Pensacola Dam began providing power and energy to the region. The contract is also a take-and-pay contract that expires May 2017.

### Benefiting all Oklahomans

While GRDA's lakes and most generation and transmission facilities are physically located in Northeast Oklahoma, the economic benefits of GRDA's low-cost reliable power and energy



are spread all across Oklahoma. Over 15% of the electricity revenues came from off-system firm relationships with Western Farmers Electric Cooperative (WFEC) and the Oklahoma Municipal Power Authority (OMPA), with service territories primarily in the southern and western portions of the state of Oklahoma.

WFEC, along with its 18-member Oklahoma distribution cooperatives and Altus Air Force Base, was GRDA's largest customer. The WFEC and GRDA relationship has been strong since the early 1980's when the utilities depended on each other for reliability as a backup source of energy during plant outages. That original relationship and transmission arrangement transitioned into a mutually beneficial supply and purchase arrangement for both entities. WFEC and GRDA are discussing extending the term of the positive relationship.

GRDA has served OMPA since 1985. OMPA is also a state agency and component unit of the State of Oklahoma, which was created to provide adequate, economical and reliable wholesale electric power to cities through agreements with 39 participating trusts. Indirectly through OMPA's wholesale contracts, GRDA generation provides a portion of the requirements to 35 of OMPA's participating cities in Oklahoma.

The relationships with OMPA and WFEC reinforce GRDA's mission benefiting Oklahomans across the entire state. Indirectly, through its wholesale contracts with WFEC for 200 MW's through 2025 and OMPA for 40 MW's through 2040, GRDA power and energy serves some portion of 75 of Oklahoma's 77 counties. Both WFEC and OMPA are served under take-or-pay firm schedules. Additionally, OMPA has another contract for generation delivered pursuant to a 20 MW, unit-contingent output contract based on the production from GRDA 2 at Grand River Energy Center (GREC).

GRDA also exports power and energy through firm take-or-pay contracts to neighboring states: Kansas Municipal Energy Agency, (KMEA), Paragould, Arkansas, and Poplar Bluff, Missouri. The diversity in the customer base provides additional revenue stability.

#### **Industrial and Commercial Customers**

The Authority currently serves approximately 80 industrial and commercial customers. Almost all of the Authority's industrial and commercial customers are located in the MidAmerica Industrial Park ("MAIP") near Pryor. The park, owned and operated by the Oklahoma Ordnance Works Authority, is a public trust of the State of Oklahoma and the nation's largest rural industrial park (by acreage). The 9,000-acre park is home to over 80 companies employing over 4,500 people. The park provides a large industrial and commercial base for the Authority, which in turn provides the low-cost electricity essential for the development of the park.

In 2013, Google grew to be the Authority's largest industrial customer and has contracted to utilize green energy from the Authority's contract with the Canadian Hills wind facility. It is anticipated Google will be one of GRDA's largest customers overall within the next two years.

MAIP offers multi-modal transportation options: highway, rail, nearby waterway, and air. Additionally, three different educational institutions are located on site as well as a recently opened career technology center. There are also urgent care, emergency and life flight services within the park boundaries. The Authority is permitted by its Enabling Act to engage in the retail sale of power within the boundary of MidAmerica Industrial Park, where the Authority's retail customers are located, extending within a two mile radius of such Park's boundary. The Authority's Transmission Headquarters and GREC are located in the park.

### **INTERNAL CONTROL FRAMEWORK AND BUDGETARY CONTROLS**

#### **Maintaining Accountability**

GRDA management is responsible for the establishment and maintenance of internal controls and takes that responsibility seriously. The GRDA Board of Directors has created an environment reflecting clear expectations that GRDA conduct business in a professional and responsible manner. For GRDA, the assurance that the state agency properly focuses on priorities comes from a seven-member Board of Directors established by state statute. The Board's understanding of its fiduciary responsibilities, the importance it places on compliance initiatives, and its attention to policy help ensure the Authority's decisions are made with due diligence and business prudence.

GRDA's control structure has several layers of oversight. The first level comes from Title 82, Section 866, of the Oklahoma statutes. An independent financial audit is to be completed within 90 days after the close of the calendar year. The audit report must be filed with the Oklahoma Governor, State Treasurer, Oklahoma Department of Libraries, Oklahoma State Auditor and Inspector, and the Office of Management and Enterprise Services. Additional oversight is exercised through requirements placed on the Bond Fund Trustee by the bond resolutions. Significant bond covenants are discussed in the long-term debt note to the financial statements found in the financial section of this report.

GRDA is a policy driven organization. GRDA Directors review Authority policies at least annually to provide reasonable assurance that an effective system is in place to assure internal control objectives will be achieved and resources will be protected. Directors also utilize an active committee structure to make the most effective decisions and set the appropriate tone from the top. The Director of Financial Compliance meets regularly with GRDA's Audit, Finance, Budget and Policy Committee.

The GRDA Board of Directors provides direction and authority for management to conduct day-to-day business in monthly meetings open to the public. Of significance in maintaining accountability to the public, GRDA business is conducted in a transparent environment. Furthermore, periodically, electronic files of disbursements are provided to the State of Oklahoma, which makes the information readily available to the public.



The Authority also utilizes a Risk Oversight Committee for a monthly review of current topics, fuel and other operational exposures and hedging activities by senior management and key managers.

#### **Inherent Limitations**

An internal control system, no matter how well designed and operated, can only provide reasonable, not absolute, assurance that internal control system objectives will be met. The Authority does not have unlimited resources; therefore, the cost of the internal control system must be balanced with the benefits of the internal controls. Inherent limitations to any internal control system include but are not limited to errors or misunderstanding of instructions, mistakes in judgment, collusion, management override, or even deterioration of controls over time. Still, it is possible to design the internal control process to safeguard assets and reduce risk of a material misstatement in the financial statements.

#### **DEBT MANAGEMENT**

The Authority's debt structure provides viable funding alternatives. The total annual debt service requirements are less than they were in the 1980s, 1990s, and 2000s. With the issuance of the 2014 A, B and C series bonds, GRDA took advantage of the flexibility and was able to issue bonds with a staggered structure. The Authority has engaged Public Financial Management (PFM) as financial advisor to work with GRDA on an economic refunding and potential issuance of new debt expected to go to market August 2016. The option to either finance new projects with current revenues or to issue debt remains in the upcoming years. Specific details about GRDA's bonds and debt limitation are discussed in Bonds Payable Note 6 to the financial statements as well as in the Statistical Section of this report.

#### **INDEPENDENT AUDIT**

The financial statements are the responsibility of management. As required by state statutes and bond covenants, independent public accountants are required to express an opinion on the Authority's financial statements based on an audit. The annual audit of the financial statements of the Authority has been completed by Deloitte & Touche, LLP for the calendar year ended December 31, 2015, and their opinion is included in the Financial Section of the report along with the accompanying financial statements and notes.

#### **CERTIFICATE OF ACHIEVEMENT AWARD**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its comprehensive annual financial report for the calendar year ended December 31, 2014. This was the fifteenth consecutive year the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental agency must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a

period of one year only. GRDA believes the current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and the Authority is submitting it to the GFOA to determine eligibility for another certificate.

#### **ACKNOWLEDGMENTS**

The preparation of this report could not have been accomplished without GRDA's Finance and Corporate Communications departments. GRDA would like to thank our independent auditors, Deloitte & Touche LLP, for their highest standards of professional service. Our appreciation also goes to the GRDA Board of Directors and Audit Committee for their commitment, for asking hard questions, and for having the highest of expectations. We would like to thank our employees and our customers for working together as legitimate partners. The strides, plans, and decisions made in conjunction with each other have provided the financial stability, future commitments, and insightful vision for GRDA to be an agency of excellence.



Government Finance Officers Association

## **Certificate of Achievement for Excellence in Financial Reporting**

Presented to

**Grand River Dam Authority  
Oklahoma**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2014**

Executive Director/CEO

## Board of Directors



**Ed Townsend**  
Chairman  
Grove, OK  
Governor Appointee  
At-large Director  
Term ends Aug 2018



**Jim Richie**  
Chairman-Elec  
Tulsa, OK  
House Speaker  
Appointee,  
At-large Director  
Term ends Aug 2016



**Thomas "Pete" Churchwell**  
Grove, OK  
Governor Appointee  
Representing Economic  
Development Interests,  
Lake Enthusiasts and  
Property Owners  
Term ends Aug 2020



**Tom Kimball**  
Owasso, OK  
Senate Pro-Tempore  
Appointee,  
At-large Director  
Term ends Aug 2017



**Chris Meyers**  
Edmond, OK  
Ex Officio Director  
Oklahoma Association  
of Electric Cooperatives  
General Manager



**Stephen R. Spears**  
Cushing, OK  
Ex Officio Director  
Municipal Electric  
Systems of Oklahoma  
Executive Director



**Joseph Vandevier**  
Owasso, OK  
Governor Appointee  
Representing  
Industrial and  
Commercial Customers  
Term ends Aug 2019

## Management & Organizational Chart



**Daniel S. Sullivan**  
Chief Executive Officer



**Ellen Edwards**  
General Counsel



**Tim Brown**  
Chief Operating  
Officer



**Carolyn Vowell Dougherty**  
Chief Financial Officer  
Treasurer



**Charles J. Barney**  
Asst. General Manager  
of Fuel and  
Generation Projects



**Brian Edwards**  
Asst. General Manager  
Chief of Law Enforcement  
and Homeland Security



**John Goodwin**  
Asst. General Manager  
Human Resources



**William M. Herron**  
Asst. General Manager  
Engineering, System  
Operations & Reliability



**Steve Jacoby**  
Asst. General Manager  
Hydroelectric Projects



**Steve Anderson**  
Asst. General Manager  
GREC Operations



**Mike Waddell**  
Director of  
T&D Operations



**Darrell Townsend II, PhD**  
Asst. General Manager  
Ecological & Lake  
Operations



**Sheila Allen**  
Corporate Secretary



**Justin Alberty**  
Corp. Communications  
Director



**Nathan Reese**  
Director of  
Public Policy



**Jeff Brown**  
Director of Financial  
Compliance



**James M. Stafford**  
NERC & FERC  
Compliance

UNAUDITED

GRDA 2015 COMPREHENSIVE ANNUAL FINANCIAL REPORT

# FINANCIAL SECTION



## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Grand River Dam Authority:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Grand River Dam Authority (the "Authority"), a component unit of the State of Oklahoma, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority at December 31, 2015 and 2014, and the respective changes in its financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter – New Accounting Pronouncements**

As discussed in Note 7 to the basic financial statements, the Authority restated its net position as of January 1, 2015, to reflect the impact of implementation of Governmental Accounting Standards Board (“GASB”) Statements No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this change.

## **Other Matters – Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis as listed in the Table of Contents, the Schedule of Proportionate Share of the Net Pension Asset – Oklahoma Public Employees Retirement Plan, the Schedule of Employer Contributions – Oklahoma Public Employees Retirement Plan, the Schedule of Proportionate Share of the Net Pension Asset – Oklahoma Law Enforcement Retirement Plan, the Schedule of Employer Contributions - Oklahoma Law Enforcement Retirement Plan, and the Schedule of Funding Progress – Other Postemployment Benefits Plan as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority’s basic financial statements. The other information listed in the Table of Contents as Introductory section and Statistical section is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Authority. The additional information is the responsibility of the Authority’s management. Such additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Deloitte & Touche LLP*

March 30, 2016

# Management's Discussion and Analysis – Unaudited

The following discussion and analysis of the Grand River Dam Authority's (GRDA or the Authority) financial performance provides an overview of the Authority's financial activities for the year ended December 31, 2015, and 2014, in comparison with the prior year's financial results. Please read it in conjunction with the financial statements, which follow this section.

## USING THIS FINANCIAL REPORT

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

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

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

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

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

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

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

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

The Notes to Financial Statements provide additional explanation and details about the financial information.

## FINANCIAL HIGHLIGHTS

The Authority's sound financial position, abundant natural resources, skilled workforce, and diverse generation resources provide the cornerstone for a future of excellence for Oklahoma. In the last few years, the Authority has celebrated the agency's 80<sup>th</sup> birthday, the 75<sup>th</sup> anniversary of the first hydro facility, Pensacola Dam, and the 50<sup>th</sup> anniversary of its second hydro facility, Markham Ferry Project, known as Kerr Dam. In the winter of 2015, GRDA held a groundbreaking for GRDA 3, a combined-cycle natural gas plant, with the first turbine/generator of its kind in the Western Hemisphere. At the same time, air-quality upgrades were made to the newest

coal-fired generating unit, GRDA 2, to extend its production life and meet Mercury and Air Toxics Standards (MATS). The Authority also has firm wind purchases of just over 244 MW from Oklahoma wind farms. These diverse resources allow the Authority to produce low-cost, reliable electricity for our customers while it also exercises environmental stewardship. As a public power utility, the Authority works together with its customers to meet mutual needs.

While there have been 80-plus years of accomplishments and contributions, the Financial Highlights will emphasize the efforts made to best position the Authority to serve going forward. In 2014, the Authority issued revenue bonds to fund the new generation resource, to make the MATS upgrades, and to make improvements to its transmission assets. The most significant 2015 changes related to the spending of those bond proceeds are for the generation and transmission assets.

GRDA is a member of the Southwest Power Pool (SPP) Regional Transmission Organization (RTO) and Regional Entity. On March 1, 2014, the SPP launched an Integrated Marketplace. Participation in the SPP market and lower natural gas prices saved GRDA customers significant money during 2015 and resulted in offsetting reductions in revenues as well as fuel and purchased power expenses. Although there were shifts in consumption among customer categories, the overall level of sales remained consistent with the prior year.

In 2015, GRDA implemented a new Governmental Accounting Standards Board (GASB) pronouncement number 68 *Accounting and Financial Reporting for Pensions*, as amended by GASB 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date* that required the restatement of opening net position for 2015. See Note 7 to Financial Statements, Retirement Plans, Postretirement, and Other Employee Benefits for the impact to the Authority.

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

## Net Position

The Net Position increased by \$9.8 million or 2% in 2015 following a \$21.8 million or 4% increase in 2014. While most GRDA customers are not as heavily oil and gas dependent as the State of Oklahoma is in general, sales tax revenues leveled or even dropped in many customer communities during 2015. However, because GRDA's industrial load increased and record-setting rainfalls in Oklahoma produced extra hydroelectric energy that found opportunities in the SPP Integrated Marketplace, the Authority sold slightly more energy in 2015 than during 2014. The cumulative impact has been a positive bottom line as GRDA incurred and collected lower fuel and purchased power costs for its customers.

Total Assets increased by \$40.8 million or 2% in 2015 after increasing \$367.1 million or 25% in 2014. The 2015 increase is mostly attributable to capital generation and transmission assets being paid for by restricted construction accounts and by current year revenues. A \$204.6 million increase in Net Utility Plant was offset by a \$141 million reduction in Noncurrent Investments and a \$22.2 million decrease in Current Assets. The 2014 increase was



## FINANCIAL HIGHLIGHTS – DECEMBER 31, 2015, 2014 AND 2013

	2015	2014	2013
<b>CONDENSED SCHEDULE OF NET POSITION</b>			
Assets:			
Current assets	\$ 187,394,076	\$ 209,580,470	\$ 239,521,952
Net utility plant	1,080,625,744	876,027,323	825,045,007
Noncurrent investments	599,081,087	740,055,949	397,792,015
Other noncurrent assets	10,661,010	11,277,802	7,462,896
Total assets	1,877,761,917	1,836,941,544	1,469,821,870
Deferred Outflows of Resources	3,192,494	-	-
Liabilities:			
Current liabilities	128,852,811	79,863,026	117,596,459
Noncurrent liabilities	1,153,381,782	1,172,337,640	789,240,945
Total liabilities	1,282,234,593	1,252,200,666	906,837,404
Deferred Inflows of Resources	4,216,446	-	-
Net Position:			
Net investment in capital assets	344,780,665	304,838,953	348,205,546
Restricted for:			
Debt service	18,238,867	17,705,259	33,526,718
Other special purposes	2,478,663	5,321,351	1,942,224
Unrestricted	229,005,177	256,875,315	179,309,978
Total net position	\$ 594,503,372	\$ 584,740,878	\$ 562,984,466
<b>CONDENSED SCHEDULE OF CHANGES IN NET POSITION</b>			
Operating Revenues:			
Sales of power	\$ 401,569,988	\$ 463,946,059	\$ 416,591,647
Other operating revenues	12,485,554	11,213,267	13,835,208
Total operating revenues	414,055,542	475,159,326	430,426,855
Non-Operating Revenues:			
Investment income	11,775,150	7,454,283	7,121,138
Net increase (decrease) in fair value of investments	(2,278,347)	39,499	(7,709,629)
FEMA grant revenues	191,808	-	-
Income from nonutility operations	1,338,773	14,968,126	1,319,806
Deferral of costs to be recovered from future revenues	-	698,009	1,640,965
Total non-operating revenues	11,027,384	23,159,917	2,372,280
Total revenues	425,082,926	498,319,243	432,799,135
Operating Expenses:			
Fuel	(143,804,114)	(171,947,118)	(170,624,193)
Depreciation	(67,953,588)	(68,138,608)	(53,952,049)
Operations	(46,841,448)	(46,102,751)	(41,766,524)
Purchased power - net	(44,525,854)	(80,171,737)	(32,091,910)
Maintenance	(34,068,198)	(36,992,566)	(34,350,768)
Administrative and general	(13,201,268)	(15,530,402)	(16,361,145)
Total operating expenses	(350,394,470)	(418,883,182)	(349,146,589)
Non-Operating Expenses:			
Interest expense	(52,576,879)	(42,802,762)	(43,809,348)
Amortization of debt discount and expense	(889,092)	(2,824,504)	(1,060,061)
Amortization of bond premium	2,853,637	1,254,865	965,558
Recovery of cost to be recovered	-	(13,307,248)	-
Total non-operating expenses	(50,612,334)	(57,679,649)	(43,903,851)
Total expenses	(401,006,804)	(476,562,831)	(393,050,440)
Net increase in net position	24,076,122	21,756,412	39,748,695
Net Position - Beginning of year	584,740,878	562,984,466	523,235,771
Adoption of new accounting standard (see Note 1)	(14,313,628)	-	-
Net Position - Beginning of year, as restated	570,427,250	562,984,466	523,235,771
Net Position - End of year	\$ 594,503,372	\$ 584,740,878	\$ 562,984,466

almost entirely attributable to the deposit of \$375.5 million of bond proceeds in a restricted construction account held by the Authority's trustee in 2014. Noncurrent Liabilities decreased by \$19.0 million or 2% in 2015 due to payment of principal on outstanding debt. This follows a \$383.1 million or 49% increase, which was the result of the same bond issuances in October and December of 2014. Net Utility Plant increased by \$204.6 million or 23% after increasing by \$50.9 million or 6% in 2014. The installation of a forced-air fabric filter on GRDA 2 and the payment of significant milestones toward the construction of GRDA 3, the combined-cycle natural gas generating unit, accounted for the majority of the \$274.5 million of capital additions. This was offset by depreciation expense of \$68.0 million and significant retirements of \$41.9 million, primarily the retirement of the precipitator for GRDA 2. The net 2014 capital investments are more significant than the \$50.9 million increase appears, because the additions totaled \$122.4 million but were offset by over \$68 million in depreciation expense and \$26.4 million of plant retirement. The Authority utilized approximately \$31.0 million and \$35.4 million in current year revenues to pay for total capital additions in 2015 and 2014, respectively. The other \$243.5 million of 2015 capital additions and \$87 million of 2014 capital additions were paid by unexpended bond proceeds in the restricted construction accounts. More detailed information about changes in Net Utility Plant is presented in Note 4 to Financial Statements, Utility Plant.

Current Assets decreased by \$22.2 million or 11% after decreasing by \$29.9 million or 13% during 2014. Current Cash and Investments also decreased \$31.0 million in 2015 due to a decrease in Money Market Funds as the funds were invested longer term. Additionally, there were offsetting impacts as coal inventories grew, and a receivable for under-collected power costs shifted to a \$26.5 million payable. While the balance was lower than normal at December 31<sup>st</sup>, reimbursements from the trustee for construction payments were received just after year end to replenish the cash. Importantly, \$12.6 million in Cost to be Recovered from Future Revenues relating to accrued interest on

the 2002B bonds were recovered in June 2014 when the final capital appreciation bonds matured. The Cost to be Recovered were included in Current Assets upon maturity in June 2014.

Restricted Investments decreased by \$141.0 million or 19% in 2015 after increasing by \$342.3 million or 86% in 2014. The 2015 decrease is due to a \$190.2 million decrease in construction funds used for funding capital projects. The decrease is offset by an increase in general operations investments of \$50 million in order to provide a better yield since days of cash remained sufficient. Also, a restriction was removed from a previously pledged \$5 million certificate of deposit returning it to its previously Board-designated status. The restricted construction accounts increased in 2014 by the bond proceeds and bond issuance premium deposits, but decreased by approximately \$92.3 million for payments for capital projects. The debt service reserve account was reduced by \$44.2 million as the maximum aggregate debt service decreased. \$13.7 million of the excess debt service reserve deposit was used to make principal payments during 2014, and the balance was unrestricted at year end.

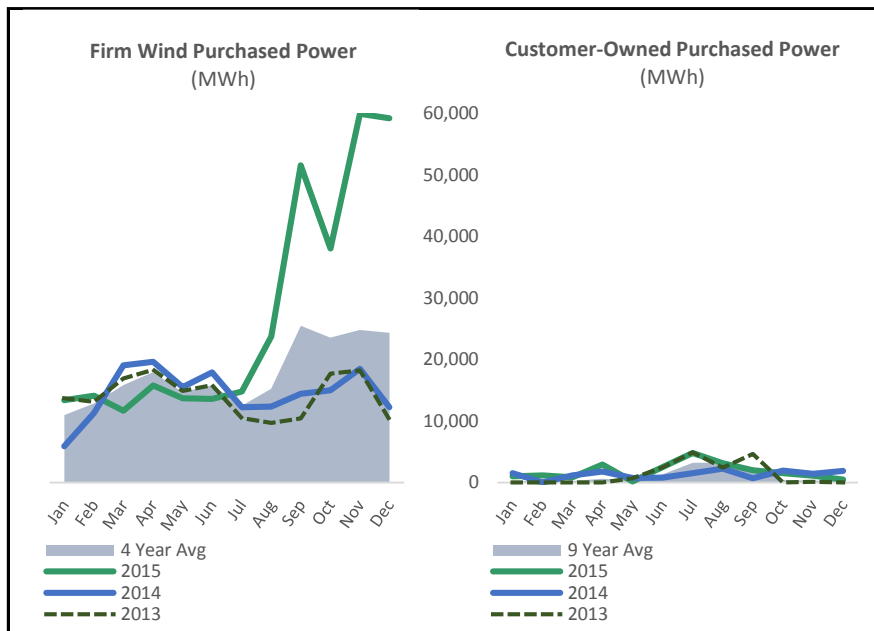
Additional information about the Restricted Investments is presented in Note 2 to Financial Statements, Deposits and Investments. Restricted Assets are discussed later in more detail in the Significant Assets and Debt Administration section.

Other Noncurrent Assets were relatively stable in 2015, decreasing only \$617 thousand or 5% after increasing by \$3.8 million or 51% in 2014. The 2014 non-current asset increase relates to a \$4.4 million prepayment for a hot-gas path upgrade project to be completed in 2018 at the Redbud combined cycle natural gas plant. The balance is offset by the amortization of prepaid bond insurance.

Current Liabilities increased by \$49.0 million or 61% in 2015 after a 2014 decrease of \$37.7 million or 32%. Accounts Payable and Accrued Liabilities in Current Liabilities increased \$21.7 million or

41% in 2015 after decreasing by \$10.7 million or 17% in 2014. This increase is attributable to the significant capital work at the Grand River Energy Center's GRDA 2 and GRDA 3 in late Fall 2015. The primary 2014 difference resulted from a \$13.7 million decrease in accrued interest payable as a result of the capital appreciation bonds maturing on June 1, 2014. The payable for over-recovered fuel costs accounted for \$26.5 million or 54% of the 2015 increase as the balance shifted from a 2014 receivable for \$16.4 million of under-recovered fuel costs. Actual fuel costs were lower than estimates included in the Power Cost Adjustment during most of 2015.

The Noncurrent Liabilities consist of the long-term obligations for revenue bonds outstanding. Additional details about bonds outstanding are presented in Note 6 to Financial Statements, Bonds Payable.

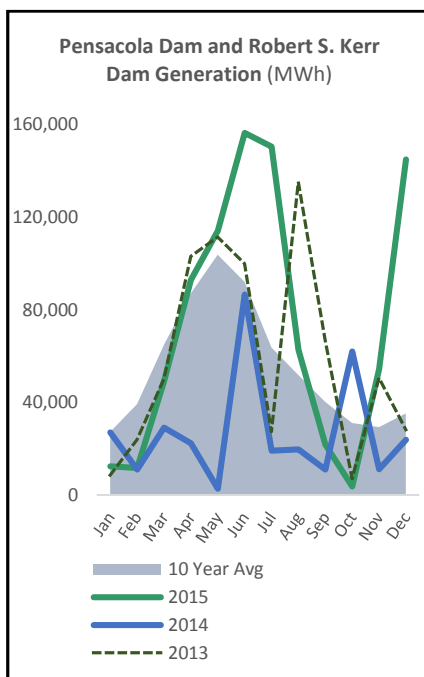


Unrestricted Net Position, which represents the part of net position used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal agreements, decreased by \$27.9 million or 11% after an increase of \$77.6 million or 43% in 2014. The 2015 decrease is mainly due to the use of current year revenues to pay for a portion of the capital additions. In 2015 and 2014, respectively, approximately \$31 million and \$35 million of capital improvements were funded by current revenues. Although capital additions were higher in 2014 than the prior year, the \$375.5 million bond issue offset the increases creating a \$43.4 million or 12% decrease in 2014. In 2015, Net Investment in Capital Assets increased by \$39.9 million or 13% as the Authority continued to progress on the capital asset additions.

## OPERATING RESULTS

The Authority has owned and operated clean, renewable generation since the original construction of the Pensacola Dam in 1940. Additional hydroelectric generation was added in the 1960's and 1970's. In the 1980's, coal-fired generation became the primary generation source. Few changes were made to the generation resource mix until 2008, when the Authority jointly purchased Redbud, a natural gas, combined-cycle generation plant. Wind purchase agreements supplement the owned resources. GRDA continues to focus on developing a greener generation portfolio with sufficient transmission and appropriate customer contracts to support the bonds, which finance the assets. The Authority's heightened awareness on the future has driven the asset changes during 2015. At the same time, GRDA operated the historic assets in a new market.

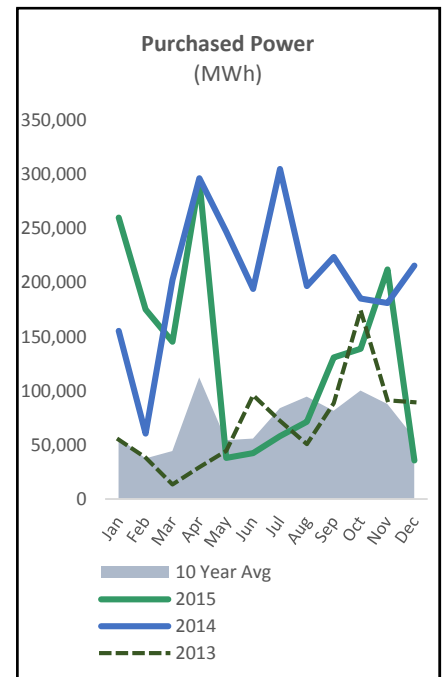
The operating and financial results for the Authority were positive in both 2015 and 2014. As 2015 was the first full year of participation in SPP's Integrated Marketplace, there was more financial certainty in the role of various generating units. The graph titled "Pensacola & Robert S. Kerr Dam Generation (MWh)" compares the monthly



Generation (MWh)" compares the monthly generation for the last three years to the average of the last ten years' generation. For the most part, SPP is scheduling the dispatch of GRDA's plants, post-market implementation, similarly to how the plants were historically dispatched by GRDA operators prior to March 1, 2014. Water inflows dictate the level of generation reflected in the graph titled "Pensacola Dam and Robert S. Kerr Dam Generation." These conventional hydro units have

licenses issued by FERC with daily lake level rule curves so they function much like run-of-the-river units.

Natural gas prices have been low compared to other fuel sources since the Integrated Marketplace began, so gas units have been heavily dispatched and have set the market price the majority of the time. GRDA strives to maintain a good match of generation to customer loads to mitigate price risk.

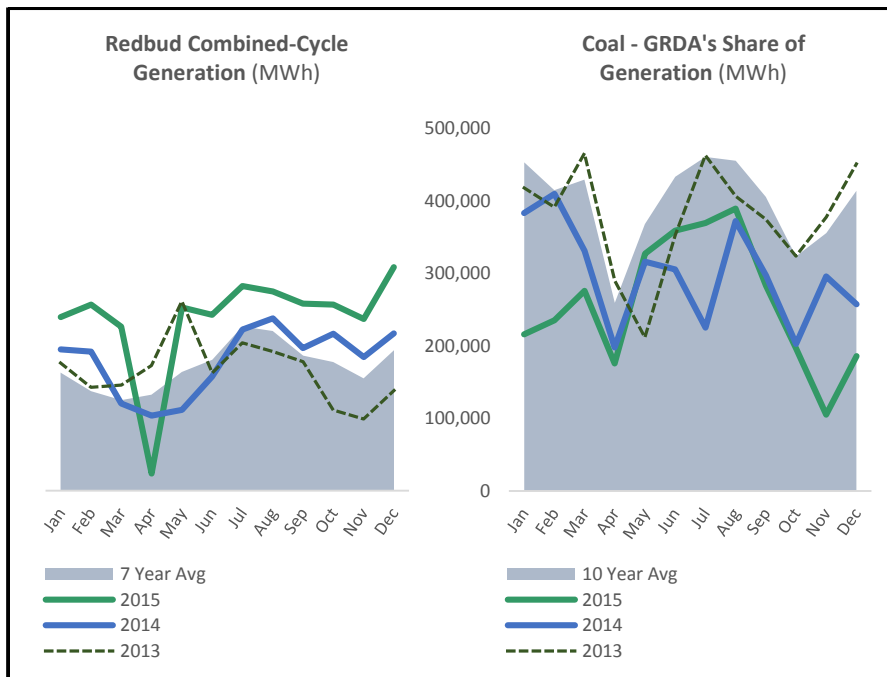


The graph titled "Purchased Power MWh" shows an increase in late Fall as does the generation at Pensacola and Kerr Dam. In November and December of 2015, GRDA's lakes reached near-record levels due to heavy amounts of rainfall, accounting for the atypical spike in generation at the end of the 2015. As the conventional hydro plants celebrated historic milestones, they were also providing substantial clean energy to offset the coal base load in a year when coal was struggling to compete with gas. The hydro facilities still contribute to the economy of Oklahoma today as they have throughout the past.

Unlike 2015, natural gas prices, and therefore corresponding market prices, were higher than expected in early spring of 2014, driving up purchased power costs as compared to 2013. This contributed to an extended period of under-collected Power Cost Adjustment (PCA). In 2013, the Authority's resources included wind through a 20 year purchased power agreement for a portion of the generation from the Canadian Hills Wind Project. Two other wind projects were added with similar purchased power agreements in 2015. The Breckinridge Wind project became commercially available in September, and Kay Wind was commercially available the middle of December. The energy is recorded as purchased power. The wind purchase agreements provide a hedge against possible increases in fuel costs in future years.

Finally, sales into the spot market were less than 1% each of the past two years and just 2% in 2015. The Authority does not rely on significant spot sales revenues to meet its payment obligations and debt coverage. GRDA can take advantage of opportunities in the SPP Integrated Marketplace if purchased power is lower than the cost to generate energy with owned resources and pass the savings through to the customers in the PCA. In general, the SPP market's incremental generation resource is gas-based. If gas prices are approximately \$3/MMBtu or lower, it is more economical for GRDA to purchase than to generate with coal, as





it was during all of 2015 and the latter part of 2014. However, the Authority, as well as many other utilities across the country, had issues with the railroads and delayed coal deliveries during the first half of 2014. As a result, the coal generation was curtailed to conserve coal inventories to meet customers' peak loads. This was not the case in 2015 as the Authority received approximately 3.4 million tons of coal and had to burn it in order to maintain an acceptable level of the coal pile. As demonstrated by the graph titled "Coal-GRDA's Share of Generation", the generation for coal was substantially lower for November and December as GRDA 2 was off-line for the completion of the air quality control upgrades previously discussed.

The graphs titled "Redbud Combined-Cycle Generation" and "Coal-GRDA's Share of Generation" reflect the base load generation resources used to meet the majority of customers' loads. Technically, under the SPP Integrated Marketplace, all loads are purchased from the market and all dispatched resources are sold into the market, but the graphs indicate how well matched GRDA's loads are to its resources. The result is minimal financial exposure in the marketplace. As the graph titled "Redbud Combined-Cycle Generation" indicates, there was a scheduled electrical outage in April of 2015.

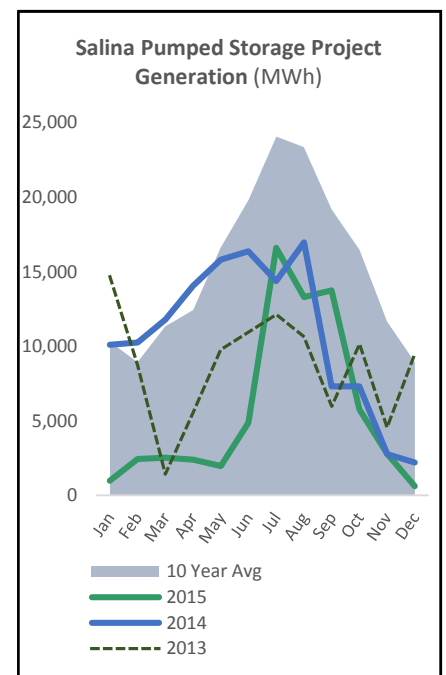
GRDA's capital program includes the construction of a nominal 495 MW combined-cycle gas unit, GRDA 3. It is under construction and expected to be producing power on or before mid-May 2017. To comply with Environmental Protection Agency (EPA) air quality standards prior to April 16, 2016, environmental upgrades to GRDA 2 were substantially completed during the fall 2015 outage. The Authority filed a request with EPA in February 2015 for a one-year extension for compliance with the Mercury and Air Toxics Standards (MATS) Rule for GRDA 1. The extension is needed to ensure GRDA can meet SPP capacity reserve margins until GRDA 3 is operational. GRDA anticipates the administrative order will be signed by the EPA in mid-April to allow GRDA 1 to continue to operate as a coal unit with restrictions until April 2017.

The graphs titled "2014 and 2015 Energy Resources and Usage" indicate the extent to which GRDA relies on coal and natural gas generation to meet the customers' load needs throughout the year. More importantly, they demonstrate how hydro inflows no longer influence purchased power, but the SPP marketplace does. The availability of adequate generation, along with a reliable transmission system and firm customer contracts, ultimately drive the operating and financial results. The graphs provide a visual presentation of GRDA's efficient and diversified resources available to support its long-term wholesale contracts. The 2015 graphs also show the energy from the hydroelectric inflows could not have come at a better time as they were able to supplement the higher consumption needs across the summer. As the inflows tapered off, the output from the new wind farms phased into production. The graphs also depict one

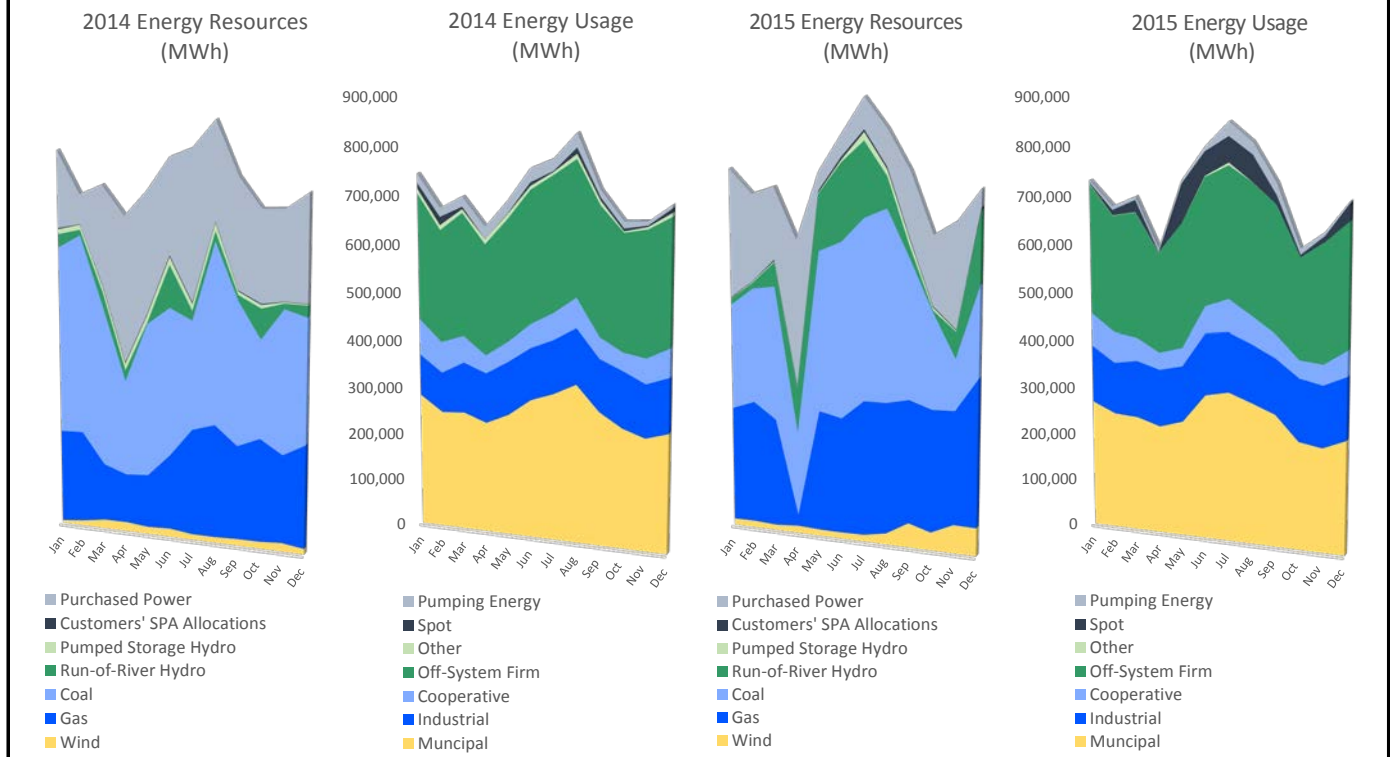
of the most telling stories of 2015 as the lower natural gas prices drove the electricity markets.

The "Purchased Power" graph also reflects recent trends in purchased power. Historical purchases, for the most part, were to supplement generation during the routine spring and fall outages at the Grand River Energy Center (GREC) and across the peak summer load period.

The role of the Salina Pumped Storage Project (SPSP) shifts over time, and its role in the marketplace has yet to mature with the low gas prices. The graph labeled "Salina Pumped Storage Project Generation" reflects the trends in pumped-storage hydro generation. It has always played a significant role in reliability and regulation. The Authority is continuing to evaluate the role of SPSP in the Integrated Marketplace, with particular consideration given to the number of starts and stops versus the wear on the units from such operation. Ancillary services, especially the ability to regulate around wind and solar are valuable since the



### 2014 and 2015 Energy Resources and Usage



plant functions as a utility scale battery storing energy in the form of pumped water and releasing the energy when wind and solar are unavailable.

Together, the Authority has a balanced portfolio of generation options providing diversity and minimizing risks.

#### OPERATING INCOME

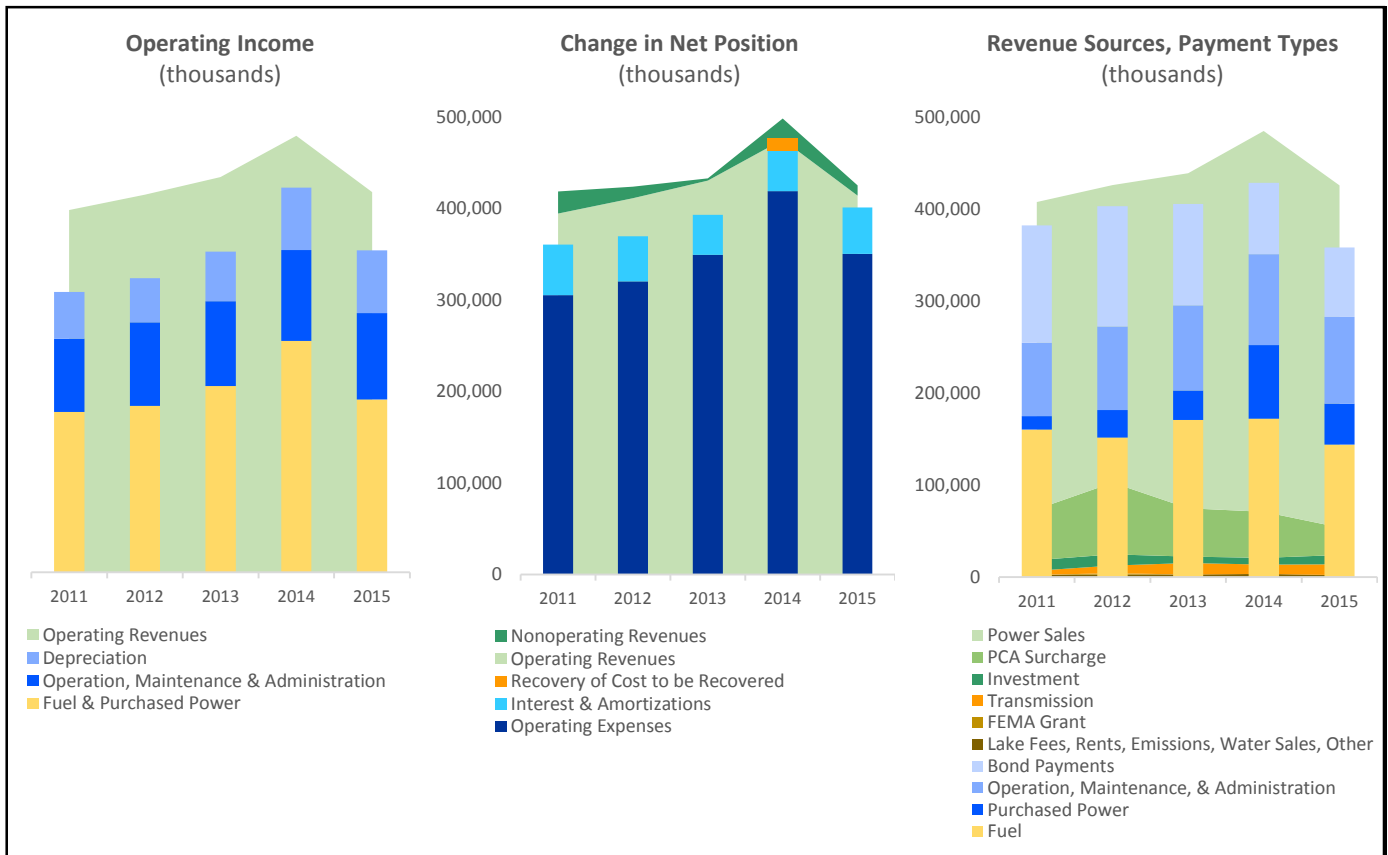
Operating Income increased by \$7.4 million or by 13% after decreasing by \$25.0 million or by 30% in 2014. Operating Revenues and Operating Expenses had offsetting decreases as a result of lower natural gas prices contributing to lower fuel and purchased power prices. Operating Revenues decreased by \$61.1 million or by 13% while Operating Expenses decreased by \$68.5 million or by 16%. Additionally, Other Non-operating Revenues decreased \$12.1 million or 52% after increasing \$20.8 million in 2014. In 2015, Non-operating Revenues primarily included Investment Income, as is customary. The large increase in 2014 was mainly due to two large projects for which the Authority received contributions in aid of construction. Other Operating Revenues also include base transmission plant costs recovered through the SPP's administration of the transmission tariffs. Operating Revenues include Sales of Power which have shown steady increases in industrial customer growth.

Operating Expenses decreased \$68.5 million or 16% in 2015 after increasing \$69.7 million or 20% in 2014. Due to lower natural gas prices and the fall outage at GRDA 2, fuel costs accounted for \$28.1 million of the 2015 Operating Expense decrease. Purchased Power and Depreciation were big drivers in 2014, but the 2015 Purchased Power accounted for another \$35.6 million of the Operating Expense decrease after increasing \$48.1 million in

2014. Operations and Maintenance Expenses have stayed relatively consistent over the last few years, only decreasing \$2.2 million or 3% in 2015 after increasing \$7.0 million or 8% in 2014.

The graph labeled "Operating Income" indicates both operating revenues and operating expenses, and the difference in the column height and the shaded area reflects operating income. Operating Revenues are combined with other Non-operating Revenues, primarily interest and investment income to pay the Authority's expenses. The spike in 2014 is due to Other Non-operating Revenues including \$12.7 million contributions in aid of construction. As can be seen in the "Change in Net Position" graph to the right of the "Operating Income" graph, revenues have consistently exceeded expenses. Even though GRDA implemented a base rate decrease effective July 1, 2013, the growth in off-system firm sales provided the operating revenues which contributed to the Change in Net Position. The third graph, labeled "Revenue Sources, Payment Types," shows the extent to which Sales of Power, which includes the revenue sources labeled "Power Sales" and the "PCA Surcharge," provide the majority of money to repay GRDA's debt and cover operating costs.

While the first two graphs reflect the income statement amounts, the third graph includes the debt payments, principal and interest recovered through the Authority's rates. GRDA's rate structure is based on a cost-of-service approach, of which fuel and purchased power, debt service and other operating expenses are the principal components. The difference in the column heights and the shaded area of the third graph reflects the source of funds, other than bond proceeds, reinvested in the system. The sources and uses of funds, which are not included in the basic financial statements, is further shown in a table calculating Debt Service



coverage included in the Statistical Section of the Authority's Comprehensive Annual Financial Report each year. The graph also reflects a key shift in the cost structure as debt becomes a smaller component of GRDA's annual revenue requirements and fuel and purchased power become larger components.

## OPERATING REVENUES

The Authority experienced a slight increase in sales in 2015. However, the Operating Revenues decreased \$61.1 million or 13% in 2015 after increasing \$44.7 million or 10% in 2014. The decrease in Operating Revenues is positive, because it was offset with corresponding decreases in Operating Expenses in the form of fuel and purchased power expenses. Those flow back through the customers' PCA and result in more affordable electric rates. The 2015 decrease is entirely attributable to the decrease in Sales of Power due, largely, to the decrease in natural gas prices and lower purchased power cost throughout the year. The 2014 increase was primarily due to a \$47.4 million or 11% increase in Sales of Power, which was driven by increased purchased power costs, as needed in order to meet the increased customer sales of industrial and off system firm customer classes. During 2014, customer sales increases continued to be led by growth in each customer category except for spot sales. The increased sales and recovery of fuel costs more than offset the decreases caused by the lower rates. Even with the collection of the power cost adjustments, the Authority's contract rates remained competitive within the region. The graph titled "Average Customer Rates" compares customer rates before and after the PCA.

The trend in customer sales by category can be seen in the graph titled "Sales and Resources." It is important to note that while revenues are down, sales are not. GRDA is collecting the base component of rates on the same amount of sales. The graph also compares GRDA's customer sales mix and generation resources over the past five years. The additional off-system sales of the last few years reflect expanded relationships with Western Farmers Electric Cooperative (WFEC) and Oklahoma Municipal Power Authority (OMPA). As a result, through wholesale contracts, directly or indirectly, GRDA electricity reaches some portion of 75 of Oklahoma's 77 counties.

The Authority is empowered to set rates as necessary to provide for operating expenses and debt service payments. When deemed necessary by the Board of Directors, rates can be raised after Board approval by providing at least 60 days' notice to the Authority's customers. By statute, the Authority is a self-regulated entity, and its rates do not come under the jurisdiction of the Oklahoma Corporation Commission. The rates charged by the Authority for the sale of electric power and energy are not currently regulated by FERC or any other state or Federal authority, although the Authority participates in the SPP regional transmission tariffs.

Oklahoma law requires the Authority to maintain rates which are sufficient to produce adequate revenues to fulfill the obligations of the Authority. These obligations include payment of all maintenance and operation expenses, interest and principal of all bonds, sinking fund and/or reserve fund payments agreed to be made in respect of any such bonds, and any other obligations or agreements made with the holder of such bonds and/or with any person on behalf of such holder.

The Authority agreed with its customers to not adopt or charge excess rates and to ensure rates will be applied to all customers served under the same Rate Schedules at the same service level in a reasonable and not unduly discriminatory manner.

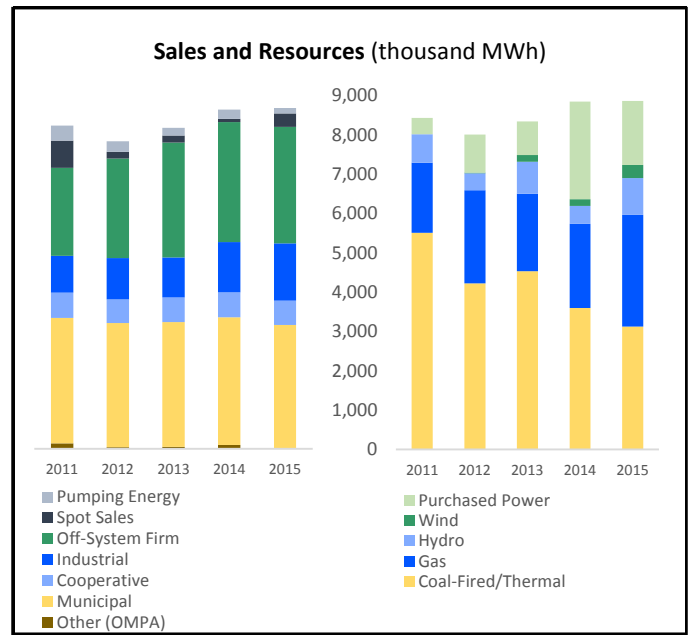
The customer contracts provide for customers and the Authority to work together to prepare a 10-year forecast. The Authority is to establish a rate stabilization fund for any unrestricted cash balances in excess of the greater of \$150 million or six months operating expenses, as determined by the Authority, to offset or defer future rate increases. However, no deposits have been made to the rate stabilization fund to date. Rather than collecting excess revenues and depositing the cash into a rate stabilization fund during the recession, the Authority approved a base rate decrease, which became effective July 1, 2013.

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

The PCA is an adjustment mechanism that allows the Authority to make adjustments in revenue collections from municipal, industrial, cooperative and off-system firm customers to recover variations between estimated and actual fuel and purchased power costs incurred by the Authority. Historically, the PCA was revised twice a year; although effective July 1, 2013, the calculation is now revised monthly to reduce the volatility to customers and to allow for a more timely recovery of fuel and purchased power costs. The Authority's base rate is currently calculated using 23 mills as estimated power costs (fuel costs and purchased power) over a 12-month rolling period. The cumulative difference between the actual fuel costs and the 23 mill base PCA rate is adjusted to reflect the actual costs of fuel used in production. The customer rates then reflect this adjustment. All contract sales are subject to the PCA except for the GRDA 2 output contract with OMPA, which is cost based, and any spot-market, short-term sales. The revenues also

reflect an accrual of any over or under-collected fuel cost. GRDA collected surcharges for the PCA of \$29.6 million and \$50.2 million during 2015 and 2014, respectively. Approximately \$26.5 million in fuel and purchased power costs were over recovered on December 31, 2015, while \$16.4 million were under recovered on December 31, 2014.

GRDA supplements the capital generation assets with capacity purchases from municipal customers Coffeyville, Cushing and Stillwater, which own

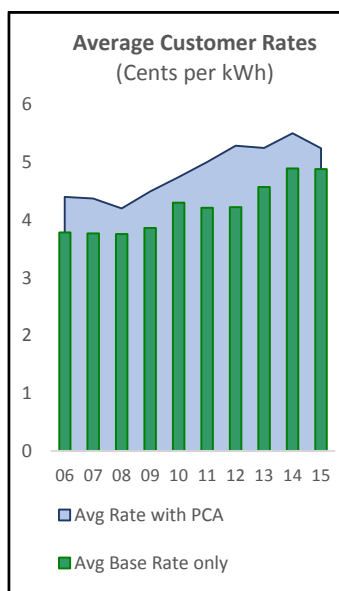


generation. GRDA has amended its contracts with Coffeyville and Stillwater to allow them to replace older steam generators with high efficient reciprocating engine natural gas powered plants. The customers have all-requirement contracts with GRDA, and GRDA offers their generation into the SPP Integrated Marketplace. Additionally, the Authority added 48 MWs of wind generation through a purchased power agreement, which produced the first output in November 2012. The Authority added 199 MWs of nameplate capacity of wind to the existing 48 MWs of purchased wind in September and December of 2015. GRDA has adequate capacity and does not currently need to purchase from the market.

In 2014, the Authority formalized its Risk Management Policies and Energy Hedging Programs. The Board of Directors is responsible for an overall understanding of risks and the Risk Oversight Committee is responsible for primary operational risk oversight and implementation of the risk policies. The purpose of the energy hedging program is to manage market volatility and evaluate credit quality of counterparties. GRDA has not purchased any derivatives as hedges. A portion of the gas requirements for the Redbud Plant have been contracted under the program guidelines. At December 31, 2015, GRDA had purchased approximately 38% of the MMBtu's of anticipated natural gas requirements for the Redbud Plant in 2016. No fuel purchases had been made for GRDA 3 by December 31, 2015.

## OPERATING EXPENSES

As mentioned previously under Operating Income discussions, decreasing purchased power and fuel costs have driven the decreases in Operating Expenses in 2015. This is in direct contrast to 2014, where these same forces drove expenses to increase. While twenty-five years ago, debt was half the cost structure, today, approximately half of the annual revenue requirements is a combination of fuel and purchased power. More importantly, customers benefit directly by decreasing fuel and purchased power costs as any savings are passed through to them in the form of a reduced power cost adjustment. Alternatively, debt costs are recovered through the base customer charges.





Coal and freight continue to be the largest operating expenses at the GREC, though coal fuel costs decreased by \$19.5 million in 2015 after a similar decrease of \$15.5 million in 2014. This decrease is due to the Authority curtailing coal beginning in the spring of 2014, a process to reduce coal generation base load in an effort to increase the number of days of coal fuel stock on hand to meet customer requirements throughout the year. While GRDA was not curtailing in 2015, these costs continued to decrease as competing natural gas prices dropped and GRDA 2 was offline in the fall of 2015. While GRDA was concerned about depleting the coal pile in early 2014, the inventory soared to near record levels by the end of 2015. The graph titled "Cost of Fuel Burned (dollars per million Btu)" reflects the cost-per-million Btu of coal and gas as well as a comparison of the annual generation at the coal and gas plants. The middle graph depicts the cost of fuel per MWh from each fuel source which provides an indication of the extent that rising fuel costs impact the overall rate structure. Currently, fuel and purchased power costs account for approximately half of GRDA's total average electricity price.

While Depreciation Expense decreased slightly, less than 1%, in 2015, it had a \$14.2 million increase in 2014. \$11.1 million of this was related to the retirement of Redbud assets, particularly those related to the Long-Term Service Agreement five-year outage. The Authority had seen, through 2014, a trend of increasing Depreciation Expense year after year as the total depreciable capital assets continue to climb. In addition, the Authority's newer assets have trended toward more short-lived assets (five to ten year useful lives) in response to Network Security, Compliance and SCADA additions, rather than the long-lived assets as was the case historically.

In November of 2015, the Board Audit Committee approved a plan to accelerate depreciation on GRDA 1 for all coal-related assets to be fully depreciated by April 2017, when it is anticipated that the Authority may convert it to a natural gas burning unit. Other non-coal-related assets for Unit 1 were accelerated to be fully depreciated by 2030, unless the decision is made not to convert the unit to natural gas. If that decision is made, these assets will be depreciated by April 2017. The Audit Committee also approved the accelerated depreciation of all assets for GRDA 2 to be fully depreciated by 2030.

The Authority owns its own transmission lines and substations. While originally designed to move generation to customer loads, the transmission system is now operated as part of the SPP RTO. Transmission of Electricity by Others, which is included as an Operating Expense, has increased as GRDA purchases more energy. Both transmission and administrative and general expenses rose as the

North American Electric Reliability Corporation (NERC) and FERC compliance efforts have continued. Many of the compliance initiatives, such as network security and communications, are considered "General Plant" improvements and fall under the administrative and general assets and expenses.

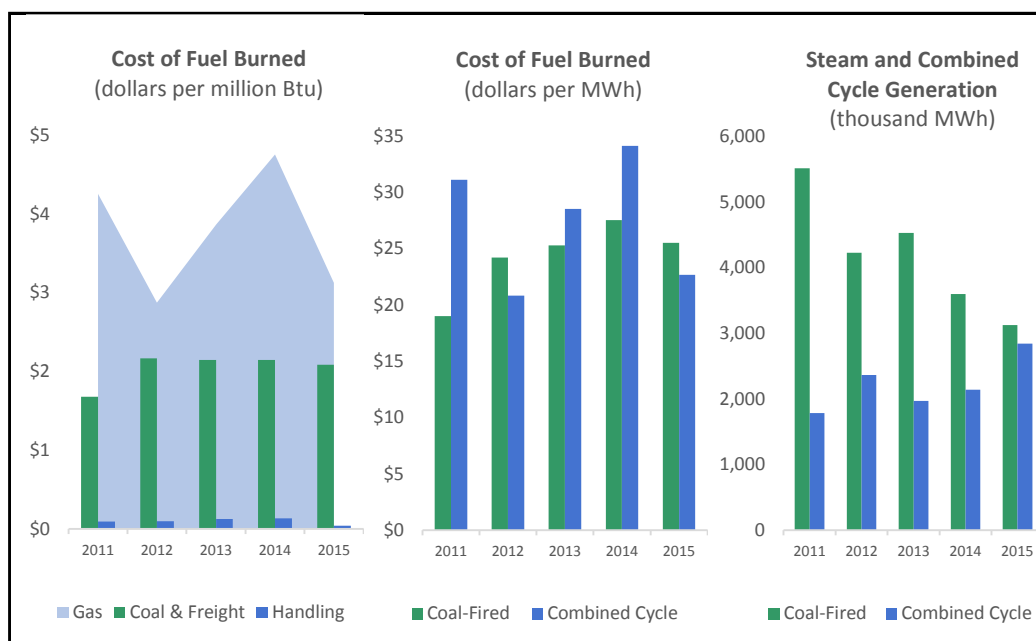
Historically, administrative and general costs included the settlement of claims, insurance deductibles, employee insurance premiums and post-retirement benefits and they continue to increase annually. With the implementation of GASB 68, as previously discussed, GRDA anticipates a reduction of expenses in this area as the Statement has required current year contributions to be recorded as a reduction in the long-term pension liability rather than a current year expense.

In 2013, GRDA began allocating employee benefits and non-productive pay such as annual, holiday and sick leave along with direct pay to other operating expenses to better prepare for the SPP Integrated Marketplace, which went live March 1, 2014. Employee benefits and non-productive pay such as annual, holiday and sick leave, along with direct pay, are allocated to other operating expenses to allow GRDA to better identify the functional expenses for each generation and transmission facility.

## SIGNIFICANT ASSETS AND DEBT ADMINISTRATION

### Capital Assets

In October 2014, GRDA went to the financial market with a capital plan that totaled just over a billion dollars. It included known capital projects from 2014 through 2023. Major construction projects listed in that forecast included environmental upgrades to GRDA 2, construction of a nominal 495 MW combined-cycle electric generation plant (GRDA 3), improvements to the transmission system and rewind of the generator-stators at the Salina Pumped Storage, as well as other smaller construction projects throughout the electric system. Throughout 2015, the construction of these projects has been funded by a combination of bond proceeds, construction funds on hand, equity and

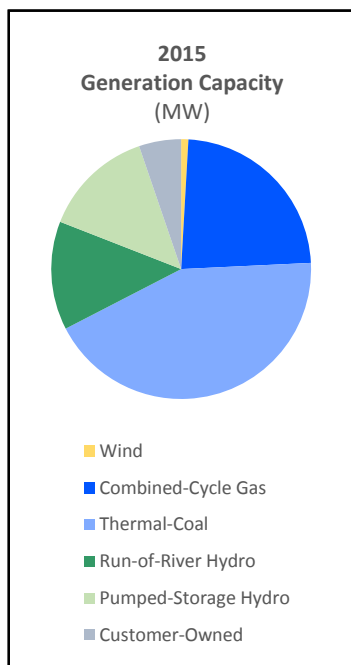


current-year revenues. The diversity of the generation portfolio, which included renewable hydro generation and added wind energy purchase agreements, was paramount to the operational flexibility to dispatch the generation in the most economical and reliable manner. The financing of this plan was completed in October and December 2014, with the issuance of revenue bonds. The substantial completion of the GRDA 2 environmental upgrades and the rewind of the generator-stators at Salina Pumped Storage occurred during 2015.

Additional lines and substations continue to be added or upgraded to meet the needs of new and growing customers, including the substation to serve GRDA 3. During the last quarter of 2013, and from March until June of 2014, significant capital improvements began for Redbud, including work related to advanced hot-gas path upgrades and the capital portion related to long-term service agreement outages. Since the gas plant has run more, the milestone preventive maintenance service levels have been triggered. This has also resulted in significant retirements at the Redbud combined-cycle plant as assets installed under previous long-term service agreement work were retired. Other significant capital additions are related to the engineering and site preparation for the construction of GRDA 3 as well as the air quality control upgrades of GRDA 2 and the rewind of the generator-stators at Salina Pumped Storage Project.

As shown in the Utility Plant Note 4 to Financial Statements, the majority of Net Utility Plant consists of an economical mixture of renewable hydroelectric, coal and natural gas generation resources and a transmission system for the delivery of power and energy. The pie chart labeled "2015 Generation Capacity (MW)" reflects the fuel sources of GRDA's 2015 generation capacity.

As mentioned in Note 4, KAMO Electric owns a share of GRDA 2. Associated Electric Cooperative (AECI) is KAMO's power supplier and received KAMO's portion of the power output from GRDA 2 through December 31, 2015. In March 2016, GRDA and KAMO mediated a lawsuit regarding GRDA 2. The issue has been resolved pending approval by both parties' Boards of Directors.



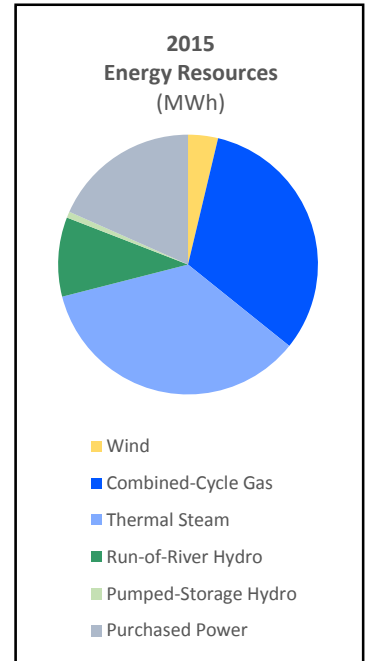
### Restricted Assets

The Authority's bond resolutions require Debt Service Reserve Funds (DSRF) be set aside. The General Bond Resolution No. 5107 requires the Debt Service Reserve account be equal to the "Maximum Aggregate Debt Service." Upon issuance of the 2014 Series C bonds, the Debt Service Reserve requirement was calculated to be \$87.8 million. The calculation

included an assumed interest rate of 20 basis points for the reserve calculation based on the resolution requirement that the rate not be less than the smaller of the average one-month LIBOR Rate during the 12 full calendar months or during the 60 full calendar months immediately preceding the Closing Date of the bond issue transaction. For 2015 and 2016 budgeting purposes, a more conservative interest rate, of 3.25% was used for modeling revenue requirements for debt service.

The Authority keeps an excess in restricted accounts to compensate for any unforeseen market value fluctuations of investments in the account. As of December 31, 2015, the requirement in the debt service reserve account was \$87.8 million and included an excess deposit of \$1.4 million. As discussed further in the Note 2 to Financial Statements, any excess balance in the Debt Service Reserve account is reflected as a restricted asset because bond proceeds were used to initially fund the account and carry associated restrictions on how the funds can be used. As the outstanding bonds have been maturing over the past few years, the annual debt requirements as well as the maximum aggregate debt service have declined. That has created excess deposits in the Debt Service Reserve account above the safety threshold. Excess debt service reserve deposits have been used to make bond principal payments. GRDA used excess DSRF account deposits to pay principal sinking fund payments of \$13.7 million in 2014. Additionally, in conjunction with the 2014 Series A and B bond transaction in October 2014, \$29.8 million of excess was transferred to unrestricted cash and investment accounts, and \$3.3 million was transferred to the 2014 construction account. No transfers were made in 2015.

Additional amounts are restricted for the bond service sinking fund payments made to the trustee for annual principal and semi-annual interest payments. Sinking fund payments are made to the trustee to better manage cash flows and normally equal GRDA's annual debt service coverage (DSC) requirement. According to the General Bond Resolution 5107, the Authority's DSC is calculated as if both principal and interest were both accrued daily in equal amounts over the calendar year. The bond service accounts held by the trustee normally approach a nominal zero balance on June 1 of each year as semi-annual interest and annual principal payments are paid to the bondholders. In most years, at December 31st, the accounts hold seven months of principal sinking fund payments, for the months of June through December, and only one month of interest for the month of December.



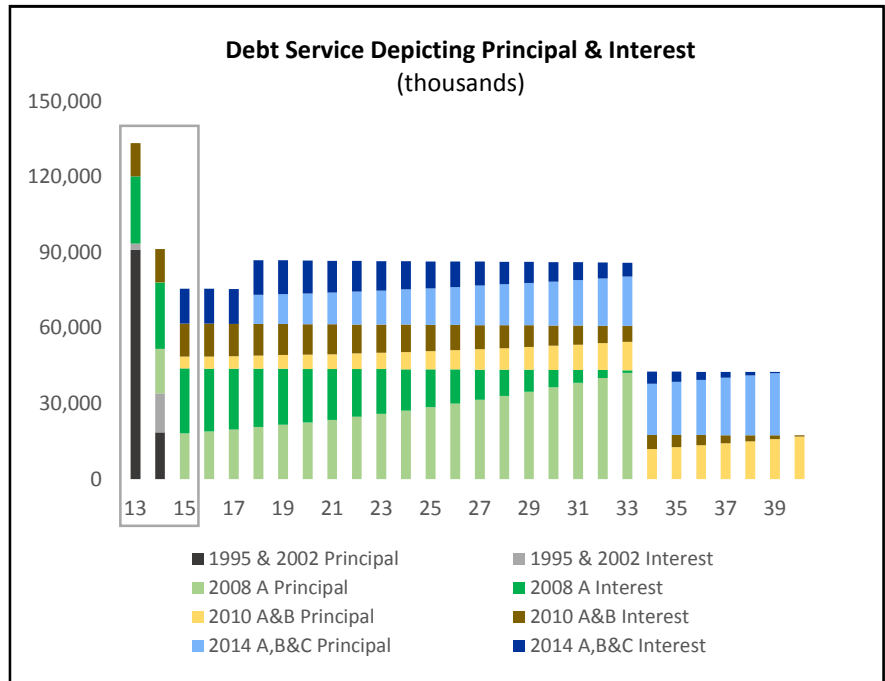
The Authority currently has four construction accounts. As of December 31, 2015, all construction funds for the 2008 bond series had been expended while at the end of 2014, \$12.2 million of the \$518.2 million deposit from the 2008 bond proceeds remained in the 2008 construction account. Additionally, in 2015 all construction funds deposited from the original \$216.8 million 2010 bond proceeds were also fully expended. At December 31, 2014, \$103.2 million of the 2010 bond proceeds remained in the 2010 construction account. The 2014 bond proceeds were deposited into two accounts: one for taxable and one for tax-exempt proceeds. Disbursements for the construction projects are initially paid from revenue funds. Requests for reimbursements are then submitted to the trustee, and monies are transferred from the construction project accounts to operating and revenue accounts. At the end of 2015, \$328.4 million of the combined \$445.8 million deposit from the 2014 bonds series remained in the construction accounts. The final restricted accounts for special purposes relate to wildlife mitigation pursuant to hydro licensing requirements. Each of the restrictions is discussed in further detail in the Note 2 to Financial Statements, Deposits and Investments. The Authority has conservative investment requirements which protect against investment losses, although the yields earned on eligible investments reflect the reduced risk. The priority of the investment policies is to protect the deposits rather than earn speculative income.

### Regulatory Assets

The Authority followed accounting of regulated operations in accordance with GASB 62, which requires utilities to match costs in the same period the revenues are collected. The regulatory asset consisted of the deferred interest costs related to the 2002B capital appreciation bond issue. The balance in Cost to Be Recovered from Future Revenues included the cumulative deferral of interest expense net of any interest income earned on the 2002B Construction Fund Investments. The deferred asset totaled \$12.6 million at the end of 2013. At maturity on June 1, 2014, revenues paid the 2002B principal and cumulative interest and the deferred asset was amortized. The 2002B Accrued Interest Payable was reflected in the financial statements as a Current Liability for 2013. For more detail, see Note 5 to Financial Statements, Cost to be Recovered from Future Revenues. The Authority no longer has any non-pension regulatory assets recorded.

### Deferred Inflows of Resources and Deferred Outflows of Resources

As previously discussed, the Authority was required to implement GASB 68 "Accounting and Financial Reporting for Pensions", as amended by GASB 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This implementation created both Deferred Inflows and Outflows of Resources for the Authority. The implementation created Deferred Outflows of



Resources totaling \$3.2 million as well as \$4.2 million of Deferred Inflows of resources. These amounts represent the Differences in Experience, Differences in Assumption and Investment Gain/Deficit from the actuarial studies performed on both the OPERS and OLEERS plans. See Note 7 to Financial Statements, Retirement Plans, Postretirement, and Other Employee Benefits.

### Long-Term Debt

While 2015 marked the complete expenditure of the 2008 and 2010 bonds series construction funds deposits, the calendar year 2014 was truly a milestone in the history of the Authority's debt profile. All of the debt issued prior to 2002 matured on June 1, 2013. The principal and interest totaling approximately \$34 million on the 2002B capital appreciation bonds were repaid on June 1, 2014. Because of several bond refundings over the years, those bonds ultimately financed some projects all the way back to the early 1960's. At the time the matured bonds were issued, the annual debt service was half of the annual revenue requirements for GRDA.

The Authority can't mortgage or pledge any assets for the repayment of debt. Instead, the bonds issued are revenue bonds, as the future revenues of GRDA's entire electric system are pledged to repay bondholders. However, since the only assets that have had bonds issued to finance them relate to the purchase of the Redbud plant in 2008 and generation and transmission assets or other properties added since that time, the amount of equity the Authority has in its system compared to debt is more favorable than in previous decades. As a result, GRDA is better able to offer affordable power to its customers and enables the communities it serves to provide an incentive for businesses to locate in Oklahoma. Today, the annual debt service requirement is less than 20% of GRDA's annual revenue requirement, decreasing financial risks relating to repayment and improving capital ratios.



Part of the reason GRDA's capital financing is so affordable is the way the revenue bonds have been structured. The 2010 bonds were issued to mature beginning in 2015 through 2040, and the 2014 bonds were wrapped around the outstanding 2008 and 2010 bonds with principal payments beginning in 2018 and increasing through maturity on June 1, 2039. The graph "Future Debt Service Depicting Principal and Interest" provides an indication of how much principal and interest are due each year until all currently outstanding bonds mature in 2040. The graph distinguishes between the matured bonds and the currently outstanding issues. The most important aspect of the graph is it visually depicts the magnitude of how much lower debt service requirements are now than they were just a few years ago.

As indicated in Note 6 to Financial Statements, Bonds Payable, GRDA makes monthly sinking fund payments to the bond trustee, which are reflected as Current Investments "Restricted for Bond Service." The bondholders are then paid annual principal payments on June 1 and semi-annual interest payments on December 1 and June 1 of each year.

The 2008A tax-exempt bonds maturing on and after June 1, 2019, are subject to early redemption on or after June 1, 2018. The 2010A tax-exempt bonds maturing on and after June 1, 2021, are subject to early redemption on or after June 1, 2020. The 2010B taxable bonds are subject to redemption at any time subject to a "Make-Whole Redemption" clause, although a state statute prevents redemption at greater than 105% of par. The 2014A & 2014B bonds maturing on and after June 1, 2025, shall be subject to redemption prior to maturity on or after June 1, 2024. In conjunction with the bonds, the Authority has made certain covenants and must file continuing disclosures with bond repositories.

Moody's Investors Service, Inc., Standard & Poor's Ratings Services, and Fitch Ratings initially gave the 2008 issue ratings of Aaa, AAA, and AAA, respectively, since a municipal bond insurance policy was purchased as the bonds were issued. Berkshire Hathaway Assurance Corporation insures the 2008 tax-exempt bonds maturing through June 2033. None of the municipal bond insurers currently carry AAA ratings. As of the date of these financial statements, Moody's Investors Service (Moody's) rates Berkshire Hathaway Aa1 with a stable outlook, and Standard and Poor's (S&P) rates Berkshire Hathaway AA+ with a stable outlook.

Two of the three credit rating agencies upgraded GRDA's bond ratings prior to the issuance of the 2014 revenue bonds. In September 2014, Moody's upgraded the Authority from A2 to A1 recognizing improved metrics and liquidity as well as low generating costs and competitive rates. Moody's assigned a stable outlook. S&P also raised GRDA's rating from A to A+ in September 2014, with a stable outlook mentioning the following factors expected to maintain stronger credit metrics; lower debt service; management's risk practices; ability to set rates; strong unrestricted liquidity; securing revenues to finance the capital program; generation plan; customer contracts; and fuel diversity. While Fitch Ratings kept GRDA's rating at A, they did raise the outlook to positive from stable and had some favorable feedback

about the power supply plan and associated financing costs, as well as noting low customer rates and improving financial metrics.

As previously mentioned, the Authority also presented a billion dollar capital plan to meet customers' future requirements. In October 2014, \$225.6 million Series A tax-exempt revenue bonds, and \$84.8 million Series B federally taxable revenue bonds were issued to fund part of that capital plan. In December 2014, \$65 million Series C federally taxable, variable rate, revenue bonds were issued to fund the remainder of projected needs through 2017. Under the plan, \$409.4 million of bond proceeds would be required to fund the \$1.03 billion of project needs through 2023. As previously discussed, the remaining funding sources are provided by equity, current revenues, and other construction funds.

The Authority has engaged Public Financial Management (PFM) to represent it as financial advisor to meet current and long-term operations and capital financing needs and render assistance with respect to debt transactions. PFM is acting as the Authority's Independent Municipal Advisor, as defined by the U.S. Securities Exchange Commission in connection with all general capital markets activity. PFM is providing general advisory services as well as serving as financial advisor to three potential debt transactions over the next three years. The Authority has selected a financial team and is currently evaluating refunding opportunities.

## CHANGE IN FINANCIAL POSITION

As 2014 began, the Authority had just reached some major financial milestones. The Authority's financial metrics had improved significantly. While liquidity had always been good, debt service coverage improved significantly as older debt matured. At the same time, the Authority improved the revenue stream and worked to control risks, as well as secured the internal infrastructure. While risks with large financial impacts were prioritized and tackled first, risks such as the revenue stream, flooding mitigation, fuel supply, optimizing adequacy of generation supply with contracted customer loads, reliable transmission, and compliance and safety were also at the forefront. Supporting the improved financial position were numerous, formally adopted policies and procedures. A goal driven, customer-focused utility with sustainable policies has emerged. GRDA's Board of Directors is ensuring its success continues and its plan is implemented efficiently and effectively.

The Authority's generation assets are still supplying output to power the Authority's public power partners, and on June 1, 2014, all the debt for assets financed prior to the 2008 bond issue were repaid. In October 2014, GRDA celebrated the 50th year of the operation of Kerr Dam. The Authority recently celebrated its 80th Birthday, with accolades over how it has shaped the landscape and economy of Oklahoma. In October 2015, the Authority celebrated the 75<sup>th</sup> year of operation of Pensacola Dam. The last few years were filled with philosophical questions regarding the role this state agency should play in the future. While GRDA has not been growing our service area, the economic benefits we provide to our customers enables them to grow, and they exemplify that value. At the same time, the Authority is the Grand River Dam Authority, a conservation and reclamation district, and takes its environmental and water quality responsibilities seriously.

GRDA's generation plan was solidified with the support of the state of Oklahoma after the overwhelming factual information was provided by GRDA's strongest advocates, its customers. Those same customers provided financial security by signing long-term contracts enabling better future load projections. Long-term revenue projections also became more stable as many of the all-requirements contracts with municipal customers run two years longer than any outstanding debt. Additionally, expanded relationships with WFEC increased firm sales and added diversification throughout the state of Oklahoma. Consistent with other off-system firm sales, these contracts provide certain take-or-pay provisions.

As noted in the preceding Long-Term Debt section, the rating agencies also recognized the benefits provided by the revenue security and the "Grand & Greener" generation plan. Two of the three agencies upgraded GRDA's rating, and the third upgraded the outlook on its debt from stable to positive. GRDA ended the year with what might be the highest debt coverage in its history with over a two times coverage.

The result of those positive outcomes was GRDA's ability to issue \$375.5 million dollars of revenue bonds in October and December at interest rates much less than the Authority had anticipated during the planning phases of the projects. The all-in total interest cost for the Series A&B Issues was 3.67%. The total cost, including interest, backup liquidity facility, and remarketing fees, of the Series C issue has averaged 0.60% since issuance in December 2014.

This 2015 calendar year has been marked by the pledge of excellence by carrying through with the 2014 commitments. The year ended with better than anticipated financial results, and significant progress on the construction projects all under the umbrella of daily financial cash management and compliance oversight of the construction payment process.

## ECONOMIC OUTLOOK

GRDA has a sound economic outlook. That's a bold statement to make as a state agency in a state with an oil and gas dependent economy like Oklahoma when oil and gas prices are declining. GRDA has sound fundamentals and great customer partnerships. GRDA's rates are competitive, and 10-year financial projections indicate they will remain that way. The customers GRDA serves undertake and pay contracts are more diverse and service oriented than the state as a whole, so they don't experience the upswings and downswings associated with oil and gas prices to the extent the rest of the state does. Other customers who take power off-system are served under take-or-pay contracts so the revenue stream is more predictable and secure. GRDA has a comprehensive generation plan. Air quality upgrades are essentially complete on GRDA 2. An anticipated administrative order will allow GRDA to operate GRDA 1 until April 2017 as a coal unit. Finally, the construction of GRDA 3, the combined-cycle gas plant with the M501J turbine is proceeding as planned. GRDA 3 will bring a highly efficient and reliable power resource into the generation mix. GRDA and its customers continue to work on rate designs to make sure the structure fully

recovers costs in the most appropriate components. The Authority implemented an average base rate increase of 3.75% effective January 1, 2016, and is currently evaluating a potential need for a similar rate increase to be effective for 2017. The amount of the increase is dependent on GRDA's load projections remaining on target. The PCA continues to trend negative, so although the base rate increase was implemented for 2016, customers are seeing declines in their overall bills. The coal inventory provides a price ceiling to future increases in natural gas costs as well. GRDA's financial metrics have continued to improve over the last several years.

The Authority and its customers continue to work to educate end users regarding the connection between efficiency and affordability as the Integrated Marketplace and technology impacts what end users expect from their electricity providers. The longer construction of the next base load generating unit can be delayed by the smarter use of energy and demand by end users, the larger the benefit will be to Oklahoma's economy and environment. Subsequent to year end, GRDA entered into mediation with its partner on GRDA 2, and the issues were resolved. As a result, GRDA will likely be able to delay construction of its next base load generating unit. The resolution and elimination of uncertainty going forward is an economic plus.

GRDA has positioned itself to do for the next several decades what it has been proudly doing for the past 75 years. We protect the waters of the Grand River and the environments associated with it. We use Oklahoma's natural water and wind resources to generate electricity. We meet customers' needs and environmental mandates with new generation like the combined-cycle gas plant under construction now and projected to be, on completion, the most efficient plant of this type in the Western Hemisphere. We invested in upgrades to GRDA 2 to ensure it meets environmental standards. The diversity in GRDA's generation plants allows us to manage risk well, and the system is backed by a robust transmission system. We have a favorable economic outlook because our electric system profile has low-debt costs, strong customer support, and coordinated resource planning. Because the Authority manages Oklahoma's natural resources well, the agency may be requested to assume some duties of other state agencies to oversee waterways or parks around the lakes. Should these additional responsibilities be added to GRDA, the ability to collect fees from users of the waterways and parks would also be added in order to offset some of the associated expenses.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Questions about this report or requests for additional financial information should be directed to the Authority at: Grand River Dam Authority, PO Box 409, 226 West Dwain Willis Avenue, Vinita, OK 74301-0409.

## STATEMENTS OF NET POSITION

AS OF DECEMBER 31, 2015 AND 2014

	2015	2014
<b>ASSETS:</b>		
Current Assets:		
Cash and cash equivalents - general operating account	\$ 3,155,004	\$ 34,177,297
Investments	48,209,009	47,684,660
Accounts receivable - net	46,823,133	48,992,419
Accrued interest receivable	2,793,161	2,323,698
Fuel Stock	44,806,070	15,427,286
Materials and Supplies	38,025,784	40,554,981
Under recovered fuel costs	-	16,358,466
Prepaid assets	3,581,915	4,061,663
<b>Total current assets</b>	<b>187,394,076</b>	<b>209,580,470</b>
Noncurrent assets:		
Investments	599,081,087	740,055,949
Other receivables	517,072	504,829
Net utility plant:		
Non-depreciable - at original cost	305,044,027	99,709,659
Depreciable - at original cost less depreciation	775,581,717	776,317,664
Other noncurrent assets:		
Prepaid assets	10,110,924	10,739,959
Nonutility property - at original cost	33,014	33,014
<b>Total other noncurrent assets</b>	<b>10,143,938</b>	<b>10,772,973</b>
<b>Total noncurrent assets</b>	<b>1,690,367,841</b>	<b>1,627,361,074</b>
<b>TOTAL ASSETS</b>	<b>1,877,761,917</b>	<b>1,836,941,544</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pension plans	3,192,494	-
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable and accrued liabilities	74,213,477	52,481,148
Accrued interest payable	4,358,450	4,416,878
Bonds payable - current portion	23,795,000	22,965,000
Over recovered fuel costs	26,485,884	-
<b>Total current liabilities</b>	<b>128,852,811</b>	<b>79,863,026</b>
Noncurrent liabilities:		
Bonds payable - net	1,140,409,407	1,166,810,673
Unamortized proceeds on debt service forward purchase agreements	-	-
Other noncurrent liabilities	12,972,375	5,526,967
<b>Total noncurrent liabilities</b>	<b>1,153,381,782</b>	<b>1,172,337,640</b>
<b>TOTAL LIABILITIES</b>	<b>1,282,234,593</b>	<b>1,252,200,666</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pension plans	4,216,446	-
<b>NET POSITION:</b>		
Net investment in capital assets	344,780,665	304,838,953
Restricted for:		
Debt Service	18,238,867	17,705,259
Other special purposes	2,478,663	5,321,351
Unrestricted	229,005,177	256,875,315
<b>TOTAL NET POSITION</b>	<b>\$ 594,503,372</b>	<b>\$ 584,740,878</b>

See notes to financial statements.



## STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
OPERATING REVENUES:		
Sales of power	\$ 401,569,988	\$ 463,946,059
Other operating revenues	12,485,554	11,213,267
Total operating revenues	414,055,542	475,159,326
OPERATING EXPENSES:		
Fuel	(143,804,114)	(171,947,118)
Depreciation	(67,953,588)	(68,138,608)
Operations	(46,841,448)	(46,102,751)
Purchased power - net	(44,525,854)	(80,171,737)
Maintenance	(34,068,198)	(36,992,566)
Administrative and general	(13,201,268)	(15,530,402)
Total operating expenses	(350,394,470)	(418,883,182)
OPERATING INCOME	63,661,072	56,276,144
NONOPERATING REVENUES AND (EXPENSES):		
Investment income	11,775,150	7,454,283
Net increase (decrease) in the fair value of investments	(2,278,347)	39,499
OEM Grant Revenue - Operating	191,808	-
Income from nonutility operations	1,338,773	14,968,126
Interest Expense	(52,576,879)	(42,802,762)
Recovery of cost to be recovered	-	(13,307,248)
Deferral of costs to be recovered from future revenues	-	698,009
Amortization of debt discount and financing costs	(889,092)	(2,824,504)
Amortization of bond premium	2,853,637	1,254,865
Total nonoperating expenses	(39,584,950)	(34,519,732)
NET INCREASE IN NET POSITION	24,076,122	21,756,412
NET POSITION - Beginning of year	584,740,878	562,984,466
Adoption of new accounting standard (see Note 1)	(14,313,628)	-
NET POSITION - Beginning of year, as restated	570,427,250	562,984,466
NET POSITION - End of year	\$ 594,503,372	\$ 584,740,878

See notes to financial statements.

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Received from user charges	\$ 496,975,739	\$ 509,959,863
Received from refined coal partner	124,424,171	138,981,703
Received from OEM-operating revenues	15,948	-
Payments to employees for services	(38,756,317)	(36,371,199)
Payments to suppliers for goods and services	(289,440,770)	(359,026,352)
Payments to refined coal partner	(129,841,663)	(126,576,743)
<b>Net Cash Provided by Operating Activities</b>	<b>163,377,108</b>	<b>126,967,272</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Additions to utility plant	(267,506,752)	(121,394,365)
Payments for retirements of utility plant	(885,151)	(950,384)
Received from sales of retirements of utility plant	114,954	4,255,252
Proceeds from bond issues	-	375,480,000
Bond premium	-	31,154,218
Bond issuance costs	-	(1,755,839)
Repayment of principal	(22,965,000)	(36,306,340)
Interest paid	(52,635,307)	(43,176,007)
Recovery of cost to be recovered	-	(13,307,248)
<b>Net Cash Provided by (Used In) Capital and Related Financing Activities</b>	<b>(343,877,256)</b>	<b>193,999,287</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received	13,443,179	8,537,664
Purchases of securities	(254,561,613)	(520,874,146)
Proceeds from sales and maturities of securities	390,596,289	198,346,870
<b>Net Cash Provided by (Used In) Investing Activities</b>	<b>149,477,855</b>	<b>(313,989,612)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(31,022,293)</b>	<b>6,976,947</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b>34,177,297</b>	<b>27,200,350</b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b>\$ 3,155,004</b>	<b>\$ 34,177,297</b>
<b>NON-CASH ITEMS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Non-Cash purchases of utility plant included in accounts payable	\$ 6,990,528	\$ 1,031,427
<b>NON-CASH ITEMS FROM INVESTING ACTIVITIES:</b>		
Change in unrealized gain (loss) on investments	\$ (2,278,347)	\$ 39,499
Amortization of premiums and discounts	\$ (2,137,491)	\$ 1,395,443
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 63,661,072	\$ 56,276,144
Noncash items included in net operating income:		
Income from nonutility operations	1,530,581	14,968,126
Depreciation	67,953,588	68,138,608
Changes in net assets and liabilities:		
Receivables:		
Customers	8,256,304	(3,186,513)
Other	(6,099,262)	6,873,279
Fuel Stock	(29,378,784)	(4,359,826)
Materials and supplies	5,244,665	6,066,290
Other	472,574	(4,648,426)
Deferred outflows related to pension plans	(129,306)	-
Accounts payable and accrued liabilities	14,741,802	(11,897,011)
Over (under) recovered fuel costs	42,844,350	(1,694,077)
Other noncurrent liabilities	3,290,658	430,678
Deferred inflows related to pension plans	(9,011,134)	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 163,377,108</b>	<b>\$ 126,967,272</b>

See notes to financial statements.

# NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

*Restricted*—This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

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

The financial statements of the Authority are prepared under the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**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, liabilities, disclosure of contingent assets, contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**—Cash and cash equivalents include unrestricted cash in banks, unrestricted money market funds, and unrestricted certificates of deposit with original maturities of three months or less. Balances are presented on a net basis to the extent such balances are subject to the right of offset.

**Investments**—Investments principally comprise U.S. government securities, U.S. government agencies, U.S. government sponsored enterprises, State of Oklahoma agency bonds, money market funds, and certificates of deposit. The Authority reports investments at fair value. Fair value is determined using quoted market prices.



**Fuel Stock**—Coal fuel stock is carried at average cost and includes the costs of coal, freight, and labor. These amounts are charged to expense as the fuel is consumed. Gas fuel stock is carried at average cost and includes the costs of gas, transportation, and gas management fees.

The Authority participates in a fuel emissions protection project with Chouteau Fuels Company, LLC. Chouteau Fuels, LLC is a subsidiary of DTE Energy Company, which requires the sale of coal fuel stock to the counterparty that chemically treats the coal fuel stock and then sells it back to the Authority at a reduced price for consumption and enhanced environmental protection.

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

**Under/Over Recovered Fuel Costs**—The Authority's rate structure as approved by the Board of Directors provides for the Authority to make adjustments in revenue collections from municipal, industrial, cooperative and off-system firm customers to recover variations between estimated and actual fuel costs incurred by the Authority. This adjustment, referred to as the Power Cost Adjustment (PCA) is calculated monthly. The Authority's base rate has been set at 23 mills of the fuel costs. The difference in the base rate and the actual fuel costs and future estimated fuel costs is the PCA. The cumulative difference between the PCA revenue collected and the actual fuel costs less the base PCA rate is reflected as either an asset ("under recovery") or liability ("over recovery") in the Authority's accompanying Statements of Net Position, as amounts will either be collected from or refunded to customers of the Authority in subsequent periods.

**Joint Participant**—Among the Authority's assets is coal-fired plant GRDA 2 (which is 62% owned by the Authority and 38% owned by KAMO Power (KAMO)). The Authority and KAMO jointly operate an integrated transmission system. Additionally, the Authority jointly owns the Redbud combined-cycle gas plant with Oklahoma Gas and Electric (OG&E) and Oklahoma Municipal Power Authority (OMPA). The Redbud Power Plant is operated by OG&E, with OG&E, the Authority, and OMPA owning 51%, 36%, and 13% respectively. The Authority records its proportionate share of utility plant, revenues, and expenses associated with these jointly-owned units.

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

The Authority is entitled up to its ownership share, 36%, of the available power output of the Redbud plant. The output from Redbud is sold through the SPP Integrated Marketplace. Revenues from the sale of total system generation resources are included in sales of power as shown on the Statements of Revenues, Expenses, and Changes in Net Position.

The Authority has entered into short-term natural gas supply contracts to purchase and provide its share of fuel supply for the Redbud plant and the Statements of Revenues, Expenses, and Changes in Net Position include \$64,322,618 and \$72,948,083 related to natural gas fuel expenses included in the Fuel line item of Operating Expenses for 2015 and 2014, respectively.

OG&E operates the Redbud facility under an operating agreement with the Authority and OMPA and allocates certain costs and expenses attributable to Redbud to the Authority and to OMPA in accordance with their undivided ownership interests (36% and 13%, respectively). The Authority's Statements of Revenues, Expenses, and Changes in Net Position include the following related to those allocations: \$3,692,383 and \$7,543,861 in Maintenance, \$1,766,725 and \$3,078,312 in Operations, and \$2,218,879 and \$2,205,502 in Administrative and general line items of the Operating Expenses section for 2015 and 2014, respectively.

The Redbud facility has long-term service agreements with a large industrial manufacturer for the maintenance of the gas and steam turbines. The related long-term purchase commitments for GRDA's portion totaled approximately \$82.8 million for both 2015 and 2014. These amounts have been included in the contractual commitments in Note 9. The Authority's statements of net position in 2015 include approximately \$4.4 million in noncurrent prepaid assets for payments made in 2015 related to advanced hot gas path upgrades expected to be installed in 2018.

**Utility Plant and Depreciation**—The cost of utility plant includes direct material, direct labor and indirect costs such as engineering, supervision, and interest expense (net of applicable interest income) capitalized during construction. The Authority follows the Federal Energy Regulatory Commission (FERC) electric plant instruction guidelines in defining capital assets. Generally, assets, which have a cost of \$500 or more at the date of acquisition and have an expected useful life of more than one year, and are not consumable, are capitalized. The cost of maintenance and repairs to property is expensed. Consistent with the Redbud plant operator's treatment, certain costs of the long-term service agreement payments are capitalized. Gain or loss is recognized on retirements and dispositions that management believes to be unusual in nature.

Depreciation is computed on the cost of utility plant by the composite method over the following estimated useful lives and annual depreciation percentages:

Coal-fired plants	1.5-34 years	67.00 % - 2.90 %
Redbud combined-cycle plant	3-32 years	33.33 % - 3.13 %
Hydraulic production plants	87 years	1.15 %
Transmission system	30 years	3.33 %
Other properties and production plant	5-30 years	20.00 % - 3.33 %

**Long-Lived Assets**—The Authority reviews long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the service utility of the capital assets has a significant unexpected decline. Management of the Authority has determined that no impairment adjustments required recognition in 2015 or 2014.

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

In 2004, the Authority determined that it should defer interest costs related to the 2002B capital appreciation bond issue and expense these costs in 2014, when the related bonds matured. The Authority fully recovered the deferred interest expense, net of any interest income earned on unexpended related construction funds, during 2014 as revenues were collected to pay the accrued interest and principal on June 1, 2014. At December 31, 2015, the Authority had no costs to be recovered from future revenues.

Management continuously monitors the future recoverability of regulatory assets, and when, in management's judgment, any future recovery becomes impaired, the amount of the regulatory asset is reduced or written off, as appropriate.

**Bonds Payable**—The Authority is operating under General Bond Resolution No. 5107 ("Resolution No. 5107"), which provides for the issuance of revenue bonds and defines eligible investment securities.

**Unamortized Debt Discount or Premium and Bond Insurance Expense**—Debt discount or premium and bond insurance expense are amortized using the bonds outstanding method over the periods of the applicable issues. Since January 1, 2013, the Authority expenses bond issuance costs in the period in which they are incurred, except for bond insurance costs, which are capitalized and amortized over the remaining term of the related bonds.

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

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

**Operating and Nonoperating Revenues and Expenses**—Operating revenues include the sales of power and other operating revenues such as rents from electric property, consisting primarily of revenues from transmission and ancillary services. Other operating revenues also include sales of water, sulfur dioxide emission credits conversions and renewable energy certificates. Operating expenses include costs to operate and maintain the Authority's generation and transmission assets including fuel, purchased power, depreciation and related administrative and general expenses. Historically, administrative and general costs included the settlement of claims, insurance deductibles, employee insurance premiums and post-retirement benefits, and they have increased annually. In 2013, GRDA began allocating employee benefits, and non-productive pay such as annual, holiday and sick leave along with direct pay to other operating expenses in order to better prepare for the SPP Integrated Marketplace, which went live on March 1, 2014. The allocations allow GRDA to better identify the functional expenses for each generating and transmission facility. Nonoperating revenues include investment income, net increase in the fair value of investments, deferral of costs to be recovered from future revenues, and income from nonutility operations. Nonoperating expenses include interest expense, amortization of costs to be recovered from future revenues and amortization of bond-related expenses.

**Purchased Power**—Purchased power includes the cost of electricity purchased for resale and settlements for exchange of electricity in the SPP Integrated Marketplace and the long term commitments for wind purchases.

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

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

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement was effective for the Authority in 2015. The implementation of this statement resulted in the restatement of the 2015 opening net position of \$14,313,628 to recognize the Authority's portion of Net Pension Liability.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement 68*. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. This benefit will be achieved without the imposition of significant additional costs. This statement was effective for the Authority in 2015. The implementation of this statement resulted in the restatement of January 1, 2015, net assets of \$2,857,105 to recognize Deferred Outflows for contributions made subsequent to the measurement date of June 30, 2014.

**Recently Issued Accounting Standards**—The following accounting standards will be adopted as applicable in future periods:

GASB Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The statement is effective for financial statements for periods beginning after June 15, 2015, which makes it effective for the Authority in 2016, and management is currently evaluating the impact of this pronouncement on the Authority's financial statements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The statement is effective for financial statements for periods beginning after June 15, 2016, which makes it effective for the Authority in 2017, and management is currently evaluating the impact of this pronouncement on the Authority's financial statements.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The statement is effective for financial statements for periods beginning after June 15, 2016, which makes it effective for the Authority in 2017, and management is currently evaluating the impact of this pronouncement on the Authority's financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment



benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The statement is effective for financial statements for periods beginning after June 15, 2017, which makes it effective for the Authority in 2018, and management is currently evaluating the impact of this pronouncement on the Authority's financial statements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The statement is effective for financial statements for periods beginning after June 15, 2015, which makes it effective for the Authority in 2016, and management is currently evaluating the impact of this pronouncement on the Authority's financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures*. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. The statement is effective for financial statements for periods beginning after December 15, 2015, which makes it effective for the Authority in 2016, and management is currently evaluating the impact of this pronouncement on the Authority's financial statements.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The statement is effective for financial statements for periods beginning after December 15, 2015, which makes it effective for the Authority in 2016, and management is currently evaluating the impact of this pronouncement on the Authority's financial statements.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. The statement is effective for financial statements for periods beginning after June 15, 2015, which makes it effective for the Authority in 2016, and management is currently evaluating the impact of this pronouncement on the Authority's financial statements.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an Amendment of GASB Statement No. 14*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The statement is effective for financial statements for periods beginning after June 15, 2016, which makes it effective for the Authority in 2017, and management is currently evaluating the impact of this pronouncement on the Authority's financial statements.

## **2. DEPOSITS AND INVESTMENTS**

The Authority's Resolution No. 5107, provides for the issuance of revenue bonds and defines eligible investment securities as investments allowed pursuant to the Authority's investment policy. The Authority's Board Policy 5-2 defines the following categories of investments (1) bonds or other obligations which are direct obligations of the United States of America, (2) bonds or other specifically named obligations which are indirectly guaranteed by the United States of America, (3) direct and general obligations of any state which are rated in the two highest major categories of Moody's, Standard & Poor's (S&P), or Fitch, (4) certificates of deposit issued by a savings and loan association or a bank and trust company which are collateralized by the securities described in (1) and (2) or which are fully insured by the Federal Deposit Insurance Corporation (FDIC), (5) repurchase agreements with banks or government bond dealers which

are secured by securities described in (1) and (2), (6) investment agreements with companies or banks whose senior debt obligations are rated no lower than the second highest category of Moody's, S&P, or Fitch, (7) short-term obligations of any state or political subdivision which are rated in the highest short-term category by Moody's or S&P, and (8) any cash swap or similar arrangement of the Bond Fund Trustee, the investments of which are limited to securities described in (1) and (2).

The Authority carries its investments at fair value. The Authority and trustees monitor collateral pledged to secure deposits in financial institutions for compliance with rules and regulations promulgated by the Oklahoma State Treasurer.

**Interest-Rate Risk**—Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Authority has no formal policy to address exposure to fair value losses resulting from changes in interest rates. However, Resolution No. 5107 requires that investments not mature later than such times as the funds shall be necessary to provide monies when needed for payments to be made from the Debt Service Account, and in the case of the Debt Service Reserve Account, unless otherwise provided in a Supplemental Resolution, not later than ten (10) years from the date of investment. The Authority's Board Policy 5-2 provides that general fund investments shall not mature later than five (5) years from the date of investment. The Authority attempts to hold the investments to maturity which minimizes the exposure to rising interest rates.

As of December 31, 2015 and 2014, the Authority had the following cash and investments (classified as either cash equivalents, investments or restricted investments on the statements of net position) and corresponding maturities:

Investment Type	2015			
	Fair Value	Investment Maturities (in Years)		
		Less than 1	1-5	6-10
U.S. gov't agencies and U.S. gov't sponsored enterprises	\$ 611,066,436	\$ 261,072,833	\$ 319,952,829	\$ 30,040,774
Certificates of deposits	6,979,153	6,979,153	-	-
Money market funds	29,741,828	29,741,828	-	-
Cash deposits—net	2,657,682	2,657,682	-	-
<b>Total</b>	<b>\$ 650,445,099</b>	<b>\$ 300,451,496</b>	<b>\$ 319,952,829</b>	<b>\$ 30,040,774</b>

Investment Type	2014			
	Fair Value	Investment Maturities (in Years)		
		Less than 1	1-5	6-10
U.S. gov't agencies and U.S. gov't sponsored enterprises	\$ 714,811,085	\$ 241,204,067	\$ 460,893,326	\$ 12,713,692
Certificates of deposits	9,575,345	9,575,345	-	-
Money market funds	96,092,339	96,092,339	-	-
Cash deposits—net	1,439,137	1,439,137	-	-
<b>Total</b>	<b>\$ 821,917,906</b>	<b>\$ 348,310,888</b>	<b>\$ 460,893,326</b>	<b>\$ 12,713,692</b>

**Credit Risk**—Credit risk is the risk that the insurer or other counterparty to an investment will not fulfill his obligation. Mortgage backed securities (MBS) are not rated because these U.S. Government agencies that issue such securities did not apply to any of the nationally recognized statistical rating organizations (NRSRO) such as Moody's Investors Service ("Moody's") and Standard & Poor's ("S&P") for ratings on their MBS. However, the U.S. Government agencies and the Government Sponsored Enterprises (GSE) carry Aaa/AA+ ratings from Moody's and S&P for their debentures, and the MBS which carry their label (e.g., Federal National Mortgage Association—"FNR"; Federal Home Loan Bank—"FHR") are direct obligations of the U.S. Government agencies. With the exception of Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac"), which are government-sponsored quasi-governmental agencies (which also received U.S. Government backing during 2008), these U.S. Government agencies have the backing of the U.S. Government; therefore, the Aaa/AA+/AAA rating by Moody's, Standard & Poor's, and Fitch is implied. MBS issued by the Government National Mortgage Association, with the label GNR, carry the explicit full faith and credit of the U.S. Government. Securities issued by the Federal Farm Credit Bank (FFCB) are rated Aaa/AA+/AAA by Moody's, S&P, and Fitch credit rating agencies. Fannie Mae and Freddie Mac are rated Aaa/AA+/AAA by Moody's, S&P, and Fitch credit rating agencies. The MBS are senior in the credit structure to the debentures for the FNMA and FHLMC. The certificates of deposit are held by various banks and are subject to the FDIC guarantees up to \$250,000. The Money Market Funds are held by a bank and are collateralized at over 100% of the cash fair value with U.S. Treasury and U.S. Agency securities. The Authority addresses credit risk of investments through the Authority's Board Policy 5-2 which states that investments must be backed by the U.S. government, collateralized, fully insured by the FDIC, or be rated no lower than the second highest category of Moody's (Aa), S&P (AA), or Fitch (AA).

As of December 31, 2015 and 2014, the Authority's investments had the following ratings:

Investment Rating	2015		
	Investment Rating		
	Moody's/ S&P/Fitch Aaa/AA+/AAA	Credit Risk Not Applicable	Total
Money markets	\$ -	\$ 29,741,828	\$ 29,741,828
Certificates of deposits	-	6,979,153	6,979,153
U.S. gov't securities	382,379,150	-	382,379,150
U.S. gov't agencies and U.S. gov't sponsored enterprises	228,687,286	-	228,687,286
Cash deposits—net	-	2,657,682	2,657,682
	<b>\$ 611,066,436</b>	<b>\$ 39,378,663</b>	<b>\$ 650,445,099</b>

Investment Rating	2014		
	Investment Rating		
	Moody's/ S&P/Fitch Aaa/AA+/AAA	Credit Risk Not Applicable	Total
Money markets	\$ -	\$ 96,092,339	\$ 96,092,339
Certificates of deposits	-	9,575,345	9,575,345
U.S. gov't securities	406,434,435	-	406,434,435
U.S. gov't agencies and U.S. gov't sponsored enterprises	308,376,650	-	308,376,650
Cash deposits—net	-	1,439,137	1,439,137
	<b>\$ 714,811,085</b>	<b>\$ 107,106,821</b>	<b>\$ 821,917,906</b>

As of December 31, 2015 and 2014, the Authority had the following portfolio of investments with credit exposure by investment type as a percentage of total investments:

	2015	2014
U.S. government securities	<b>58.8 %</b>	49.5 %
U.S. government agencies and U.S. government sponsored enterprises:		
FFCB	<b>4.9</b>	4.0
FHLB	<b>9.4</b>	19.4
GNMA	<b>0.6</b>	0.3
FHLMC	<b>9.3</b>	5.6
FNMA	<b>11.0</b>	8.2
Money market funds	<b>4.6</b>	11.6
Certificate of deposits	<b>1.0</b>	1.2
Cash deposits—net	<b>0.4</b>	0.2

**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 for collateral securities that are in the possession of an outside party. All money to be held by the Authority under Resolution No. 5107 is required to be deposited in one or more depositories in the name of the Authority. All money deposited under the provisions of Resolution No. 5107 with the Bond Fund Trustee and the Construction Fund Trustee is required to be held in trust and applied only in accordance with the provisions of Resolution No. 5107; money held by the Authority and deposited in any depository is required to be held and secured in the manner provided by Oklahoma law.

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

**Carrying Values**—Cash and cash equivalents and current and noncurrent investments at December 31, 2015 and 2014, follows:

	2015						Total
	General Operations	Board Designated	Bond Service (Restricted)	Construction (Restricted)	Bond Service Reserve (Restricted)	Other Special Purposes (Restricted)	
Current:							
Cash deposits - net	\$ 2,657,682	\$ -	\$ -	\$ -	\$ -	\$ 2,451,663	\$ 5,109,345
Money market funds - cash and investments	497,322	-	27,133	6,990,528	-	27,000	7,541,983
U.S. government securities, agencies and sponsored enterprises	15,973,461	-	18,211,734	-	-	-	34,185,195
Certificates of deposits - maturity > 3 months	4,527,490	-	-	-	-	-	4,527,490
Total current	23,655,955	-	18,238,867	6,990,528	-	2,478,663	51,364,013
Non-current:							
U.S. government securities, agencies and sponsored enterprises	150,186,243	38,266,000	-	304,283,433	84,145,565	-	576,881,241
Money market funds	-	-	-	17,136,707	5,063,138	-	22,199,845
Total non-current	150,186,243	38,266,000	-	321,420,140	89,208,703	-	599,081,086
Total cash and investments	\$ 173,842,198	\$ 38,266,000	\$ 18,238,867	\$ 328,410,668	\$ 89,208,703	\$ 2,478,663	\$ 650,445,099

	2014						Total
	General Operations	Board Designated	Bond Service (Restricted)	Construction (Restricted)	Bond Service Reserve (Restricted)	Other Special Purposes (Restricted)	
Current:							
Cash deposits - net	\$ 1,439,137	\$ -	\$ -	\$ -	\$ -	\$ 1,044,351	\$ 2,483,488
Money market funds - cash and investments	32,738,160	-	20,350	1,007,947	-	27,000	33,793,457
U.S. government securities, agencies and sponsored enterprises	19,369,109	-	17,684,909	-	-	-	37,054,018
Certificates of deposits - maturity > 3 months	4,280,994	-	-	-	-	4,250,000	8,530,994
Total current	57,827,400	-	17,705,259	1,007,947	-	5,321,351	81,861,957
Non-current:							
U.S. government securities, agencies and sponsored enterprises	100,225,273	33,633,000	-	457,764,267	86,134,528	-	677,757,068
Money market funds	-	-	-	59,982,214	2,316,667	-	62,298,881
Total non-current	100,225,273	33,633,000	-	517,746,481	88,451,195	-	740,055,949
Total cash and investments	\$ 158,052,673	\$ 33,633,000	\$ 17,705,259	\$ 518,754,428	\$ 88,451,195	\$ 5,321,351	\$ 821,917,906

The restricted balances are the minimum amounts required to be maintained.

Additional information relating to cash and investment restrictions follows:

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

**Construction**—A 2008 construction fund was established in September 2008 with the proceeds from the Revenue Bonds, Series 2008A and 2008B. Initial disbursements were for the purchase of a 36% interest in the 1230 MW gas-fired, combined-cycle power generation facility located in Luther, Oklahoma (see Note 1). Additional costs to be funded from the remaining balance include capital additions, repairs, and improvements to the Authority's coal-fired generation complex, transmission system, hydroelectric generating facilities and ecosystems. The last of this construction fund was expended in 2015.

A 2010 construction fund was established in December 2010 with the proceeds from the Revenue Bonds, Series 2010A and 2010B. The proceeds from the 2010 Bonds will be used to fund certain system costs consisting of capital additions, repairs and improvements to



the Authority's coal-fired generation complex, transmission system, hydroelectric generating facilities, ecosystems, and the gas-fired, combined-cycle generation facility. The last of this construction fund was expended in 2015.

A 2014 construction fund was established in October 2014 with the proceeds of the Revenue Bonds, Series 2014A and 2014B. The construction fund was increased in December 2014 from the proceeds of the Revenue Bonds, Series 2014C. The proceeds from the 2014 Bonds will be used to fund a portion of the costs of construction of a nominal 495 MW gas-fired combined-cycle plant (GRDA 3) on the site of the Authority's existing Grand River Energy Center (formerly known as the Coal-Fired Complex) in Chouteau, OK, to fund environmental upgrades to the existing nominal 520 MW coal-fired plant (GRDA 2), and to fund other capital requirements for power supply and transmission needs.

*Bond Service Reserve*—The restricted amount in the accompanying Statements of Net Position reflects the maximum aggregate debt service for all bonds outstanding. The balance in the Bond Service Reserve (Restricted) account includes \$87,754,430 restricted for the bond service reserve per General Bond Resolution No. 5107, and the \$1,454,273 excess was primarily funded by tax exempt bonds. The use is restricted per tax code. GRDA will use the excess to pay for future debt principal payments, capital additions, or other purposes authorized by General Bond Resolution No. 5107.

*Restricted for Other Special Purposes*—Due to agreements with FERC, the Authority has restricted money for two purposes. The first restriction is for the fish and wildlife mitigation fund, established in June 2003 as required by FERC. The Authority funded an initial deposit of \$260,000 in 2003, and is required to make \$100,000 annual contributions (adjusted for inflation) each year the Pensacola Dam license is in effect. In December 2015, the Authority funded the balance of \$1.45 million which represented the estimated annual contributions through the year 2022. Generally, the purpose of this fund is to support projects to protect and enhance fish and wildlife resources at the direction of various groups external to the Authority. No expenditures were made from the fund in either 2015 or 2014. The second restriction is for the nature conservancy fund, established in May 2008 as required by FERC. The Authority funded an initial deposit of \$27,000 in 2008. The Authority is required to replenish the fund to \$27,000 on the first working day in January of each year. Generally, the purpose of this fund is to maintain bat caves protection on Grand Lake. No expenditures were made from the fund in either 2015 or 2014.

In November 2013, the Authority established an escrow account backed by a certificate of deposit of \$1 million to meet the credit policy requirements for participating in the SPP Integrated Marketplace that began in March 2014. In 2014, \$3.25 million was added to the escrow account to meet the increased requirements from the SPP Integrated Marketplace bringing the total to \$4.25 million. In January 2015, the letter of credit was changed from a secured line of credit to an unsecured line of credit and increased \$2.95 million to meet the increased requirements from the SPP Integrated Marketplace bringing the total to \$7.2 million. The \$4.25 million funds in the escrow account came from the Special Reserve and Contingency Fund II which relates to unforeseen risk, and in January 2015, these funds were returned to the Special Reserve and Contingency Fund II.

In addition to these restricted funds, two special funds (designated by the Authority's Board of Directors in December 2004) are unrestricted:

*The Special Reserve and Contingency Fund I*—This designated though unrestricted fund was established in December 2004 to reserve funds for extraordinary maintenance, operational, and environmental expenses. Total funding of \$22.5 million from available unrestricted funds was Board-designated as of December 31, 2015.

*The Special Reserve and Contingency Fund II*—This designated though unrestricted fund was established in December 2004 to reserve \$2 million annually for future use, if needed, related to unforeseen risk, including, but not limited to, unscheduled outages, unexpected purchased power expense, and other extraordinary expense not covered by insurance proceeds. An initial amount of \$11 million was formally designated in 2004, which combined with the \$2 million designated in 2005 and the \$2 million designated in 2006 from available funds. In 2013, \$1 million was used to establish an escrow account to meet the credit policy requirements for participating in the SPP Integrated Marketplace that began in March 2014. In 2014, \$3.25 million was added to the escrow account to meet the increased credit policy requirements for participating in the SPP Integrated Marketplace bringing the total to \$4.25 million. Beginning in 2014, the annual savings from excess liability premium of \$383,000 has been designated to be added to this fund. In January 2015, the \$4.25 million in the SPP Integrated Marketplace escrow account was returned bringing the total to \$15.8 million as of December 31, 2015.

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

Gross realized gains and gross realized losses on sales of investment securities for the years ended December 31, 2015 and 2014, were as follows:

	2015	2014
Gross realized gains	\$ 1,739,132	\$ 1,159,223
Gross realized losses	(1,283,729)	(527,985)

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

### 3. RECEIVABLES

Accounts receivable is comprised at December 31, 2015 and 2014, of the following amounts:

	2015	2014
Customers	\$ 32,757,422	\$ 41,013,727
Less allowance for doubtful accounts	(100,000)	(100,000)
Other	14,165,711	8,078,692
<b>Total</b>	<b>\$ 46,823,133</b>	<b>\$ 48,992,419</b>

In general, other accounts receivable include KAMO Power's participation as a co-owner of the Authority's coal-fired plant GRDA 2, Chouteau Fuels Company, LLC, reimbursable work for other entities, the current portion of receivables for aid of construction, and dock billings.

At December 31, 2015 and 2014, the Authority had noncurrent receivables for closure and post-closure costs related to the fly ash landfill at the Grand River Energy Center of \$517,072 and \$504,829, respectively.

### 4. UTILITY PLANT

A summary of changes in utility plant for the years ended December 31, 2015 and 2014, follows:

	2015			
	Balance December 31, 2014	Additions/ Transfers	Retirements	Balance December 31, 2015
Capital assets - nondepreciable:				
Land	\$ 35,948,598	\$ 1,700,222	\$ -	\$ 37,648,820
Construction work in progress	63,761,061	203,634,146	-	267,395,207
<b>Total capital assets - nondepreciable</b>	<b>99,709,659</b>	<b>205,334,368</b>	<b>-</b>	<b>305,044,027</b>
Capital assets - depreciable:				
Coal-fired plant GRDA 1 (reduced by cost of common facilities applicable to joint ownership of GRDA 2 (Note 1))	352,154,001	2,130,595	(382,047)	353,902,549
Coal-fired plant GRDA 2 (Note 1)	329,224,055	34,503,799	(26,027,939)	337,699,915
Redbud combined-cycle plant	371,480,246	2,784,193	(9,479,683)	364,784,756
Hydraulic production plants	157,365,882	8,607,328	(1,940,679)	164,032,531
Transmission system	331,013,817	13,799,030	(753,869)	344,058,978
Other properties and production plant	118,124,862	7,337,967	(3,274,557)	122,188,272
	<b>1,659,362,863</b>	<b>69,162,912</b>	<b>(41,858,774)</b>	<b>1,686,667,001</b>
Less accumulated depreciation:				
Coal-fired plant GRDA 1	(272,446,034)	(9,493,294)	321,821	(281,617,507)
Coal-fired plant GRDA 2	(252,628,135)	(9,769,510)	24,401,488	(237,996,157)
Redbud combined-cycle plant	(117,846,766)	(18,331,452)	1,454,960	(134,723,258)
Hydraulic production plants	(31,432,782)	(2,258,282)	1,075,167	(32,615,897)
Transmission system	(150,886,455)	(10,091,162)	582,208	(160,395,409)
Other properties and production plant	(57,805,027)	(8,595,328)	2,663,299	(63,737,056)
	<b>(883,045,199)</b>	<b>(58,539,028)</b>	<b>30,498,943</b>	<b>(911,085,284)</b>
<b>Total capital assets - depreciable</b>	<b>776,317,664</b>	<b>10,623,884</b>	<b>(11,359,831)</b>	<b>775,581,717</b>
<b>Net utility plant</b>	<b>\$ 876,027,323</b>	<b>\$ 215,958,252</b>	<b>\$ (11,359,831)</b>	<b>\$ 1,080,625,744</b>

	2014			
	Balance December 31, 2013	Additions/ Transfers	Retirements	Balance December 31, 2014
Capital assets - nondepreciable:				
Land	\$ 35,923,398	\$ 25,200	\$ -	\$ 35,948,598
Construction work in progress	57,588,596	6,172,465	-	63,761,061
Total capital assets - nondepreciable	93,511,994	6,197,665	-	99,709,659
Capital assets - depreciable:				
Coal-fired plant GRDA 1 (reduced by cost of common facilities applicable to joint ownership of GRDA 2 (Note 1))	349,041,592	4,017,860	(905,451)	352,154,001
Coal-fired plant GRDA 2 (Note 1)	328,935,529	288,526	-	329,224,055
Redbud combined-cycle plant	355,134,707	37,174,993	(20,829,454)	371,480,246
Hydraulic production plants	139,927,529	20,836,439	(3,398,086)	157,365,882
Transmission system	287,302,716	44,882,034	(1,170,933)	331,013,817
Other properties and production plant	109,215,143	9,028,275	(118,556)	118,124,862
	1,569,557,216	116,228,127	(26,422,480)	1,659,362,863
Less accumulated depreciation:				
Coal-fired plant GRDA 1	(262,591,630)	(10,514,990)	660,586	(272,446,034)
Coal-fired plant GRDA 2	(243,256,203)	(9,371,932)	-	(252,628,135)
Redbud combined-cycle plant	(108,400,515)	(15,392,620)	5,946,369	(117,846,766)
Hydraulic production plants	(31,084,021)	(2,193,582)	1,844,821	(31,432,782)
Transmission system	(142,428,823)	(9,012,125)	554,493	(150,886,455)
Other properties and production plant	(50,263,011)	(7,613,824)	71,808	(57,805,027)
	(838,024,203)	(54,099,073)	9,078,077	(883,045,199)
Total capital assets - depreciable	731,533,013	62,129,054	(17,344,403)	776,317,664
Net utility plant	\$ 825,045,007	\$ 68,326,719	\$ (17,344,403)	\$ 876,027,323

The change in construction work in progress during 2015 and 2014 is presented on a net basis to avoid a duplication of additions and retirements in the preceding tables. The change in construction work in progress includes capitalized interest of approximately \$4,642,000 and \$1,849,000 for 2015 and 2014, respectively, which also increases investment income. The Authority had depreciation and amortization expense of \$67,953,588 and \$68,138,608 for 2015 and 2014, respectively.

The Authority had contractual commitments at December 31, 2015, of approximately \$245,710,000 for equipment and construction contracts. Major projects include construction of the combined cycle electric plant GRDA 3 for approximately \$211,209,000, coal-fired plant improvements for approximately \$13,318,000, the construction of Transmission Lines and Substations for approximately \$10,656,000, SCADA/EMS Upgrade of approximately \$2,107,000, the Salina Generator Motor Replacement of approximately \$1,658,000, and Pensacola Re-licensing of approximately \$1,363,000.

## 5. COST TO BE RECOVERED FROM FUTURE REVENUES

At December 31, 2013, the deferred regulatory asset consists of interest deferrals on the 2002B capital appreciation bonds that matured in 2014. The Authority fully recovered the deferred interest expense, net of any interest income earned on unexpended related construction funds, during 2014 as revenues were collected to pay the accrued interest and principal on June 1, 2014. A rollforward of costs to be recovered from future revenues follows:

	2014
Beginning balance	\$ 12,609,239
Deferral of 2002B interest	698,009
Recognition of 2002B interest	(13,307,248)
Ending balance	\$ -

## 6. BONDS PAYABLE

A summary of changes in bonds payable for the years ended December 31, 2015 and 2014, follows:

	2015			
	December 31, 2014	Bonds Issued	Retirements	December 31, 2015
Revenue Bonds, 2008 Series A:				
3.2% to 5% Series 2008A - maturing in 2014 through 2028	\$ 346,820,000	\$ -	\$ (18,260,000)	\$ 328,560,000
4.8% to 5% Series 2008A - maturing in 2033	191,930,000	-	-	191,930,000
Total Series 2008 A	538,750,000	-	(18,260,000)	520,490,000
Revenue Bonds, 2010 Series A & B:				
3% to 5.25% Series 2010A - maturing in 2015 through 2040	162,185,000	-	(3,435,000)	158,750,000
3.71% to 7.155% Series 2010B (fully taxable) - maturing 2015 through 2040	77,130,000	-	(1,270,000)	75,860,000
Total Series 2010 A & B	239,315,000	-	(4,705,000)	234,610,000
Revenue Bonds, 2014 Series A, B & C:				
3% to 5% Series 2014A - maturing in 2018 through 2039	225,635,000	-	-	225,635,000
1.804% to 3.961% Series 2014B (fully taxable) - maturing 2018 through 2039	84,845,000	-	-	84,845,000
Variable Rate Series 2014C (fully taxable) - maturing in 2018 through 2039	65,000,000	-	-	65,000,000
Total Series 2014 A, B & C	375,480,000	-	-	375,480,000
Total bonds payable	1,153,545,000	-	(22,965,000)	1,130,580,000
Less current portion	(22,965,000)			(23,795,000)
Long-term portion	1,130,580,000			1,106,785,000
Add (deduct):				
Unamortized debt premium	40,121,473	-	(2,853,637)	37,267,836
Unamortized debt discount	(3,890,800)	-	247,371	(3,643,429)
Long-term bonds payable	\$ 1,166,810,673	\$ -	\$ (2,606,266)	\$ 1,140,409,407

	2014			
	December 31, 2013	Bonds Issued	Retirements	December 31, 2014
Revenue Bonds, 2002 Series B:				
5.1% Capital Appreciation Bonds Series 2002B - maturing in 2014	\$ 18,636,340	\$ -	\$ (18,636,340)	\$ -
Total Series 2002 B	18,636,340	-	(18,636,340)	-
Revenue Bonds, 2008 Series A:				
3.2% to 5% Series 2008A - maturing in 2014 through 2028	364,490,000	-	(17,670,000)	346,820,000
4.8% to 5% Series 2008A - maturing in 2033	191,930,000	-	-	191,930,000
Total Series 2008 A	556,420,000	-	(17,670,000)	538,750,000
Revenue Bonds, 2010 Series A & B:				
3% to 5.25% Series 2010A - maturing in 2015 through 2040	162,185,000	-	-	162,185,000
3.71% to 7.155% Series 2010B (fully taxable) - maturing 2015 through 2040	77,130,000	-	-	77,130,000
Total Series 2010 A & B	239,315,000	-	-	239,315,000
Revenue Bonds, 2014 Series A, B & C:				
3% to 5% Series 2014A - maturing in 2018 through 2039	-	225,635,000	-	225,635,000
1.804% to 3.961% Series 2014B (fully taxable) - maturing 2018 through 2039	-	84,845,000	-	84,845,000
Variable Rate Series 2014C (fully taxable) - maturing in 2018 through 2039	-	65,000,000	-	65,000,000
Total Series 2014 A, B & C	-	375,480,000	-	375,480,000
Total bonds payable	814,371,340	375,480,000	(36,306,340)	1,153,545,000
Less current portion	(36,306,340)			(22,965,000)
Long-term portion	778,065,000			1,130,580,000
Add (deduct):				
Unamortized debt premium	10,222,121	-	29,899,352	40,121,473
Unamortized debt discount	(4,144,546)	-	253,746	(3,890,800)
Unamortized loss on advance refunding	-	-	-	-
Long-term bonds payable	\$ 784,142,575	\$ -	\$ 30,153,098	\$ 1,166,810,673



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

In 2014, the Authority issued \$375,480,000 of 2014 Series A, Series B, and Series C Revenue Bonds to fund a portion of the construction of a nominal 495 MW combined-cycle plant (GRDA 3), to fund environmental upgrades to the existing nominal 520 MW coal-fired plant (GRDA 2), to fund other capital requirements for power supply and transmission needs and to pay certain costs of issuance of the 2014 Bonds. The \$225,635,000 Series 2014A (tax-exempt) and the \$84,845,000 Series B (taxable) bonds were issued in October 2014 and have a fixed interest rate. The \$65,000,000 Series 2014C (taxable) bonds were issued in December 2014 and have a variable rate. The 2014C Bonds were issued in the weekly mode and will bear interest at the weekly rate, which, in the sole and exclusive judgment of the remarketing agent, would equal (but not exceed) the interest rate necessary to enable the remarketing agent to sell such Series 2014C Bonds (exclusive of accrued interest, if any) on the relevant rate adjustment date and for such rate period at a price equal to one hundred percent (100%) of the principal amount thereof. While in the weekly mode, the Series 2014C Bonds are subject to redemption and optional and mandatory tender for purchase prior to maturity. Additionally, the Series 2014C Bonds have the benefit of credit facility in the form of an irrevocable direct pay letter of credit issued by Barclays Bank PLC. Barclays Capital Inc. is the remarketing agent for the Series 2014C Bonds.

In December 2010, the Authority issued \$239,315,000 of 2010 Series A and Series B Revenue Bonds to fund capital additions, repairs and improvements to the system, to fund a portion of the interest accruing on the 2010 Bonds to December 1, 2012, and to pay certain costs of issuance of the 2010 Bonds.

In September 2008, the Authority issued \$575,375,000 of 2008 Series A and Series B Revenue Bonds for the purchase of a 36% interest in the 1230MW gas-fired, combined-cycle Redbud Power Plant (see Note 1), to fund capital additions, repairs and improvements to the system, to make deposits into the Bonds Service Reserve, Reserve, and Contingency accounts and to pay certain costs of issuance for the 2008 bonds.

In 2002, the Authority issued \$104,966,340 Revenue Bonds for the acquisition, construction, and equipment purchases related to approved authority projects and to refund the remaining outstanding 1987 revenue bonds. This consisted of \$86,330,000 Revenue Bonds, Refunding Series 2002A (the "2002A Bonds") to refund \$86,160,000 remaining of the 1987 Bonds. The 2002A refunding bonds were issued at a \$4.5 million premium. The Authority recorded an initial accounting loss of approximately \$371,000 in connection with this advance refunding, which was recorded as a deferred contra-liability and is being amortized to expense over the life of the new bonds. The difference between the present values of the old and new debt service payments was \$2.0 million. The Authority realized all of the aggregate bond savings by decreasing the June 1, 2002, debt service payment. Additionally, the Authority also issued \$18,636,340 Capital Appreciation Bonds, Revenue Bonds 2002B (the "2002B Bonds") for the acquisition, construction and equipment of Authority projects. As previously noted in Note 5, the Authority deferred interest on the 2002B capital appreciation bonds until the bonds matured on June 1, 2014, at which time the deferred regulatory asset was expensed.

The scheduled maturities of bonds payable at December 31, 2015, are as follows and reflect the scheduled payments to be remitted by the trustee to the bondholders:

Years Ending December 31	Due to Bond Holders			Due to Trustee
	Annual Principal	Semiannual Interest	Calendar Year Bond Payments	Debt Service Requirement
2016	\$ 23,795,000	\$ 26,137,791		\$ 76,075,098
		25,649,190	\$ 75,581,981	
2017	24,780,000	25,648,994		82,825,826
		25,067,911	75,496,905	
2018	37,510,000	25,067,519		87,648,185
		24,357,770	86,935,289	
2019	38,935,000	24,357,391		87,654,434
		23,603,905	86,896,296	
2020	40,450,000	23,603,722		87,664,749
		22,742,509	86,796,231	
2021-2025	230,855,000	202,271,724	433,126,724	438,429,579
2026-2030	290,100,000	141,681,212	431,781,212	438,634,718
2031-2035	275,485,000	68,146,174	343,631,174	324,382,640
2036-2040	168,670,000	19,180,542	187,850,542	166,544,401
	\$ 1,130,580,000	\$ 677,516,354	\$ 1,808,096,354	\$ 1,789,859,630

While GRDA makes monthly sinking fund payments for cash management purposes, per the General Bond Resolution No. 5107, the payments from the revenue fund to the debt service fund only need to be sufficient to pay the June 1st interest and principal payments and the December 1st interest payments.

To secure the bonds, the Authority has pledged all revenues of the Authority. Resolution No. 5107 and supplemental bond resolutions specify multiple covenants made by the Authority to the Bond Fund Trustee and bondholders. Among the more significant requirements, the Authority has covenanted to charge adequate rates, operate and maintain the facilities and make any necessary repairs, renewals, replacements and improvements. System properties are not to be encumbered or sold or disposed of and additional parity bonds are not to be issued unless certain conditions are met. As of December 31, 2015, the Authority was in compliance with bond covenants.

## 7. RETIREMENT PLANS, POSTRETIREMENT, AND OTHER EMPLOYEE BENEFITS

The Authority participated in five retirement plans during 2015 and 2014. The plans currently available to the Authority personnel include three defined benefit plans and two defined contribution plans. The defined benefit plans include the Oklahoma Public Employees Retirement System (OPERS) plan, the Oklahoma Law Enforcement Retirement System (OLERS) plan, and the GRDA postemployment Healthcare Plan. The defined contribution plans include the Oklahoma State Employees Deferred Compensation Plan (the "State Plan") and the OPERS Pathfinder plan. A summary of significant data for each of the retirement plans and discussion of postemployment and other employee benefits follows:

The Authority implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*—an amendment of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* an amendment of GASB Statement No. 68, effective January 1, 2015. The opening Net Position of 2015 was restated.

The Authority is a participant in two cost-sharing multiple employer defined benefit pension plans, the Oklahoma Public Employees Retirement Plan (the "OPERS Plan") and the Oklahoma Law Enforcement Retirement Plan (the "OLERS Plan"). The table below shows both pensions as reported in the basic financial statements for the year ended December 31, 2015:

	OPERS	OLERS	Total
Deferred outflows of resources	\$ 3,125,489	\$ 67,005	\$ 3,192,494
Deferred inflows of resources	3,830,743	385,703	4,216,446
Pension liability (asset)	7,431,576	(236,001)	7,195,575

### OKLAHOMA PUBLIC EMPLOYEES DEFINED BENEFIT RETIREMENT PLAN

#### *General Information about the Pension Plan*

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

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

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

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

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

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

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

Contributions—OPERS members and the Authority are required to contribute to the OPERS Plan at a rate set by statute. Contribution rates are established and may be amended by the state. Each member participates based on gross salary earned (excluding overtime). As state employees, the Authority employees contribute 3.5% on salary. The Authority contributed 16.5%, on all salary for the fiscal years ended June 30, 2015, 2014 and 2013.

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

During the reporting period for 2015 and 2014, the OPERS recognized \$6,333,952 and \$5,975,483 in contributions from the Authority, respectively.

Contribution rates as of December 31, 2015 and 2014 were:

Employee Category	2015		2014	
	Employee	Employer	Employee	Employer
General	3.5 %	16.5 %	3.5 %	16.5 %
Elected Officials	3.5	16.5	3.5	16.5

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

At December 31, 2015, the Authority reported a liability of \$7,431,576 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The Authority’s proportion of the net pension liability was based on the Authority’s share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2015, the Authority’s proportion was 2.1715%.

For the year ended December 31, 2015, the Authority recognized pension expense of \$35,149.

At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (Note that GRDA’s proportionate share of the items disclosed in the below table are reduced by the portion related to KAMO of approximately 8%):

	OPERS Plan – 2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (777,764)
Changes in assumptions	108,170	-
Net differences between projected and actual earnings on pension plan investments	-	(3,052,979)
Employer contributions subsequent to the measurement date	3,017,319	-
Total	\$ 3,125,489	\$ (3,830,743)

\$3,017,319 reported as deferred outflows related to pension resulting from the OPERS Employer’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

2016	\$ (2,001,795)
2017	(1,621,120)
2018	(1,498,603)
2019	1,398,945
2020	-
Thereafter	-

**Actuarial assumptions** – The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date	July 1, 2015
Measurement Date of Net Pension Liability	June 30, 2015
Actuarial Cost Method	Entry Age
Asset Valuation Method	Five-year moving average of expected and actual market values
Long-Term Expected Rate of Return	7.5%
Discount Rate	7.5%
Salary Increases:	
Inflation	3.0%
Seniority/merit	4.5% - 8.4%, based on age
Mortality	RP-2000 Combined Active/Retiree Healthy Mortality Table
Post-retirement Adjustments*	N/A

Actuarial assumptions are based upon the most recent experience study, which covered the three year period ending June 30, 2013. The experience study report is dated May 9, 2014.

**Long-term expected Return on Plan Assets**—The long-term expected rate of return on pension plan investments was determined using a lognormal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2015, are summarized in the following table.

Asset Class	Long-Term Real Rate of Return	Target Allocation
U.S. Large Cap Equity	5.3 %	38.00 %
U.S. Small Cap Equity	5.6	6.0
U.S. Fixed Income	0.7	25.0
International Stock	5.6	18.0
Emerging Market Stock	6.4	6.0
TIPS	0.7	3.5
Rate Anticipation	1.5	3.5
Total		100.00 %

**Single Discount Rate**—The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from the employers and the employees will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan's fiduciary net position was projected through 2113 to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

**Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**—The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:



	1% Decrease to Discount Rate (6.50%)	Current Discount Rate (7.50%)	1% Increase To Discount Rate (8.50%)
The Authority's 2015 proportionate share of the net pension liability	\$ 29,104,476	\$ 7,810,649	\$ (10,292,482)

Pension Plan Fiduciary Net Position—Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at [www.opers.ok.gov](http://www.opers.ok.gov).

#### Payables to the Pension Plan

At December 31, 2015 and 2014, the Authority has outstanding payables to OPERS of \$663,524 and \$626,704, respectively, related to December 2015 and 2014 employer, employee, and voluntary contributions, which are payable in the following month. These amounts are included in accounts payable on the Statements of Net Position.

#### OKLAHOMA LAW ENFORCEMENT RETIREMENT PLAN

##### *General Information about the Pension Plan*

Plan Description—Legislation passed during 2003 mandated that any lake patrolmen and dispatchers hired after August 29, 2003, shall participate as members of the OLERS Plan, a cost-sharing multiple-employer public employee defined benefit retirement plan administered by the Oklahoma Law Enforcement Retirement System (OLERS), a component unit of the State. The OLERS Plan provides retirement, disability, and death benefits to its members and beneficiaries, primarily state employees providing law enforcement. The benefits provided are established and may be amended by the legislature of the State. Three of the Authority's patrolmen elected to transfer from the OPERS Plan to the OLERS Plan under Titles 47 Section 2, 315 which provided that Authority lake patrolmen and dispatchers as of June 30, 2003, could make an irrevocable written election by January 1, 2004, to either pay the difference between the amount transferred between the plans or receive eligible prorated service credit as defined in statute. Title 47 of the Oklahoma Statutes, Sections 2, 300 through 315, as amended, assigns the authority for management and operation of the OLERS Plan to the OLERS Board.

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

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

Benefits Provided—Employees can begin receiving full, unreduced retirement benefits after 20 years of service or at the age of 62 with ten full years of full-time equivalent employment. Maximum retirement age is 60 with 20 years of service, unless considered physically able to continue.

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

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

During the reporting period for 2015 and 2014, the OLERS recognized \$81,430 and \$50,364 in contributions from the Authority, respectively.

Contribution rates as of December 31, 2015 and 2014 were:

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

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

At December 31, 2015, the Authority reported an asset of \$236,001 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2015, the Authority's proportion was .8627%.

For the year ended December 31, 2015, the Authority recognized pension expense of \$203,000.

At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (Note that GRDA's proportionate share of the items disclosed in the below table are reduced by the portion related to KAMO of approximately 8%):

	OLERS Plan – 2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 54,769
Changes in assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	-	330,934
Employer contributions subsequent to the measurement date	67,004	-
Total	\$ 67,004	\$ 385,703

\$67,004 reported as deferred outflows related to pension resulting from the OLERS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	OLERS Plan
2016	\$ 125,074
2017	125,074
2018	125,074
2019	10,481
2020	-

**Actuarial assumptions.** The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date	July 1, 2015
Measurement Date of Net Pension Liability (Asset)	June 30, 2015
Actuarial Cost Method	Entry Age
Asset Valuation Method	Five-year moving average
Long-Term Expected Rate of Return	7.5%
Discount Rate	7.5%
Salary Increases	3.0%
Inflation	3.75% - 7.8%, including inflation
Seniority/Merit	
Mortality	RP-2000 Combined Blue Collar Healthy Employees with Generational Projection
Post-retirement Adjustments*	N/A

Actuarial assumptions used in the July 1, 2015, valuation are based upon an experience study conducted using experience from 2007–2011.

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

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

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

Asset Class	Long-Term Expected Real Rate of Return*	Target Allocation
Large Cap Equity	N/A	20 %
Small Cap Equity	N/A	10
Long/Short Equity	N/A	10
International	N/A	10
Emerging Market	N/A	5
Private Equity	N/A	5
Fixed Income	N/A	30
Real Assets	N/A	10
Total		100 %

\* Arithmetic Mean

Single Discount Rate—A single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. A municipal bond rate was not used in determining the discount rate.

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

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate—The following presents the Authority's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.50 percent, as well as what the Authority's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease to Discount Rate (6.50%)	Current Discount Rate (7.50%)	1% Increase To Discount Rate (8.50%)
The Authority's 2015 proportionate share of the net pension liability (asset)	\$ 2,021,435	\$ 894,807	\$ (29,143)

Pension Plan Fiduciary Net Position—Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at [www.olders.state.ok.us](http://www.olders.state.ok.us).

## **Payables to the Pension Plan**

At December 31, 2015 and 2014, the Authority has outstanding payables to OLEERS of \$20,602 and \$7,715, respectively, related to December 2015 and 2014 employer, employee, and voluntary contributions, which are payable in the following month. These amounts are included in accounts payable on the Statements of Net Position.

## **OKLAHOMA PUBLIC EMPLOYEES RETIREMENT DEFINED CONTRIBUTION PLAN**

Effective November 1, 2015, 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 (the Code) Section 401(a) and 457(b) and chapter 40 of Title 590 of the Oklahoma Statutes. The Defined Contribution Plan is known as Pathfinder. Pathfinder and its related Trust(s) are intended to meet the requirements of the Internal Revenue Code. Pathfinder is administered by the OPERS. The Board of Trustees of OPERS may amend Pathfinder or Trust 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 2015, the initial period of implementation, employees must make mandatory employee contributions of 4.5% of pre-tax salary to the 401(a) plan and may make additional voluntary contributions to the 457(b) plan, subject to the maximum deferral limit allowed under the Code. Employees are vested 100% for all employee contributions. The Authority must make mandatory contributions of 6% of the employee's pre-tax salary and 7% if the employee elects to participate in the 457(b) plan. Employees become vested for the employer contributions based on an established vesting schedule. The amount of the Authority's contributions for Pathfinder for the year ended December 31, 2015 was approximately \$825.

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 contributed by the Authority for the year ended December 31, 2015 to meet this requirement is \$350. The Authority reports no liabilities for Pathfinder at December 31, 2015.

## **OKLAHOMA STATE EMPLOYEES DEFERRED COMPENSATION PLAN**

*Plan Description*—Employees of the Authority may also participate in the Oklahoma State Employees Deferred Compensation Plan (the "State Plan"), a voluntary deferred compensation plan administered by OPERS. The State Plan is a defined contribution plan available to all Authority employees, which permits participants to defer receipt of a portion of their salary until future years as authorized by Section 457 of the Internal Revenue Code and in accordance with the provisions of Chapter 45 of Title 74, Oklahoma Statutes. The State Plan is established and may be amended by the legislature of the State. Title 74 of the Oklahoma Statutes, Sections 901 through 943, as amended, assigns the authority for management and operation of the State Plan to the Board of Trustees of the OPERS. The minimum amount allowable to be deferred under the State Plan is \$25 per month. Under state law, each employee is eligible to receive a \$25 monthly matching contribution from the Authority to be deposited in a 401(a) retirement account. Employee contributions to the Plan totaled \$1,049,633 and \$1,009,976 for the years ended December 31, 2015 and 2014, respectively. The Authority paid matching contributions and administrative fees of \$154,605 and \$147,727 for the years ended December 31, 2015 and 2014, respectively.

## **GRDA POSTEMPLOYMENT HEALTHCARE PLAN**

*Plan Description*—GRDA Postemployment Healthcare Plan is a single-employer defined benefit healthcare plan administered by the Authority. GRDA Postemployment Healthcare Plan provides medical and dental insurance benefits to eligible retirees. Beginning in 2003, revisions to Title 82, Section 864.1 of the Oklahoma Statutes authorized the Authority to pay up to \$60 per month of eligible employee-only health insurance premiums for each Authority retiree. Legislation passed in 2005 removed the \$60 limitation. At the December 2005 Board meeting, the Authority's directors authorized the Authority to increase the amount to a defined benefit allowance of \$105 per month for eligible retiree premiums, effective January 1, 2006. At the November 2007 Board meeting, the Authority's directors authorized the Authority to increase the amount to \$200 per month for eligible retiree premiums, effective January 1, 2008. This increase resulted in increases in the Annual Required Contribution and the Actuarial Accrued Liability after January 1, 2008, as reflected below and in the Required Supplementary Information section.

*Funding Policy*—The contributions of plan members and the Authority are established and may be amended by the Board of Directors within the limits of Oklahoma statutes. The contribution is based on estimated pay-as-you-go financing requirements. For the years ended December 31, 2015 and 2014, the Authority contributed \$536,663 and \$513,578, respectively, to the plan which consisted entirely of current premiums and included no additional contribution to prefund benefits.



**Annual OPEB Cost and Net OPEB Obligation**—The Authority’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Authority’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority net OPEB obligation to GRDA Postemployment Healthcare Plan (included in Other noncurrent liabilities on the Statement of Net Position):

	2015
Annual required contribution	\$ 765,275
Interest on net OPEB obligation	90,188
Adjustment to annual required contribution	(80,026)
Annual OPEB cost (expense)	775,437
Contributions made	(536,663)
Increase in net OPEB obligation	238,774
Net OPEB obligation – beginning of year	2,576,797
Net OPEB obligation – end of year	\$ 2,815,571

The Authority’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for December 31, 2015, and the two preceding years were as follows:

Year-End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2013	\$ 801,351	58.79 %	\$ 2,291,545
December 31, 2014	798,830	64.29	2,576,797
<b>December 31, 2015</b>	<b>775,437</b>	<b>69.21</b>	<b>2,815,571</b>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress immediately following the notes to the financial statements and presented as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

In the most recent actuarial valuation, as of January 1, 2014, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% inflation rate assumption, a 3.5% discount rate, which is approximately based on the employer’s own long-term rate of return on investments, a 4% projected annual payroll increase and no increase to the post-retirement benefit. The unfunded actuarial accrued liability is being amortized over the maximum permissible amortization period of thirty years as a level percentage of payroll on an open basis.

**Funded Status and Funding Progress**—As of January 1, 2015, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$12,852,859, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$12,852,859. The covered payroll (annual payroll of active employees covered by the plan) was \$37,581,377, and the ratio of the UAAL to the covered payroll was 34.2%.

**Other Employee Benefits**—The Authority has accrued a liability for annual and compensated leave, and related payroll taxes, of \$4,704,361 and \$4,470,672 at December 31, 2015 and 2014, respectively, which is included in accounts payable and accrued liabilities in the accompanying financial statements.

<b>Accrued Annual Leave</b>	<b>2015</b>
Beginning Balance	\$ 4,384,998
Increases	3,608,524
Decreases	(3,325,368)
End of year balance	\$ 4,668,154

<b>Compensated Leave</b>	<b>2015</b>
Beginning Balance	\$ 85,675
Increases	431,678
Decreases	(481,146)
End of year balance	\$ 36,207

As of December 31, 2015, \$3,361,071 of the \$4,668,154 total accrued annual and compensated leave liabilities is expected to be paid during 2016.

## 8. OTHER RELATED-PARTY TRANSACTIONS

The primary organizations considered related parties are those municipal, industrial, electric cooperative and other governmental organizations or lake area organizations that have representatives serving on the Authority's Board of Directors. The primary transactions in the ordinary course of business with these related parties, except for various transactions with KAMO (see Note 1) which are described elsewhere in the notes to financial statements, include sales of electrical power and transmission and memberships in related trade associations, or organizations or tourism and economic development activities associated with the management of the lakes, including commercial and private dock permit fees. OG&E operates the Redbud facility under an operating agreement with the Authority and OMPA and allocates certain costs and expenses attributable to Redbud to the Authority and OMPA in accordance with their undivided ownership interests—see further discussion of Redbud facility in sections "Joint Participant" and "Joint Ownership" in Note 1.

## 9. COMMITMENTS AND CONTINGENCIES

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

The Authority had contractual commitments at December 31, 2015, for long-term coal and freight purchases through 2025 under contracts with estimated minimum obligations. The minimum obligations below are based on the Authority's contract rates and represents management's best estimate of future expenditures under long-term arrangements.

<b>Years Ending December 31</b>	
2016	\$ 52,694,000
2017	42,396,000
2018	43,680,000
2019	45,012,000
2020	46,392,000
2021	47,820,000
2022	49,296,000
2023	50,820,000
2024	52,404,000
2025	54,036,000
Total	\$ 484,550,000

The Authority had contractual commitments as of December 31, 2015, for long-term service agreements at the Redbud facility for the maintenance of the gas and steam turbines of approximately \$82.8 million through the year 2028. The Authority had contractual commitments as of December 31, 2015, for natural gas at the Redbud facility of approximately \$32.3 million through the year 2016.

The Authority had contractual commitments as of December 31, 2015, for long-term wind power purchase agreements of approximately \$25.8 million through the year 2016 and for customer generation capacity agreements of approximately \$4.7 million through the year 2016.

The Authority is a defendant in a lawsuit in Ottawa County, Oklahoma, brought by approximately 50 landowners claiming a constitutional taking and damages to real and personal property due to flooding beginning in the 1990s. Three “test cases” were appealed to the Oklahoma Supreme Court, which referred the cases to the Oklahoma Court of Civil Appeals. The Oklahoma Court of Civil Appeals issued its opinion on December 31, 2013. The parties have submitted the matter to the trial court, and are awaiting the trial court’s direction. Potential exposure related to this case, if any, cannot be predicted by management of the Authority.

The Authority is a defendant in a class action in Ottawa County, Oklahoma, arising from 2007 flood events. There are approximately 400 potential class members. Plaintiffs are not currently prosecuting this case aggressively pending the outcome of the lawsuit described in the preceding paragraph. Potential exposure related to this case, if any, cannot be predicted by management of the Authority.

The Authority is the defendant in the pending litigation, *KAMO v The Grand River Dam Authority*, Case No. CJ-2015-150, filed July 29, 2015 in the District Court of Mayes County, State of Oklahoma, in which KAMO alleged issues arising from the agreement governing the ownership and operation of GRDA Unit 2. The parties submitted the matter to mediation on March 24-25, 2016, and all issues raised in the lawsuit were resolved by GRDA’s agreement to pay to KAMO \$25.5 million in exchange for transfer of KAMO’s 38% interest in GRDA Unit 2 real and personal property, including fuel and spare parts inventories, and the 2015 air quality upgrades, to GRDA. It is anticipated that all payments will be made, all transfers concluded, and the lawsuit dismissed with prejudice by the end of the second quarter, 2016.

## 10. FLYASH LANDFILL CLOSURE AND POSTCLOSURE COSTS

The Authority maintains a flyash landfill in Chouteau, Oklahoma. The Authority accounts for this flyash landfill in accordance with GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs* (“Statement No. 18”).

State regulations will require the Authority to place a final cover on the flyash site when it discontinues its depositing of flyash and to perform certain maintenance and monitoring functions at the site for eight years after closure. Although closure costs accrue as the landfill is used, and in a manner consistent with the closure plan, postclosure costs will be paid near or after the date of discontinuance of use of the landfill. Statement No. 18 requires proprietary funds to report a portion of these costs as an operating expense in each period based on capacity and utilization. The amount recorded as a liability for the closure and postclosure costs in Other noncurrent liabilities at December 31, 2015 and 2014, was \$1,438,157 and \$1,403,739, respectively, which represents 88% and 87%, respectively, of the total estimated closure and postclosure costs. There was an increase in the liability from 2014 to 2015 of \$34,418. The Authority will recognize the remaining estimated cost of closure and postclosure care of approximately \$193,000 as the remaining estimated capacity is filled. These estimated closure amounts are based on what it would cost to perform all closure and post closure care in 2015. Actual costs are subject to change resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

This flyash landfill has a total capacity of 7,449,987 cubic yards in which 4,297,533 cubic yards have been used through December 31, 2015. The remaining useful life at December 31, 2015, was approximately 34 years.

## 11. RISK MANAGEMENT

The Authority is exposed to a variety of risks and has obtained insurance to cover those risks, subject to negotiated coverage limits and exclusions. Resolution No. 5107 requires the Authority to, in each case where it is obtainable at a reasonable rate and on reasonable terms, insure its facilities, maintain liability insurance, and bond certain officers and employees. In general, all insurance coverage including property (all risk coverage, including earthquake and flood), equipment, aircraft, employment practices liability, directors and officers liability, excess liability (including an endorsement for certified “acts of terrorism” as defined in the Federal Terrorism Risk Insurance Act), is purchased from private insurance carriers through the State of Oklahoma Risk Management Department (State Risk Management) of the Office of Management and Enterprise Services. State Risk Management contracts with a third-party insurance broker for brokerage services and advice. The Authority also participates in the State of Oklahoma’s Consolidated Workers’ Compensation Program (CWCP), a self-insured program operated by States Risk Management. A private insurance carrier provides excess insurance coverage for the CWCP and a private company provides claims administration services. Settled claims have not exceeded commercial insurance coverage in any of the past three years. In addition, the Authority is subject to generation supply and market price risks, which are continually evaluated as to level of risk and how to best mitigate exposure to loss. Concentration of revenues from a single external customer also increases credit and market concentration risks. The Authority had two customers in 2015 and two customers in 2014 that accounted for 9% or more of the Authority’s operating revenues for the year. In 2015, sales to Western Farmers Electric Cooperative totaled approximately \$65 million and sales to City of Coffeyville, Kansas totaled approximately \$38.5 million. In 2014, sales to Western Farmers Electric Cooperative totaled approximately \$71.5 million and sales to City of Coffeyville, Kansas totaled approximately \$45 million.

UNAUDITED

GRDA 2015 COMPREHENSIVE ANNUAL FINANCIAL REPORT

# REQUIRED SUPPLEMENTARY INFORMATION



## SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSET (UNAUDITED)

FOR THE YEAR ENDED DECEMBER 31, 2015

### OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN

Fiscal Year Ending	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
December 31, 2015	2.1715 %	\$ 7,810,649	\$ 38,557,227	20.26 %	96.00 %

## SCHEDULE OF EMPLOYER CONTRIBUTIONS (UNAUDITED)

FOR THE YEAR ENDED DECEMBER 31, 2015

### OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2015	\$ 6,333,952	\$ 6,343,582	\$ (9,630)	\$ 38,557,227	16.45 %

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

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

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

*Changes in Assumptions.* N/A as only one year is shown.

## SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSET (UNAUDITED)

FOR THE YEAR ENDED DECEMBER 31, 2015

### OKLAHOMA LAW ENFORCEMENT RETIREMENT PLAN

Fiscal Year Ending	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
December 31, 2015	0.8627 %	\$ 894,807	\$ 1,098,172	81.4815 %	89.62 %

## SCHEDULE OF EMPLOYER CONTRIBUTIONS (UNAUDITED)

FOR THE YEAR ENDED DECEMBER 31, 2015

### OKLAHOMA LAW ENFORCEMENT RETIREMENT PLAN

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2015	\$ 81,430	\$ 81,430	\$ -	\$ 1,098,172	7.42 %

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

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

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

*Changes in Assumptions.* N/A as only one year is shown.

## SCHEDULE OF FUNDING PROGRESS (UNAUDITED)

FOR THE YEAR ENDED DECEMBER 31, 2015

### OTHER POSTEMPLOYMENT BENEFITS PLAN

Actuarial Valuation Date	Actuarial Values of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2008	\$ -	\$ 8,234,641	\$ 8,234,641	- %	\$ 33,000,000	24.95 %
January 1, 2010	\$ -	\$ 11,839,457	\$ 11,839,457	- %	\$ 31,092,799	38.08 %
January 1, 2012	\$ -	\$ 12,898,195	\$ 12,898,195	- %	\$ 31,769,303	40.60 %
January 1, 2014	\$ -	\$ 12,736,244	\$ 12,736,244	- %	\$ 34,520,427	36.89 %
January 1, 2015	\$ -	\$ 12,852,859	\$ 12,852,859	- %	\$ 37,581,377	34.20 %

**Funded Status and Funding Progress**—As of January 1, 2015, the most recent actuarial valuation date, the plan was 0% funded. The projected unit credit actuarial cost method was used for the schedule of funding progress. Covered payroll (annual payroll of active employees covered by the plan) prior to 2010 is estimated. The discount rate was lowered to 3.5% for the actuarial valuation dated January 1, 2010, January 1, 2012, January 1, 2014, and January 1, 2015. See Note 7 to Financial Statements, Retirement Plans, Postretirement, and Other Employee Benefits, for additional information about GRDA's Postemployment Healthcare Plan.

UNAUDITED

GRDA 2015 COMPREHENSIVE ANNUAL FINANCIAL REPORT

# STATISTICAL SECTION

*This statistical section of GRDA's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health. Statistical information is provided for five primary categories:*

**Revenue Capacity:** these schedules contain information to help the reader assess GRDA's most significant revenue source, electric revenues.

**Debt Capacity:** these schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and its ability to issue additional debt in the future.

**Financial Trends:** these schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

**Operating Information:** these schedules contain generation and transmission data to help the reader understand how the information in the Authority's financial report relates to the services GRDA provides and the activities it performs.

**Demographic and Economic Information:** these schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.

## Revenue Capacity

### LARGEST 20 CUSTOMERS BY NET REVENUES

#### 2015

Customer Name	Customer Since	Customer Classification	Net Revenue Percentage
Western Farmers Electric Cooperative	1983	Off-System Firm	15%
City of Coffeyville, Kansas	1999	Municipal	9
Northeast Oklahoma Electric Cooperative, Inc.	1946	Cooperative	8
Google	2007	Industrial	7
Kansas Municipal Energy Agency	2000	Off-System Firm	6
Stillwater Utilities Authority	1987	Municipal	6
Paragould, Arkansas, Light and Water Commission	1992	Off-System Firm	6
Oklahoma Municipal Power Authority	1985	Other Contractual Agreement/Off-System Firm	4
Claremore Public Works Authority	1946	Municipal	4
City of Siloam Springs, Arkansas	1989	Municipal	3
City of Poplar Bluff, Missouri	1992	Off-System Firm	3
Pryor Chemical Company	2004	Industrial	2
Tahlequah Public Works Authority	1947	Municipal	2
Miami Public Utilities Board	1947	Municipal	2
Southwest Power Pool		Market	2
Byng Public Works Authority	1990	Municipal	2
Solae, LLC	1975	Industrial	2
Cushing Municipal Authority	1953	Municipal	2
Sallisaw Municipal Authority	1952	Municipal	1
Air Products Manufacturing Corporation	1976	Industrial	1

Net Revenues as a Percentage of Sales of Power

87%

#### NINE YEARS AGO - 2006

Customer Name	Customer Since	Customer Classification	Net Revenue Percentage
Northeast Oklahoma Electric Cooperative, Inc.	1946	Cooperative	11%
City of Coffeyville, Kansas	1999	Municipal	11
Stillwater Utilities Authority	1987	Municipal	9
Paragould, Arkansas, Light and Water Commission	1992	Off-System Firm	7
Board of Public Utilities, Springfield, Missouri	1992	Off-System Firm	6
Claremore Public Works Authority	1946	Municipal	5
Kansas Municipal Energy Agency	2000	Off-System Firm	5
Poplar Bluff, Missouri, City Light and Water	1992	Off-System Firm	5
City of Siloam Springs, Arkansas	1989	Municipal	5
Miami Public Utilities Board	1947	Municipal	4
Tahlequah Public Works Authority	1947	Municipal	3
Sallisaw Municipal Authority	1952	Municipal	2
Oklahoma Municipal Power Authority	1985	Other Contractual Agreement	2
Air Products Manufacturing Corporation	1976	Industrial	2
Solae, LLC	1975	Industrial	2
City of Pryor Creek Municipal Utility Board	1951	Municipal	2
Wagoner Public Works Authority	1947	Municipal	2
Stilwell Area Development Authority	1950	Municipal	2
Cushing Municipal Authority	1953	Municipal	1
American Castings, LLC	2003	Industrial	1

Net Revenues as a Percentage of Sales of Power

87%

Source: Grand River Dam Authority



# Revenue Capacity

## RATE HISTORY

	2015	2014	2013	2012	2011
<b>ELECTRIC SERVICE RATES:</b>					
<b>Capacity Charges per kW:</b>					
Wholesale - Distribution Primary	\$10.50	\$10.50	\$10.50	\$11.88	\$11.88
Wholesale - Transmission	9.69	9.69	9.69	11.02	11.02
Wholesale - Generation Bus	9.11	9.11	9.11	10.39	10.39
Industrial - Distribution, Schedule LGS	10.82	10.82	10.82	12.26	12.26
Industrial - Distribution, Schedule GS	11.09	11.09	11.09	12.57	12.57
Industrial - Distribution Primary, Schedule LGS	10.60	10.60	10.60	12.00	12.00
Industrial - Distribution Primary, Schedule GS	10.33	10.33	10.33	11.81	11.81
Industrial - Transmission	9.80	9.80	9.80	11.14	11.14
<b>Energy Charges per kWh:</b>					
Wholesale - Distribution Primary	0.031	0.031	0.031	0.0216	0.0216
Wholesale - Transmission	0.031	0.031	0.031	0.0216	0.0216
Wholesale - Generation Bus	0.031	0.031	0.031	0.0216	0.0216
Industrial - Distribution, Schedule LGS	0.0316	0.0316	0.0316	0.02203	0.02203
Industrial - Distribution, Schedule GS	0.03240	0.03240	0.03240	0.02258	0.02258
Industrial - Distribution Primary, Schedule LGS	0.031	0.031	0.031	0.02156	0.02159
Industrial - Distribution Primary, Schedule GS	0.03240	0.03240	0.03240	0.02258	0.02258
Industrial - Transmission, Schedule LGS	0.031	0.031	0.031	0.02159	0.02159
Commercial - SGS-C	0.07442	0.07442	0.07442	0.072	0.072
Commercial - GS-C	0.1013	0.1013	0.1013	0.098	0.098
<b>Power Cost Adjustment per kWh:</b>					
PCA - 1st half of Year	Avg 0.0072	Avg 0.00460	0.01166	0.01332	0.00644
PCA - 2nd half of Year	Avg 0.0001	Avg 0.00744	Avg 0.00239	0.00825	0.00924

	2015	2014	2013	2012	2011
<b>WATER RATES: per thousand gallons</b>					
Grand Lake	\$0.100	\$0.100	\$0.100	\$0.100	\$0.100
Lake Hudson	0.100	0.100	0.100	0.100	0.100
Fort Gibson Lake - Commercial	0.100	0.100	0.100	0.100	0.100
Fort Gibson Lake - Wholesale	0.030	0.030	0.030	0.030	0.100
WR Holway Reservoir	0.100	0.100	0.100	0.100	0.100
River Pump Station	0.073	0.073	0.063	0.063	0.068

	2015	2014	2013	2012	2011
<b>DOCK PERMIT RATES:</b>					
<b>Private Docks:</b>					
Docks less than 1100 sq. feet:					
Base charge, including first slip	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
Per each additional slip	25.00	25.00	25.00	25.00	25.00
Docks greater than 1100 sq. feet:					
Base charge	100.00	100.00	100.00	100.00	100.00
Per square foot	0.06	0.06	0.06	0.06	0.06
<b>Commercial Docks:</b>					
Minimum charge	200.00	200.00	200.00	200.00	200.00
Per slip	25.00	25.00	25.00	25.00	25.00
Per square foot	0.06	0.06	0.06	0.06	0.06

Source: Grand River Dam Authority

2010	2009	2008	2007	2006	
\$12.13	\$10.09	\$10.09	\$10.09	\$10.09	Per Oklahoma Statute as well as General Bond Resolution 5107, the Authority's Board of Directors has the sole responsibility and authority for establishing sufficient rates.
11.24	9.32	9.32	9.32	9.32	
10.60	8.76	8.76	8.76	8.76	
12.51	10.40	10.40	10.40	10.40	
12.83	10.40	10.40	9.99	9.99	
12.25	10.19	10.19	10.19	10.19	Effective July 1, 2013, the Authority began updating the Power Cost Adjustment monthly. The average monthly PCA for each six-month period is included in the table since July 1, 2013.
12.07	9.64	9.64	9.23	9.23	
11.36	9.42	9.42	9.42	9.42	
0.0220	0.0210	0.0210	0.0210	0.0210	
0.0220	0.0210	0.0210	0.0210	0.0210	
0.0220	0.0210	0.0210	0.0210	0.0210	
0.02248	0.0214	0.0214	0.0214	0.0214	
0.02304	0.0214	0.0214	0.0210	0.0210	
0.02203	0.0210	0.0210	0.0210	0.0210	
0.02304	0.0214	0.0214	0.0210	0.0210	
0.02203	0.0210	0.0210	0.0210	0.0210	
0.0735	0.06442	0.06442	0.06442	0.06442	
0.1000	0.06442	0.06442	0.06442	0.06442	
0.00249	0.00626	0.00775	0.00788	0.00288	
0.00611	0.00645	0.00595	0.00446	0.00966	
2010	2009	2008	2007	2006	
\$0.100	\$0.060	\$0.030	\$0.015	\$0.015	
0.100	0.060	0.030	0.010	0.010	
0.100	0.060	0.030	0.004	0.004	
0.100	0.060	0.030	0.004	0.004	
0.100	0.060	0.030	0.022	0.022	
0.068	0.100	0.100	0.085	0.085	
2010	2009	2008	2007	2006	
\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	
25.00	25.00	25.00	25.00	25.00	
100.00	100.00	100.00	100.00	100.00	
0.06	0.06	0.06	0.06	0.06	
200.00	200.00	200.00	200.00	200.00	
25.00	25.00	25.00	25.00	25.00	
0.06	0.06	0.06	0.06	0.06	

## Debt Capacity

### DEBT SERVICE COVERAGE

	2015	2014	2013	2012	2011
Operating Revenues	\$ 414,055,542	\$ 475,159,326	\$ 430,426,855	\$ 411,022,733	\$ 394,486,571
Over/(Under) Recovered Fuel Cost	-	-	-	-	-
Revenues Available for Debt Service	414,055,542	475,159,326	430,426,855	411,022,733	394,486,571
Operating Expenses, excluding depreciation	(282,440,882)	(350,744,574)	(295,194,540)	(272,187,924)	(254,480,377)
Other Income, excluding noncash amortizations, market adjustments, and other excluded interest	8,656,223	20,570,370	6,835,884	12,778,212	11,907,475
Other Available Funds	-	13,703,911	7,539,167	4,000,000	-
Net Revenue Available for Debt Service	\$ 140,270,883	\$ 158,689,033	\$ 149,607,366	\$ 155,613,021	\$ 151,913,669
Sinking Fund Requirements:					
Principal	23,449,167	28,523,892	59,141,198	89,299,585	84,623,379
Interest	52,051,897	49,075,242	50,974,856	41,447,602	42,873,407
Debt Service	\$ 75,501,064	\$ 77,599,134	\$ 110,116,054	\$ 130,747,187	\$ 127,496,786
Net Revenues Capital Improvements or Other Authorized Purposes	\$ 64,769,819	\$ 81,089,899	\$ 39,491,312	\$ 24,865,834	\$ 24,416,883
Debt Service Coverage	1.86	2.04	1.36	1.19	1.19
Debt Service/MWh Generated	\$ 10.94	\$ 12.54	\$ 15.06	\$ 18.63	\$ 15.91

Source: Grand River Dam Authority

### REVENUE BONDS OUTSTANDING AND LIMITS

	2015	2014	2013	2012	2011
Long Term Portion <sup>(1)</sup>	\$ 1,140,409,407	\$ 1,166,810,673	\$ 784,142,575	\$ 820,851,660	\$ 911,841,014
Current Portion	23,795,000	22,965,000	36,306,340	91,110,000	86,765,000
Total Outstanding Bonds	1,164,204,407	1,189,775,673	820,448,915	911,961,660	998,606,014
Bond Indebtedness Limit	1,410,000,000	1,410,000,000	1,410,000,000	1,410,000,000	1,410,000,000
Bond Indebtedness Margin	245,795,593	220,224,327	589,551,085	498,038,340	411,393,986
Margin as a percentage of Limit	17.4%	15.6%	41.8%	35.3%	29.2%
Outstanding Debt Per Capita in District	\$ 726	\$ 748	\$ 519	\$ 580	\$ 637
Outstanding Debt to Total Personal Income	672%	711%	512%	613%	707%

Source: Grand River Dam Authority

(1) Presented net of debt premium, debt discount and loss on advance refunding; see Note to Financial Statements, Bonds Payable.

2010	2009	2008	2007	2006
\$ 382,000,789	\$ 317,668,977	\$ 323,747,187	\$ 288,469,008	\$ 287,922,648
-	-	(2,687,159.00)	18,434,306	(5,816,468)
382,000,789	317,668,977	321,060,028	306,903,314	282,106,180
(243,624,219)	(214,758,203)	(193,038,490)	(161,698,734)	(181,698,016)
11,834,590	17,588,591	14,929,690	19,691,690	11,464,742
15,874,058	22,000,000	28,104,674	-	-
\$ 166,085,218	\$ 142,499,365	\$ 171,055,902	\$ 164,896,270	\$ 111,872,906
87,427,504	95,392,385	71,002,500	67,223,750	63,572,082
43,497,512	38,333,851	31,642,622	28,205,822	31,908,647
\$ 130,925,016	\$ 133,726,236	\$ 102,645,122	\$ 95,429,572	\$ 95,480,729
\$ 35,160,202	\$ 8,773,129	\$ 68,410,780	\$ 69,466,698	\$ 16,392,177
1.27	1.07	1.67	1.73	1.17
\$ 16.48	\$ 16.60	\$ 14.12	\$ 14.23	\$ 15.10

Per General Bond Resolutions 4800 and 5107, the Authority shall establish and collect rates, which together with other available funds, will be sufficient to make all payments pertaining to bond payments, maintenance and operations costs, and any other charges against the Authority. The Debt Service Coverage calculations for the years 2006 through 2008 were calculated under Resolution 4800. Subsequent calendar years were calculated under the Bond Resolution 5107 which became effective July 2009. See Notes to Financial Statements Summary of Significant Accounting Policies and Bonds Payable for additional information about change in General Bond Resolutions.

2010	2009	2008	2007	2006
\$ 997,997,959	\$ 844,164,321	\$ 937,454,436	\$ 415,773,193	\$ 479,407,817
81,665,000	95,470,000	72,590,000	68,780,000	91,110,000
1,079,662,959	939,634,321	1,010,044,436	484,553,193	570,517,817
1,410,000,000	1,410,000,000	1,410,000,000	1,410,000,000	1,410,000,000
330,337,041	470,365,679	399,955,564	925,446,807	839,482,183
23.4%	33.4%	28.4%	65.6%	59.5%
\$ 694	\$ 611	\$ 664	\$ 321	\$ 381
790%	711%	752%	392%	492%

The Authority's bond issuance limit of \$1,410,000,000 is established per Oklahoma statute and relates to the amount of bonds outstanding at any time. The State of Oklahoma has pledged not to limit or alter GRDA's ability to collect fees and charges or impair the rights of bondholders until such bonds are fully discharged.

## Financial Trends

### NET POSITION AND CHANGE IN NET POSITION

	2015	2014	2013	2012	2011
<b>NET POSITION</b>					
Assets:					
Current Assets	\$ 187,394,076	\$ 209,580,470	\$ 239,521,952	\$ 255,025,040	\$ 321,618,071
Net Utility Plant	1,080,625,744	876,027,323	825,045,007	795,320,230	782,641,048
Investments	599,081,087	740,055,949	397,792,015	433,875,248	398,963,309
Other Noncurrent Assets	10,661,010	11,277,802	7,462,896	19,074,561	18,215,154
Total Assets	1,877,761,917	1,836,941,544	1,469,821,870	1,503,295,079	1,521,437,582
Deferred Outflows:	3,192,494	-	-	-	-
Liabilities:					
Current Liabilities	128,852,811	79,863,026	117,596,459	142,613,484	125,764,760
Noncurrent Liabilities	1,153,381,782	1,172,337,640	789,240,945	837,445,824	926,444,492
Total Liabilities	1,282,234,593	1,252,200,666	906,837,404	980,059,308	1,052,209,252
Deferred Inflows:	4,216,446	-	-	-	-
Net Position:					
Net Investment in Capital Assets	344,780,665	304,838,953	348,205,546	263,939,054	192,361,193
Restricted for:					
Debt Service	18,238,867	17,705,259	33,526,719	56,886,806	61,324,015
Other Special Purposes	2,478,663	5,321,351	1,942,224	749,975	637,178
Unrestricted	229,005,177	256,875,315	179,309,977	201,659,936	214,905,944
Total Net Position	\$ 594,503,372	\$ 584,740,878	\$ 562,984,466	\$ 523,235,771	\$ 469,228,330
	2015	2014	2013	2012	2011
<b>CHANGE IN NET POSITION</b>					
Operating Revenues:					
Sales of Power	\$ 401,569,988	\$ 463,946,059	\$ 416,591,647	\$ 401,449,292	\$ 388,834,078
Other operating revenues	12,485,554	11,213,267	13,835,208	9,573,441	5,652,493
Total Operating Revenues	414,055,542	475,159,326	430,426,855	411,022,733	394,486,571
Operating Expenses:					
Fuel	(143,804,114)	(171,947,118)	(170,624,193)	(151,413,641)	(160,222,167)
Depreciation	(67,953,588)	(68,138,608)	(53,952,049)	(48,204,063)	(50,869,539)
Operations	(46,841,448)	(46,102,751)	(41,766,524)	(30,099,571)	(27,823,333)
Purchased power - net	(44,525,854)	(80,171,737)	(32,091,910)	(29,831,445)	(14,585,117)
Maintenance	(34,068,198)	(36,992,566)	(34,350,768)	(33,722,761)	(26,809,111)
Administrative and general	(13,201,268)	(15,530,402)	(16,361,145)	(27,120,506)	(25,040,649)
Total Operating Expense	(350,394,470)	(418,883,182)	(349,146,589)	(320,391,987)	(305,349,916)
Operating Income	63,661,072	56,276,144	81,280,266	90,630,746	89,136,655
Other Non-Operating Revenues	11,027,384	22,461,908	731,315	10,166,652	22,579,696
Interest and Bond-Related Amortizations	(50,612,334)	(44,372,401)	(43,903,851)	(49,213,767)	(55,213,808)
Increase (Decrease) in Costs to be Recovered	-	698,009	1,640,965	1,560,409	1,483,770
Capital Contributions	-	-	-	863,401	-
Recovery of cost to be recovered	-	(13,307,248)	-	-	-
Net Increase in Net Position	\$ 24,076,122	\$ 21,756,412	\$ 39,748,695	\$ 54,007,441	\$ 57,986,313

Source: Grand River Dam Authority



2010	2009	2008	2007	2006
\$ 278,502,458	\$ 320,324,339	\$ 443,547,555	\$ 238,279,411	\$ 224,355,142
801,422,915	778,489,258	730,162,939	413,627,666	399,876,856
444,945,573	244,179,432	206,646,566	120,151,735	120,151,735
24,228,271	22,589,056	22,723,419	7,027,004	7,693,303
1,549,099,217	1,365,582,085	1,403,080,479	779,085,816	752,077,036

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118,474,852	152,199,370	117,860,150	98,373,459	98,694,983
1,013,865,944	859,841,618	952,157,405	430,618,300	494,392,661
1,132,340,796	1,012,040,988	1,070,017,555	528,991,759	593,087,644

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188,760,234	154,704,963	178,061,740	72,505,255	666,401
66,485,014	59,544,174	51,568,437	42,339,465	40,479,164
513,456	394,469	407,705	336,863	329,290
160,999,717	138,897,491	103,025,042	134,912,474	117,514,537
\$ 416,758,421	\$ 353,541,097	\$ 333,062,924	\$ 250,094,057	\$ 158,989,392

2010	2009	2008	2007	2006
\$ 374,524,747	\$ 309,678,303	\$ 316,628,436	\$ 278,464,783	\$ 276,823,553
7,476,042	7,990,674	7,118,751	10,004,225	11,099,095
382,000,789	317,668,977	323,747,187	288,469,008	287,922,648

(151,322,794)	(130,956,467)	(98,340,950)	(75,652,926)	(65,511,589)
(44,101,788)	(48,595,784)	(32,644,506)	(26,270,163)	(25,905,702)
(23,480,280)	(28,885,899)	(21,574,439)	(19,529,286)	(18,408,195)
(11,154,488)	(7,589,678)	(30,339,495)	(28,974,960)	(57,142,790)
(33,720,522)	(27,581,156)	(22,597,687)	(21,840,687)	(24,090,585)
(23,946,136)	(19,745,003)	(20,185,919)	(15,700,875)	(16,544,857)
(287,726,008)	(263,353,987)	(225,682,996)	(187,968,897)	(207,603,718)

94,274,781	54,314,990	98,064,191	100,500,111	80,318,930
14,962,273	17,600,716	21,057,910	19,823,951	12,964,864
(47,471,710)	(52,779,134)	(37,722,260)	(35,213,108)	(39,844,233)
1,410,896	1,341,601	1,262,100	1,066,691	920,067
41,084	-	306,926	4,927,020	-
-	-	-	-	-
\$ 63,217,324	\$ 20,478,173	\$ 82,968,867	\$ 91,104,665	\$ 54,359,628

## Financial Trends

### CASH AND INVESTMENT BALANCES

	2015	2014	2013	2012	2011
General Operating	\$ 173,842,198	\$ 158,052,673	\$ 85,793,845	\$ 65,680,834	\$ 105,062,893
Board Designated	38,266,000	33,633,000	36,500,000	37,500,000	35,000,000
Restricted for:					
Bond Service	18,238,867	17,705,259	33,526,719	56,886,806	61,324,015
Construction	328,410,668	518,754,428	202,530,697	232,617,067	257,891,432
Bond Service Reserve	89,208,703	88,451,195	133,476,142	141,810,137	143,429,267
Reserve and Contingency	-	-	-	-	-
Other Special Purposes	2,478,663	5,321,351	1,942,224	749,975	637,178
Total Cash and Investments	\$ 650,445,099	\$ 821,917,906	\$ 493,769,627	\$ 535,244,819	\$ 603,344,785

Source: Grand River Dam Authority

## Operating Information

### HISTORICAL ENERGY RESOURCES (MWH)

Year	Run-of-River Hydro Generation	Pumped-Storage Hydro Generation	Coal-Fired Thermal Generation	Combined-Cycle Gas Generation	Long-Term Wind Purchase	Other Purchased Power	Total GRDA	Municipal SPA Allocation	Total Resources
2006	140,975	199,626	5,029,856	-	-	1,163,942	6,534,399	17,313	6,551,712
2007	808,193	267,255	5,630,573	-	-	527,821	7,233,842	35,362	7,269,204
2008	1,140,029	279,154	5,612,618	239,073	-	343,244	7,614,118	52,395	7,666,513
2009	1,069,449	170,326	5,493,609	1,322,444	-	128,920	8,184,748	43,801	8,228,549
2010	804,231	233,436	4,991,403	1,915,495	-	280,878	8,225,443	38,952	8,264,395
2011	492,200	228,570	5,508,842	1,782,658	-	410,568	8,422,838	31,001	8,453,839
2012	284,048	150,566	4,222,926	2,362,192	18,329	982,857	8,020,918	25,707	8,046,625
2013	711,789	104,040	4,526,724	1,968,570	169,710	858,973	8,339,806	29,991	8,369,797
2014	325,372	129,333	3,595,061	2,137,660	174,336	2,478,267	8,840,029	23,914	8,863,943
2015	873,816	67,972	3,120,808	2,837,754	329,699	1,624,113	8,854,162	39,885	8,894,047

Source: Grand River Dam Authority

### HISTORICAL SALES BY CUSTOMER GROUP (MWH)

Year	Municipal	Cooperative	Industrial	Other	Off-System Firm	Total Contract Sales	Off-System Spot	Total Sales
2006	2,990,548	583,181	650,148	141,144	1,642,752	6,007,773	90,254	6,098,027
2007	3,068,267	587,543	668,840	176,206	1,625,919	6,126,775	547,964	6,674,739
2008	3,047,991	605,556	686,806	181,709	1,660,683	6,182,745	864,608	7,047,353
2009	3,000,980	607,723	616,543	160,818	1,730,040	6,116,104	1,612,029	7,728,133
2010	3,132,069	661,648	770,321	159,263	1,965,468	6,688,769	993,433	7,682,202
2011	3,215,429	648,510	939,237	135,576	2,255,335	7,194,087	699,525	7,893,612
2012	3,184,093	602,781	1,056,978	36,401	2,552,525	7,432,778	170,759	7,603,537
2013	3,193,662	630,015	1,022,471	49,597	2,943,886	7,839,631	180,004	8,019,635
2014	3,266,293	640,025	1,287,651	96,537	3,074,595	8,365,101	79,648	8,444,749
2015	3,156,468	620,160	1,467,245	12,497	2,985,668	8,242,038	343,271	8,585,309

Source: Grand River Dam Authority

2010	2009	2008	2007	2006
\$ 69,267,384	\$ 62,189,497	\$ 56,055,494	\$ 56,724,276	\$ 29,516,930
32,500,000	30,000,000	27,500,000	25,000,000	22,500,000
66,485,014	59,544,174	51,568,437	42,339,465	40,479,164
317,223,969	151,837,215	241,949,727	29,612,591	30,882,894
139,140,993	141,560,060	141,560,060	96,121,388	96,121,388
-	13,390,015	35,390,015	24,030,347	24,030,347
513,456	394,469	407,705	307,066	329,290
\$ 625,130,816	\$ 458,915,430	\$ 554,431,438	\$ 274,135,133	\$ 243,860,013

See Notes to Financial Statements, Deposits and Investments for additional information about restrictions.

## Operating Information

### NUMBER OF FULL-TIME EMPLOYEES

GRDA Facility	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Thermal Generation	186	194	191	191	191	196	210	212	210	217
Hydroelectric Generation	47	45	46	39	36	40	40	41	43	43
Transmission and Engineering	167	159	149	146	140	134	125	128	119	119
Energy Control and Operations	39	37	36	37	32	28	28	30	30	25
Information Technology	9	8	8	6	7	13	12	12	12	12
Ecosystems and GRDA Police	53	41	32	30	32	19	17	17	16	16
Other Administrative	76	67	60	62	58	55	57	57	56	56
Total Employees by Function	577	551	522	511	496	485	489	497	486	488
Employees per MW of Generation	0.33	0.31	0.30	0.30	0.29	0.28	0.28	0.28	0.37	0.37

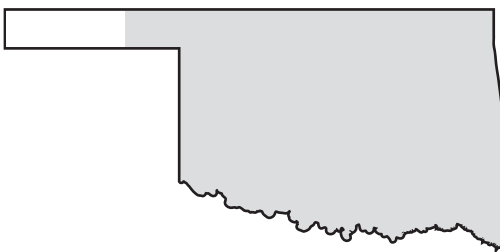
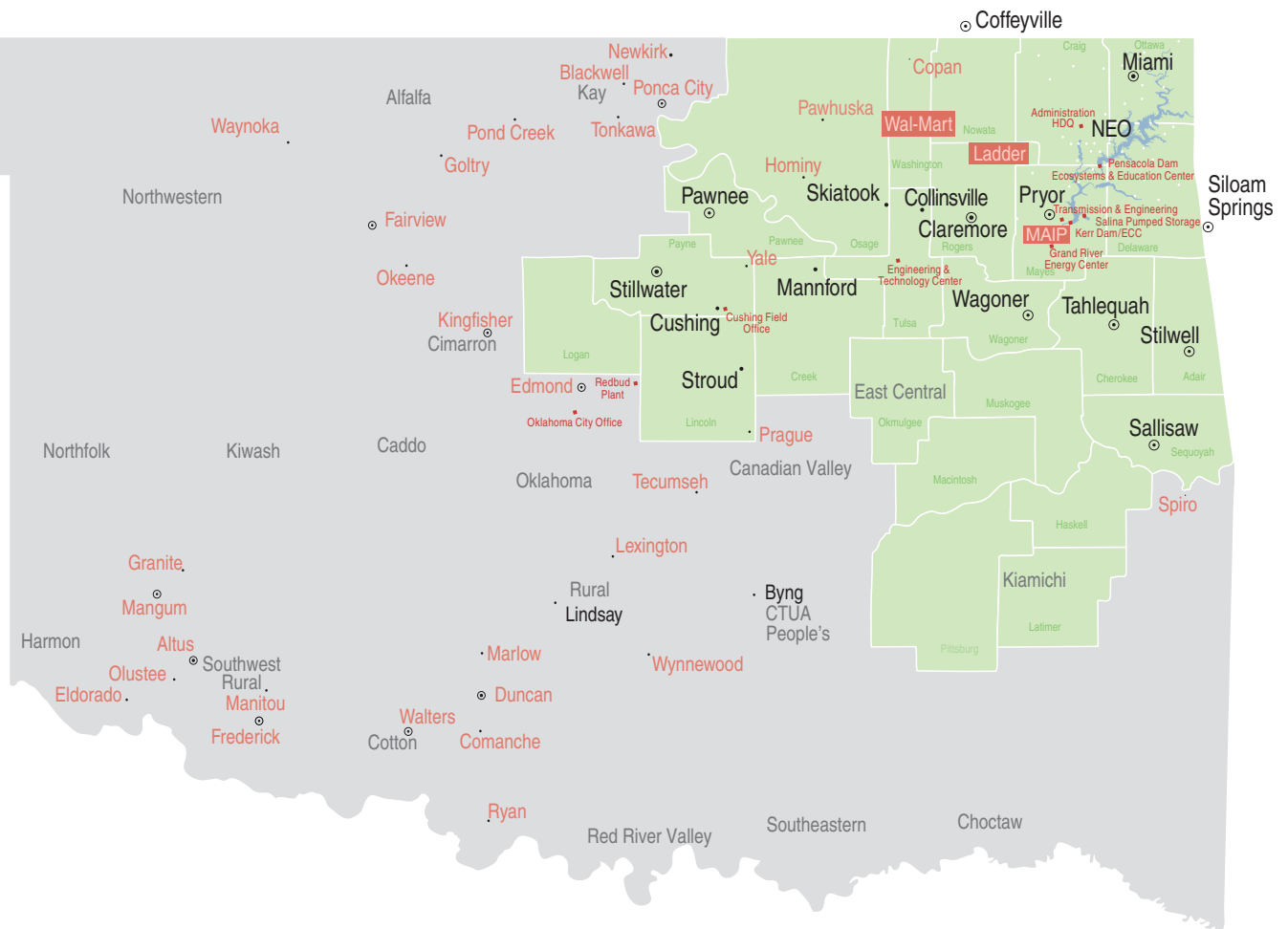
Source: Grand River Dam Authority

## Miscellaneous Operating Information

### NATURE OF CAPITAL ASSETS

Generating Facilities	Location	Rated Capability	Generating Fuel	Date of Commercial Operations
<b>Pensacola Project</b>				
Grand Lake O' the Cherokees: Pensacola Dam Units 1, 2, 3, 4, 5 and 6	Langley, OK	126 MW	Run-of-River Hydro	1941
<b>Markham Ferry Project</b>				
Lake Hudson: Robert S. Kerr Dam Units 1, 2, 3 and 4	Locust Grove, OK	128 MW	Run-of-River Hydro	1964
<b>Salina Pumped Storage Project</b>				
W.R. Holway Reservoir: Salina Units 1, 2 and 3	Salina, OK	130 MW	Pumped-Storage Hydro	1968
Salina Units 4, 5 and 6	Salina, OK	130 MW	Pumped-Storage Hydro	1971
<b>Grand River Energy Center (formerly known as Coal-Fired Complex)</b>				
GRDA Unit 1	Chouteau, OK	490 MW	Coal Fired Thermal	1981
GRDA Unit 2 (GRDA's 62%)	Chouteau, OK	322 MW	Coal Fired Thermal	1985
GRDA Unit 3	Chouteau, OK	495 MW	Combined Cycle Gas	COD 2017
<b>Redbud Plant</b>				
Redbud Units 1, 2, 3 and 4 (GRDA's 36%)	Luther, OK	439 MW	Combined Cycle Gas	Purchased 2008
<b>Renewable Purchase Power Agreements</b>				
Canadian Hills Wind Project		48 MW (energy)	Wind	2012
Breckinridge Wind Project		99 MW (energy)	Wind	2015
Kay County		100 MW (energy)	Wind	2015
<b>Customer Capacity Purchase Agreements</b>				
Stillwater		35 MW		
Coffeyville		53 MW		
Cushing		21 MW		
<b>Other Facilities</b>		<b>Location</b>		
Administration Headquarters		Vinita, OK		
Ecosystem & Education Center		Langley, OK		
Energy Control Center		Locust Grove, OK		
Cushing Field Office		Cushing, OK		
Transmission, Distribution Headquarters		Pryor, OK		
Engineering and Technology Center		Tulsa, OK		
Satellite Office		Oklahoma City, OK		
<b>Transmission Facilities</b>				
<b>VOLTAGE - MILES OF LINE</b>				
69 kV - 602	115 kV - 13	138 kV - 119	161 kV - 369	345 kV - 108
<b>INTERCONNECTIONS</b>				
American Electric Power (AEP)				
Associated Electric Cooperative Company (AECI)/KAMO Power (KAMO)				
Empire District Electric (Empire)				
Oklahoma Gas and Electric Company (OG&E)				
Southwestern Power Administration (SWPA)				
Western Farmers Electric Cooperative (WFEC)				
<b>REGIONAL TRANSMISSION ORGANIZATION</b>				
Southwest Power Pool (SPP)				

# MAP OF CUSTOMERS AND GRDA FACILITIES



GRDA directly or indirectly provides electricity to some portion of all counties in Oklahoma except for two counties in the panhandle.

Municipal Customers - Served by GRDA in BLACK lettering; many served since 1940s.

Northeast Electric Cooperative - Represented by WHITE DOTS, served since 1946.

Industrial Customers - Represented by ORANGE BOX, Majority located in MidAmerica Industrial Park (MAIP).

Oklahoma Municipal Power Authority - Served since 1985. OMPA's customers in LIGHT ORANGE lettering.

Western Farmers Electric Cooperative - Served since 1983. WFEC's customers in GRAY lettering.

GRDA Facilities - Shown in RED lettering.

See Notes to Financial Statements, Utility Plant for additional information on capital assets.

Source: Grand River Dam Authority



## Demographics and Economic Indicators

### STATE OF OKLAHOMA DEMOGRAPHICS

Year	Population	Unemployment Rate	Per Capita Income	Total* Personal Income
2006	3,579,212	4.0%	\$32,210	\$115,959,812
2007	3,617,000	4.3%	\$34,153	\$123,541,111
2008	3,642,361	3.8%	\$36,899	\$134,399,865
2009	3,687,050	6.4%	\$35,268	\$132,132,000
2010	3,751,351	6.8%	\$36,421	\$136,627,222
2011	3,791,508	6.2%	\$37,277	\$141,334,880
2012	3,814,820	5.1%	\$39,006	\$148,798,993
2013	3,850,568	5.4%	\$41,586	\$160,128,477
2014	3,878,051	3.9%	\$43,138	\$167,291,805
<b>2015</b>	<b>3,911,921</b>	<b>4.1%</b>	<b>\$44,272</b>	<b>\$173,186,712</b>

Source: [www.bea.gov](http://www.bea.gov) - U.S. Bureau of Economic Analysis, \* In Thousands

### MAJOR EMPLOYERS IN THE STATE OF OKLAHOMA - NON GOVERNMENT, NON TRIBAL

Non-Governmental Major Employers 2005	Non-Governmental Major Employers 2014	Employment 2014	Percentage of Total State Employment 2014
AMR Corp.	Wal-Mart Stores, Inc.	32,000	1.88%
Hillcrest Healthcare System	Integrus Health, Inc.	9,000	0.53%
Integrus Health	Saint Francis Hospital, Inc.	6,000	0.35%
Sonic Industries, Inc.	Saint John Medical Center, Inc.	6,000	0.35%
Wal-Mart Stores, Inc.	American Airlines, Inc.	5,500	0.32%
Conoco Phillips	W.H. Braum, Inc.	5,500	0.32%
HCA Healthcare	Hobby Lobby Stores	5,500	0.32%
Hertz Corporation	Express Employment Professionals	4,500	0.26%
Saint Francis Hospital	Lowe's Home Centers, Inc.	4,500	0.26%
Saint John Medical Center, Inc.	Chesapeake Energy Corporation	4,000	0.23%

Source: State of Oklahoma 2014 CAFR. Note: Employment information restricted only to utilities in Oklahoma served by GRDA is not available.

### POPULATION CHANGE: 2006-2015

	State Rank by Growth Rate 2006-2015	Growth % 2006-2015	Population 2015	Population 2006
Logan County	2	24.4%	45,996	36,971
Wagoner County	8	15.5%	76,559	66,313
Tulsa County	18	10.6%	639,242	577,795
Rogers County	19	10.1%	90,802	82,435
Payne County	20	9.5%	80,850	73,818
Cherokee County	25	7.9%	48,447	44,910
Lincoln County	28	7.3%	35,042	32,645
Haskell County	32	5.7%	12,845	12,155
Washington County	33	5.6%	52,021	49,241
Osage County	35	5.1%	47,887	45,549
Delaware County	40	3.5%	41,459	40,061
Mayes County	43	2.8%	40,887	39,774
Creek County	44	2.5%	70,892	69,146
McIntosh County	49	0.5%	19,990	19,899
Sequoyah County	51	-0.5%	41,153	41,356
Latimer County	52	-0.7%	10,483	10,562
Pittsburg County	53	-0.9%	44,610	45,002
Okmulgee County	57	-1.2%	39,187	39,670
Adair County	58	-1.4%	22,004	22,317
Craig County	59	-1.5%	14,818	15,046
Muskogee County	62	-1.9%	69,699	71,018
Nowata County	64	-2.3%	10,539	10,785
Pawnee County	66	-2.4%	16,436	16,844
Ottawa County	69	-3.2%	31,981	33,026
Total for GRDA 24 County District		7.2%	1,603,829	1,496,338
Total for all of Oklahoma's 77 Counties		9.3%	3,911,388	3,579,212

Source: [census.gov](http://census.gov)





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