Oklahoma Municipal Power Authority
A Component Unit of the State of Oklahoma

Financial Statements and
Supplementary Information

As of and for the Years Ended December 31, 2020 and 2019

Oklahoma Municipal Power Authority
A Component Unit of the State of Oklahoma
As of and for the Years Ended December 31, 2020 and 2019

Contents

Independent Auditors' Report

To the Board of Directors of
Oklahoma Municipal Power Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Oklahoma Municipal Power Authority, as of and for the years ended December 31, 2020 and 2019 and the related notes to the financial statements, which collectively comprise the Oklahoma Municipal Power 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 auditors' 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 over financial reporting relevant to the Oklahoma Municipal Power Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Oklahoma Municipal Power Authority'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 Oklahoma Municipal Power Authority as of December 31, 2020 and 2019 and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the financial statements, subsequent to the date of the financial statements, Oklahoma Municipal Power Authority has been impacted by the market response to Winter Storm Uri. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated March 31, 2021 on our consideration of the Oklahoma Municipal Power Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Oklahoma Municipal Power Authority internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Oklahoma Municipal Power Authority’s internal control over financial reporting and compliance.

Baker Tilly US, LLP

Austin, Texas
March 31, 2021

Oklahoma Municipal Power Authority
A Component Unit of the State of Oklahoma
Management's Discussion and Analysis
December 31, 2020 and 2019
(Unaudited)

Introduction

The following Management's Discussion and Analysis, or MD&A, serves as an introduction to the financial statements of the Oklahoma Municipal Power Authority (also referred to as the Authority or OMPA). It is intended to be an objective and easily understandable analysis of significant financial, operating activities and events for the fiscal year ending December 31, 2020 compared to the fiscal year ended December 31, 2019. It also provides an overview of the Authority's general financial condition and results of operations for the fiscal year ending December 31, 2019 compared to the previous fiscal year ending December 31, 2018.

Basic Financial Statements

Statement of Net Position

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

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

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

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

Statement of Revenues, Expenses and Change in Net Position

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

Statement of Cash Flows

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

Oklahoma Municipal Power Authority
A Component Unit of the State of Oklahoma
Management's Discussion and Analysis
December 31, 2020 and 2019
(Unaudited)

Assets and Deferred Outflows of Resources

	2020	2019	2018
Utility plant, net	$ 416,445,560	$ 448,571,154	$ 455,939,603
Non-current assets	63,803,389	105,741,225	73,735,651
Other assets	117,063,727	109,918,818	113,682,022
Current assets	111,576,903	71,291,996	118,861,978
Total assets	708,889,579	735,523,193	762,219,254
Deferred outflows of resources	15,027,266	16,771,276	20,014,024
Total assets and deferred outflows of resources	$ 723,916,845	$ 752,294,469	$ 782,233,278

Liabilities, Deferred Inflows of Resources and Net Position

Long-term debt, net	$ 597,915,204	$ 626,869,670	$ 656,270,110
Current portion of long-term debt	24,868,854	26,698,447	24,987,120
Other current liabilities	30,447,056	31,038,314	41,810,189
Other non-current liabilities	3,432,838	1,519,870	2,350,955
Total liabilities	656,663,952	686,126,301	725,418,374
Deferred inflows of resources	25,722,119	24,880,568	19,956,824
Net position			
Net investment in capital assets	(28,179,275)	(27,556,796)	(41,465,342)
Restricted	35,562,153	37,217,188	39,216,248
Unrestricted	34,147,896	31,627,208	39,107,174
Total net position	41,530,774	41,287,600	36,858,080
Total liabilities, deferred inflows of resources and net position	$ 723,916,845	$ 752,294,469	$ 782,233,278

Revenues, Expenses and Changes in Net Position

	2020	2019	2018
Operating revenues			
System	$ 152,959,866	$ 150,948,552	$ 171,301,887
Off-system	19,277,914	31,817,917	19,520,378
Non-operating revenues			
Investment income	1,348,852	2,474,671	2,467,723
Other revenue	10,651	26,720	13,668
Lease revenue	1,843,285	1,994,613	2,137,374
Deferred revenues (costs)	1,798,438	(2,968,334)	(2,942,816)
Total revenues	177,239,006	184,294,139	192,498,214
Operating expenses	152,391,278	154,676,446	159,499,596
Non-operating expenses			
Interest expense, net	26,938,291	28,260,822	29,725,219
Loss on asset disposal	52,980	---	---
Amortization	(2,380,878)	120,782	1,045,795
(Increase)/decrease in fair value of investments	(5,839)	(3,193,431)	556,677
Total expenses	176,995,832	179,864,619	190,827,287
Net increase in net position	$ 243,174	$ 4,429,520	$ 1,670,927

Financial Highlights

Peak demand decreased in 2020 with coincident system peak demand of 692 MW compared to 724 MW in 2019. Metered energy decreased to 2,774 GWH compared to 2,887 GWH in 2019. However, Authority supplied energy in 2020 was comparable with 2019, with 2,357 GWH supplied in 2020 and 2,375 GWH in 2019. The difference between metered energy and energy supplied by the Authority is the result of 18 cities with Southwest Power Administration (SWPA) hydro-power allocations. A wet year will lead to these cities receiving much more power than normal from SWPA. Charges per KWH to full requirements cities increased in 2020 to an average of 6.16 cents per KWH from 6.03 cents per KWH in 2019. Low sales into the ERCOT market were principally responsible for the increase.

Off-system or market sales decreased by 40% in 2020. The decrease is principally attributed to limited sales in the ERCOT market. The Oklaunion generating plant, which provided all sales into the ERCOT market, ran on a very limited basis during the year in 2020, and was subsequently closed in September 2020.

The adjustment of investments to fair value had a favorable impact in 2020 of $5,839 compared to a favorable adjustments of $3,193,431 in 2019, and an unfavorable adjustment of $556,677 in 2018. However, the Authority typically holds all investments until maturity, so the fair value gains and losses during the term of the investments are not normally realized.

On October 3, 2019, The Authority issued $59,105,000 of Series 2019A Power Supply System Revenue Refunding Bonds. The 2019A series bonds carry a fixed interest rate of 5.000% and are due January 2020 through 2028. The proceeds were used to refund $64,005,000 of the Authority's Series 2010A Bonds.

Net costs recoverable in future years represent the amount by which depreciation/amortization either exceeds or is less than principal repayment on debt. The Authority sets rates to cities on a cash basis utilizing essentially level debt service, and the deferred costs allow the Authority to convert from cash-based rates to accrual accounting. Principal repayment on debt exceeded depreciation /amortization resulting in an increase to net position of $1,798,438 in 2020, a decrease of net position of $2,968,334 in 2019, and a decrease to net position of $2,942,816 in 2018.

Utility Plant and Debt Administration

Utility Plant

Net utility plant decreased $32,126,000 and $7,368,000 in 2020 and 2019, respectively. At December 31, 2020, generation plant in service, including fuel reserves, totaled $360.9 million, net of depreciation. Electric plant consisted of generation plant in the amount of $360.1 million that represents ownership in 86 megawatts of undivided ownership in plants in Texas, Louisiana and Arkansas, 110 megawatts of the undivided ownership in the McClain plant, 156 megawatts of undivided ownership in the Redbud plant, plus 240 megawatts of generating plant owned and operated by the Authority in Oklahoma. Electric plant also includes lignite reserves that totaled $790,000 at year end 2020.

The Authority also has $21.1 million of general plant, net of depreciation, consisting of substation facilities, a small amount of transmission lines, and the OMPA headquarters building.

Debt Administration

Revenue bonds outstanding at year end 2020 were $571 million, including the current portion of debt paid January 4, 2021. This amount excludes the FPL Wind Energy note of approximately $28.0 million that is secured by lease revenues from FPL Wind Energy. The revenue bonds outstanding in 2019 and 2018 were $595 million and $622 million, respectively. The current portion of revenue bonds payable at year end 2020, in the amount of $22 million, was paid in January 2021.

Contacting the Authority's Financial Management

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

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

Oklahoma Municipal Power Authority
A Component Unit of the State of Oklahoma
Statements of Net Position
As Of And For The Years Ended December 31, 2020 and 2019

Assets and Deferred Outflows of Resources

	2020	2019
Utility Plant, at Cost		
Utility plant in service	$ 685,869,014	$ 771,921,054
Less accumulated depreciation	(303,809,901)	(362,088,816)
	382,059,113	409,832,238
Construction in progress	2,426,317	3,895,616
Intangible plant assets, net	3,912,153	4,121,876
Leased electric plant, net	28,047,977	30,721,424
Total utility plant, at cost	416,445,560	448,571,154
Non-current Restricted Cash and Cash Equivalents	60,101,188	7,366,365
Non-current Restricted Investments	3,702,201	60,141,850
Non-current Investments	---	38,233,010
Other Assets		
Unamortized organization costs and other assets	170,838	256,258
Net costs recoverable in future years	115,320,869	108,479,191
Other non-current assets	1,572,020	1,183,369
Total other assets	117,063,727	109,918,818
Total non-current assets	597,312,676	664,231,197
Current Assets		
Cash and cash equivalents	53,592,320	9,217,433
Investments	3,016,711	9,507,446
Interest receivable	17,334	211,220
Accounts receivable	14,495,813	11,506,203
Inventory	3,852,420	2,813,613
Other current assets	1,572,657	1,097,126
Restricted cash and cash equivalents	34,994,728	36,672,913
Restricted interest receivable	34,920	266,042
Total current assets	111,576,903	71,291,996
Total assets	708,889,579	735,523,193
Deferred Outflow of Resources		
Accumulated decrease in fair value of hedging derivatives	1,055,346	2,445,737
Amounts relating to pensions	1,724,841	396,143
Unamortized loss on advance refunding of bonds	12,247,079	13,929,396
Total assets and deferred outflows of resources	$ 723,916,845	$ 752,294,469

See Notes to Financial Statements

Liabilities, Deferred Inflows of Resources and Net Position

	2020	2019
Long-term Liabilities		
Revenue bonds payable	$ 548,920,000	$ 570,955,000
Less unamortized net premium/(discount)	23,781,081	27,866,693
Total debt, net of premium	572,701,081	598,821,693
Note payable	25,214,123	28,047,977
Net pension liability	2,839,318	474,744
Non-current derivative liability	593,520	1,045,126
Total long-term liabilities	601,348,042	628,389,540
Current Liabilities		
Accounts payable	11,932,758	12,093,381
Accrued expenses	5,202,025	4,928,434
Interest payable	12,850,447	12,615,888
Current portion of long-term debt	22,035,000	24,025,000
Current portion of note payable	2,833,854	2,673,447
Current derivative liability	461,826	1,400,611
Total current liabilities	55,315,910	57,736,761
Total liabilities	656,663,952	686,126,301
Deferred Inflow of Resources		
Amounts relating to pensions	15,515	254,960
Plant decommissioning reserve	4,657,676	7,712,134
Unearned revenue – rate stabilization	21,048,928	16,913,474
Net Position		
Net investment in capital assets	(28,179,275)	(27,556,796)
Restricted – expendable for		
Debt service	22,179,201	24,323,067
Capital acquisitions	13,382,952	12,894,121
Unrestricted	34,147,896	31,627,208
Total net position	41,530,774	41,287,600
Total liabilities, deferred inflow of resources and net position	$ 723,916,845	$ 752,294,469

See Notes to Financial Statements

Oklahoma Municipal Power Authority
A component Unit of the State of Oklahoma
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2020 and 2019

	2020	2019
Operating Revenues		
System	$ 152,959,866	$ 150,948,552
Off-system	19,277,914	31,817,917
Total Operating Revenue	172,237,780	182,766,469
Operating Expenses		
Purchased power	34,515,067	34,323,017
Generation	52,069,054	62,345,105
Transmission	21,371,754	21,624,338
Other operating expenses	11,600,092	10,517,869
Depreciation	32,835,311	25,866,117
Total Operating Expenses	152,391,278	154,676,446
Operating Income	19,846,502	28,090,023
Non-operating Revenues (Expenses)		
Investment income	1,348,852	2,474,671
Net increase/(decrease) in fair value of investments	5,839	3,193,431
Other non-operating income	10,651	26,720
Gain/(loss) on asset disposal	(52,980)	---
Lease revenue	1,843,285	1,994,613
Amortization of organization costs	(85,420)	(85,420)
Amortization of regulatory asset - pension	796,431	(84,914)
Amortization of other assets	(380,427)	(356,708)
	3,486,231	7,162,393
Interest and debt expense		
Interest expense – revenue bonds	(25,814,813)	(27,743,431)
Build America Bond subsidy proceeds	719,807	1,477,222
Interest expense – other	(1,843,285)	(1,994,613)
Amortization of loss on bond refunding, discount and bond issue costs	2,050,294	406,260
	(24,887,997)	(27,854,562)
Net non-operating expenses	(21,401,766)	(20,692,169)
Net Deferred Revenue (Cost) Recoverable in Future Years	1,798,438	(2,968,334)
Increase in net position	243,174	4,429,520
Net Position, Beginning of Year	41,287,600	36,858,080
Net Position, End of Year	$ 41,530,774	$ 41,287,600

See Notes to Financial Statements

Oklahoma Municipal Power Authority
A Component Unit of the State of Oklahoma
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Cash received from customers	$ 170,329,167	$ 192,021,517
Cash paid to suppliers	(116,372,487)	(128,267,304)
Cash paid to employees	(9,310,183)	(9,016,652)
Net cash provided by operating activities	44,646,497	54,737,561
Cash Flows from Capital and Related Financing Activities		
Proceeds from issuance of bonds	---	59,105,000
Payments on bonds refunded	---	(64,005,000)
Payment of bond issue costs	---	(365,936)
Proceeds from bond refunding premium	---	5,523,696
Capital expenditures for utility plant	(3,541,021)	(7,882,959)
Interest paid on long-term debt	(25,580,254)	(28,997,528)
BAB subsidies received	719,807	1,477,222
Principal payments on long-term debt	(24,025,000)	(22,465,000)
Net cash provided by/(used in) capital and related financing activities	(52,426,468)	(57,610,505)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	179,647,004	117,920,001
Purchases of investments	(78,269,961)	(124,466,756)
Loan receivable receipts	257,755	255,212
Income received on investments	1,576,701	2,503,702
Net cash provided by (used in) investing activities	103,211,499	(3,787,841)
Increase/(Decrease) in Cash and Cash Equivalents	95,431,528	(6,660,785)
Cash and Cash Equivalents, Beginning of Year	53,256,711	59,917,497
Cash and Cash Equivalents, End of Year	$ 148,688,236	$ 53,256,711
Consisting of		
Cash and cash equivalents	$ 53,592,320	$ 9,217,433
Restricted cash and cash equivalents	95,095,916	44,039,278
Total cash and cash equivalents	$ 148,688,236	$ 53,256,711

See Notes to Financial Statements

	2020	2019
Noncash Items from Investing and Capital and Related Financing Activities		
Change in fair value of investments	$ 5,839	$ 3,193,431
Discount accretion/premium amortization on investments	$ 24,451	$ 420,666
Reduction of note payable and depreciation expense on leased electric plant	$ 2,673,447	$ 2,522,120
Capital expenditures for utility plant included in accounts payable	$ 163,668	$ 243,212

	2020	2019
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 19,846,502	$ 28,090,023
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	32,566,766	25,621,290
Amortization of other assets included in operating expenses	1,064,976	159,914
Unearned revenues – rate stabilization/decommissioning fund	1,080,996	5,132,572
Changes in assets and liabilities which provided/(used) cash		
Accounts receivable	(2,989,609)	4,122,476
Inventory	(1,038,807)	1,871,259
Other current assets	(5,833,628)	(812,748)
Accounts payable and accrued expenses	(50,699)	(9,447,225)
Net cash provided by operating activities	$ 44,646,497	$ 54,737,561

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

Nature of Operations

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

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

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

The Authority also has joint ownership of 23%, 13%, 6.67%, 3.906% and 2.344% in six other generating facilities, having total generating capacities of 478 MW, 1,200 MW, 650MW, 650 MW and 650 MW, respectively. All of the joint ownership facilities are operated by other entities. The Authority has also entered into certain power purchase and transmission arrangements in order to supplement generating capacity owned by the Authority and to provide for the transmission of the Authority's power and energy to the participating municipalities.

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

Use of Estimates

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

System of Accounts and Basis of Accounting

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

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

Utility Plant and Depreciation

Utility plant is recorded at cost, including capitalized net interest cost on borrowed funds used for construction of utility plant. Capitalized net interest cost on borrowed funds includes amortization of bond discounts and bond premiums, interest expense and interest income. The Authority had no capitalized interest in 2020 or 2019, respectively.

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

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

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

Cash Equivalents

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

Investments and Investment Income

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

Restricted Assets

Restricted assets consist of cash and investments which are legally restricted per bond indenture. Restricted assets include debt service, debt service reserve, and construction funds. Current restricted assets total $35,029,648 and $36,938,955, and non-current assets totaled $63,803,389 and $67,508,215 at December 31, 2020 and 2019, respectively.

Other Current Assets

Other current assets consists primarily of prepaid insurance and long-term service agreement costs which will be recognized within 12 months. Other current assets total $1,572,657 and $1,097,126 at December 31, 2020 and 2019, respectively

Accounts Receivable

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

Inventory Pricing

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

Letter of Credit

The Authority holds transmission credit rights, which are financial obligations, issued by Southwest Power Pool (SPP) designed to mitigate variability in transmission costs by equalizing the difference in two locational marginal pricing points along the electric grid through a payment. SPP requires the posting of collateral to secure these obligations. The Authority has secured a letter of credit in the amount of $3 million from the Bank of Oklahoma to satisfy this collateral requirement. At December 31, 2020, the collateral requirement with SPP was $2,837,894. At December 31, 2019, the collateral requirement with SPP was $1,717,867.

Organization Costs

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

Net Costs Recoverable in Future Years

The Power Sales Contracts with the participating municipalities provide for billings to those municipalities for output and services of the generating facilities, for payment of current operating and maintenance expenses (excluding depreciation and amortization), for payment of scheduled debt principal and interest, and for deposits in certain funds, all in compliance with the bond resolutions. Net deferred costs recoverable in future years represent the amount by which depreciation/amortization exceeds principal repayment on debt. The Authority sets rates to cities on a cash basis utilizing essentially level debt service, and the deferred costs allow the Authority to convert from cash-based rates to accrual accounting. Net deferred cost will become a reduction in net income at such future time as the principal repayment exceeds depreciation and amortization. Annual budgets and changes in power rates are approved by the Authority's Board of Directors. During 2020 and 2019, billings to participating municipalities under Power Sales Contracts were $151,827,996 and $150,606,587, respectively.

Costs recoverable in future periods also includes a regulatory asset related to the pension plan. The regulatory asset totaled $1,129,992 and $333,561 at December 31, 2020 and 2019, respectively.

Other Non-current Assets

Loans Receivables

The Authority has established a policy whereby customers can borrow funds to finance improvements to their municipal electric systems. All lending is approved by the Authority's Board and is generally limited to 30% of the customers pervious 12 month billing from the Authority. The loans are classified as other assets on the Authority's balance sheet. The current portion of loans receivables from cities totaled $267,043 and $257,755 at December 31, 2020 and 2019, respectively. Non-current portion of loans receivables from cities totaled $615,067 and $882,110 at December 31, 2020 and 2019, respectively.

Deferred Outflows of Resources

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

Unamortized Loss on Advance Refundings

Financing costs incurred in connection with the issuance of Power Supply System Revenue Bonds and losses on advance refundings of previous bonds have been deferred. These amounts are being amortized over the life of the respective bonds in accordance with the Authority's rate-making policy.

Derivative Financial Instruments

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

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

Pensions

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

Compensated Absences

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

Long-Term Obligations

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

Deferred Inflows of Resources

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

Unearned Revenues – Rate Stabilization

The Authority designs its electric service rates to recover costs, as defined above, of providing power supply services. In order to minimize possible future rate increases, each year the Authority determines a rate stabilization amount to be charged or credited to revenues. There were rate stabilization contributions of $4,135,454 and $1,559,087 in 2020 and 2019, respectively. These amounts are reflected as increases or decreases in unearned revenues – rate stabilization in the accompanying statements of net position. Rate stabilization deferrals or withdrawals are approved by the Board of Directors through the budget approval process.

Plant Decommissioning Reserve

The Authority has established a plant decommissioning reserve with the purpose of accumulating funds for the eventual closure of a generating facility. The decommissioning reserve totaled $4,657,676 and $7,712,134 at December 31, 2020 and 2019, respectively. These amounts are reflected as increases in plant decommissioning reserve in the accompanying statements of net position. Plant decommissioning deferrals or withdrawals are approved by the Board of Directors.

Net Position

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

Risk Management

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

Income Taxes

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

Major Customers

The Authority currently serves 42 municipalities in Oklahoma and three partial requirements customers. Six full requirements customers accounted for approximately 69% and 73% of the Authority's operating revenues (two of which accounted for 51% and 53% of the Authority's operating revenues) for the years ended December 31, 2020 and 2019, respectively.

Effect of New Accounting Standards on Current Period Financial Statements

GASB has approved Statement No. 87, *Leases,* Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* Statement No 91*, Conduit Debt Obligations,* Statement No. 92*, Omnibus 2020,* Statement No. 94*, Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* Statement No. 96*, Subscription-Based Information Technology Arrangements, and* Statement No. 97*, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and 84, and supersession of GASB Statement No. 32.* When they become effective, application of these standards may restate portions of these financial statements.

Comparative Data

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

Note 2: Deposits, Investments and Investment Income

Summary of Carrying Values

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

	2020	2019
Carrying value		
Deposits	$ 842,310	$ 264,702
Investments	154,564,838	160,874,315
	$ 155,407,148	$ 161,139,017
Included in the following Statement of Net Position captions:		
Cash and cash equivalents	$ 53,592,320	$ 9,217,433
Investments – current	3,016,711	9,507,446
Non-current investments	---	38,233,010
Restricted cash and cash equivalents	95,095,916	44,039,278
Non-current restricted investments	3,702,201	60,141,850
	$ 155,407,148	$ 161,139,017

The Authority further classifies these deposits and investments as follows:

	2020	2019
Operating and maintenance funds	$ 30,941,846	$ 32,332,281
Rate stabilization funds	18,048,928	16,913,474
Plant decommissioning funds	7,618,257	7,712,134
Debt service funds	34,994,728	36,672,913
Debt service reserve funds	50,420,437	54,614,094
Construction funds	13,382,952	12,894,121
	$ 155,407,148	$ 161,139,017

Deposits

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

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

None of the Authority's bank balances of $1,204,863 and $573,802 were exposed to custodial credit risk at December 31, 2020 and 2019, respectively.

The Authority has collateral in the form of a line of credit with FHL Bank of Topeka of $1 million and $2.5 million as of December 31, 2020 and 2019, respectively. The outstanding amount drawn on the line of credit was $0 at December 31, 2020 and 2019.

Investments

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

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

At December 31, 2020 and 2019, the Authority had the following investments and maturities:

	December 31, 2020				
		Maturities in Years			
Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
U.S. agencies obligations	$ 6,718,912	$ 3,016,711	$ 3,702,201	$ 0	$ 0
Money market funds	147,845,926	147,845,926	—	—	—
	$ 154,564,838	$ 150,862,637	$ 3,702,201	$ 0	$ 0

	December 31, 2019				
		Maturities in Years			
Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
U.S. agencies obligations	$ 111,059,394	$ 31,494,538	$ 58,275,056	$ 15,605,405	$ 5,684,396
Money market funds	49,814,921	49,814,921	—	—	—
	$ 160,874,315	$ 81,309,459	$ 58,275,056	$ 15,605,405	$ 5,684,396

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits investments of operating and maintenance funds with a term beyond five years to a total of $11 million, with $4 million of this amount invested at 10 years or less. The debt service reserve accounts may be invested beyond 10 years provided the yield is adequate. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately. The Authority was in compliance with this policy at December 31, 2020 and 2019.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The various bond indentures limit the types of investments the Authority may invest in and the related credit risk of those investments. At December 31, 2020 and 2019, the Authority's investments in U.S. agencies obligations not directly guaranteed by the U.S. government were rated as follows:

Investment	Moody's	S&P	Fitches
U.S. agency securities not directly guaranteed by the U.S. government	Aaa	AA+	AAA
Money market mutual funds	Aaamf	AAAm	AAAmmf

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the Authority's investments at December 31, 2020 and 2019 are held by the counterparties in the Authority's name.

Concentration of Credit Risk – The Authority places no limit on the amount that may be invested in any one issuer. At December 31, 2020, the Authority's investment in agency obligations of Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, and Federal Home Loan Mortgage Corporation constituted 0%, 1.75%, 1.95% and 0.65%, respectively, of its total investments. At December 31, 2019, the Authority's investment in agency obligations of Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, and Federal Home Loan Mortgage Corporation constituted 5.95%, 23.35%, 15.52% and 16.16%, respectively, of its total investments.

Fair Value

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

The valuation methods for fair value measurement for 2020 are as follows:

Investment	Level 1	Level 2	Level 3
U.S. agency securities	$6,718,912	---	---
Interest Rate Swaps	---	(1,164,643)	---
Natural Gas Hedges	109,297	---	---

The valuation methods for fair value measurement for 2019 are as follows:

Investment	Level 1	Level 2	Level 3
U.S. agency securities	$111,059,394	---	---
Interest Rate Swaps	---	(1,683,971)	---
Natural Gas Hedges	(761,766)	---	---

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

Note 3: Electric Utility Plant

Electric utility plant assets activity for the years ended December 31, 2020 and 2019, were:

	2020			
	January 1	Additions	Retirements	December 31
Non-depreciable plant				
Construction work in progress	$ 3,895,616	$ 651,013	$ (2,120,312)	$ 2,426,317
Depreciable plant				
General plant	34,321,929	3,734,086	(173,970)	37,882,045
Generation plant	734,884,150	3,350,026	(91,036,769)	647,197,407
Fuel reserves, net	2,714,975	—	(1,925,416)	789,559
Intangible assets	9,797,225	344,457	—	10,141,682
Leased electric plant	57,739,000	—	—	57,739,000
Total depreciable plant	839,457,279	7,428,569	(93,136,155)	753,749,693
Total electric utility plant	843,352,895	8,079,582	(95,256,467)	756,176,010
Less accumulated depreciation for				
General plant	(15,412,514)	(1,388,701)	57,989	(16,743,226)
Generation plant	(346,676,302)	(31,427,140)	91,036,769	(287,066,673)
Intangible assets	(5,675,348)	(554,180)	—	(6,229,528)
Leased electric plant	(27,017,576)	(2,673,447)	—	(29,691,023)
Total accumulated depreciation	(394,781,740)	(36,043,468)	91,094,759	(339,730,450)
Electric utility plant, net	$ 448,571,154	$ (27,963,886)	$ (4,161,708)	$ 416,445,560

Oklahoma Municipal Power Authority
A Component Unit of the State of Oklahoma
Notes to Financial Statements
As of and for the Years Ended December 31, 2020 and 2019

	2019			
	January 1	Additions	Retirements	December 31
Non-depreciable plant				
Construction work in progress	$ 4,877,751	$ 3,944,076	$ (4,926,211)	$ 3,895,616
Depreciable plant				
General plant	32,444,109	1,877,821	—	34,321,929
Generation plant	714,351,213	20,532,937	—	734,884,150
Fuel reserves, net	2,880,156	—	(165,181)	2,714,975
Intangible Assets	9,539,835	257,390	—	9,797,225
Leased electric plant	57,739,000	—	—	57,739,000
Total depreciable plant	816,954,313	22,668,148	(165,181)	839,457,279
Total electric utility plant	821,832,064	26,612,223	(5,091,392)	843,352,895
Less accumulated depreciation for				
General plant	(14,153,779)	(1,258,736)	—	(15,412,515)
Generation plant	(322,091,607)	(24,605,937)	21,242	(346,676,302)
Intangible Assets	(5,151,619)	(523,729)	—	(5,675,348)
Leased electric plant	(24,495,456)	(2,522,120)	—	(27,017,576)
Total accumulated depreciation	(365,892,461)	(28,910,522)	21,242	(394,781,740)
Electric utility plant, net	$ 455,939,603	$ (2,298,299)	$ (5,070,150)	$ 448,571,154

The following reconciles depreciation expense as reported above to the statements of revenues, expenses and changes in net position:

	2020	2019
Depreciation expense, as reported above	$ 36,043,468	$ 28,910,522
Reduction of note payable and depreciation expense on leased electric plant	(2,673,447)	(2,522,120)
Amortization of intangible assets	(534,710)	(522,285)
Depreciation expense as reported in the statements of revenues, expenses and changes in net position	$ 32,835,311	$ 25,866,117

Note 4: Long-term Liabilities

Long-term liability activity for the years ended December 31, 2020 and 2019, are as follows:

	2020				
	January 1	Additions	Payments or Amortization	December 31	Amounts Due Within One Year
Revenue bonds payable	$ 594,980,000	$ —	$ (24,025,000)	$ 570,955,000	$ 22,035,000
Less unamortized net (discount)/premium	27,866,693	—	(4,085,612)	23,781,081	—
Total revenue bonds payable	622,846,693	—	(28,110,612)	594,736,081	22,035,000
Note payable	30,721,424	—	(2,673,447)	28,047,977	2,833,854
Net pension liability	474,744	2,364,574	—	2,839,318	—
Derivative liabilities	2,445,737	—	(1,390,391)	1,055,346	461,826
Total long-term liabilities	$ 656,488,598	$ 2,364,574	$ (32,174,450)	$ 626,678,722	$ 25,330,680

	2019				
	January 1	Additions	Payments or Amortization	December 31	Amounts Due Within One Year
Revenue bonds payable	$ 622,345,000	$ 59,105,000	$ (86,470,000)	$ 594,980,000	$ 24,025,000
Less unamortized net (discount)/premium	25,668,686	6,292,325	(4,094,318)	27,866,693	—
Total revenue bonds payable	648,013,686	65,397,325	(90,564,318)	622,846,693	24,025,000
Note payable	33,243,544	—	(2,522,120)	30,721,424	2,673,447
Net pension liability	638,153	—	(163,409)	474,744	—
Derivative liabilities	2,835,257	—	(389,520)	2,445,737	1,400,611
Total long-term liabilities	$ 684,730,640	$ 65,397,325	$ (93,639,367)	$ 656,488,598	$ 28,099,058

Revenue Bonds Payable

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

Revenue bonds outstanding at December 31, 2020 and 2019, are as follows:

	2020	2019
Power Supply System Revenue Bonds, Series 1992B, 4.65% to 6.00%, due January 1, 1997 to January 1, 2024	$ 10,370,000	$ 21,865,000
Power Supply System Revenue Bonds, Series 2005A, Variable Rate Demand Obligations (0.90% and 1.61% at December 31, 2019 and 2018, respectively), due January 1, 2007 to January 1, 2023	15,300,000	19,900,000
Power Supply System Revenue Bonds, Series 2010A, 2.00% to 5.00%, due January 1, 2011 to January 1, 2028	---	5,770,000
Power Supply System Revenue Bonds, Series 2010B, 6.31% to 6.44%, due January 1, 2039 to January 1, 2045	70,000,000	70,000,000
Power Supply System Revenue Bonds, Series 2013A, 3.125% to 4.00%, due January 1, 2028 to January 1, 2047	132,920,000	132,920,000
Power Supply System Revenue Bonds, Series 2013B, 3.625% to 5.00%, due January 1, 2024 to January 1, 2030	39,565,000	39,565,000
Power Supply System Revenue Refunding Bonds, Series 2014A, 3.00% to 5.00%, due January 1, 2019 to January 1, 2038	85,540,000	87,100,000
Power Supply System Revenue Refunding Bonds, Series 2014B, 3.00% to 5.00%, due January 1, 2021 to January 1, 2027	34,440,000	34,440,000
Power Supply System Revenue Refunding Bonds, Series 2016A, 2.25% to 5.00%, due January 1, 2028 to January 1, 2047	124,315,000	124,315,000
Power Supply System Revenue Refunding Bonds, Series 2019A, 5.00%, due January 1, 2020 to January 1, 2028	58,505,000	59,105,000
	570,955,000	594,980,000
Less current portion of revenue bonds payable	22,035,000	24,025,000
Revenue bonds payable less current portion	$ 548,920,000	$ 570,955,000

Principal and interest payments of revenue bonds (assuming a 5.80% on the 2005A bonds) for the years ending after December 31, 2020, are as follows:

Year Ending December 31,	Principal	Interest	Total
2020	$ 22,035,000	$ 24,949,842	$ 46,984,842
2021	23,225,000	23,833,472	47,058,472
2022	24,520,000	22,649,782	47,169,782
2023	20,415,000	21,400,022	41,815,022
2024	21,505,000	20,332,515	41,837,515
2026 – 2030	101,770,000	86,666,314	188,436,314
2031 – 2035	78,500,000	66,766,427	145,266,427
2036 – 2040	98,560,000	48,804,532	147,364,532
2041 – 2045	123,545,000	27,450,459	150,995,459
2046 – 2047	56,880,000	3,518,699	60,398,700
	$ 570,955,000	$ 346,372,064	$ 917,327,064

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

The Power Supply System Revenue Bonds, Series 1992B, Series 1994A, Series 2003B and Series 2005A were issued to advance refund previously outstanding bonds of the Authority. The differences between the Authority's net carrying amount of the refunded bonds and the net proceeds of the refunding bonds were deferred and are being amortized over the terms of the refunding bonds. The transactions resulted in a net reduction of debt service cost over the term of the refunding bonds.

The net proceeds of the Series 1992B and Series 1994A bonds have been irrevocably deposited with an escrow agent and have been used to purchase direct obligations of the United States government. The principal and interest on these obligations will be sufficient to pay the refunded bonds at their maturity and to pay interest to such date. Upon establishment of the escrow account, the refunded bonds are considered to be defeased and are no longer considered obligations of the Authority.

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

On March 10, 2010, the Authority issued $111,260,000 of Series 2010A Power Supply Refunding Bonds. Proceeds from this issue were used for the refunding of $89,055,000 of the Power Supply Revenue Bonds Series 1994A, and $27,710,000 of the Power Supply Revenue Bonds Series 2001A. The Series 2010A bonds carry a fixed interest rate of 2.00% to 5.00% and are due January 2011 thru January 2028. The transaction resulted in a net refunding loss of $9,609,104, and had a net present value savings of 6.13%.

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

On January 31, 2013, The Authority issued $132,900,000 of Series 2013A Power Supply System Revenue Bonds. The Series 2013A bonds carry a fixed interest rate of 3.125% to 4.000% and are due January 2028 thru 2047. The proceeds are primarily being used for the construction of the Charles D. Lamb Energy Center, a 103 MW simple cycle peaking plant to be located in Ponca City, Oklahoma. Interest expense on this issue has been, and will be, capitalized from the date of issue through July 1, 2016, in the total amount of $17,549,786. This interest will be paid out of bond proceeds and consequently not collected in rates to participants.

On August 1, 2013, The Authority issued $39,565,000 of Series 2013B Power Supply System Revenue Bonds. The Series 2013B bonds carry a fixed interest rate of 3.625% to 5.000% and are due January 2024 thru 2030. The proceeds are primarily being used for capacity upgrades at the McClain and Redbud plants, and to fund environmental compliance upgrades at the Authority's co-owned coal plants.

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

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

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

As of December 31, 2020 and 2019, total outstanding defeased bonds totaled $26,740,000, which represents the final callable date of the bonds as part of the 1992A bond issuance.

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

Note Payable

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

Principal and interest payments of the note payable for the years ending after December 31, 2020, are as follows:

	Direct Placement		
Year Ending December 31,	**Principal**	**Interest**	**Total**
2021	$ 2,833,854	$ 1,682,878	$ 4,516,732
2022	3,003,885	1,512,847	4,516,732
2023	3,184,118	1,332,614	4,516,732
2024	3,375,165	1,141,567	4,516,732
2025	3,577,675	939,057	4,516,732
2026 – 2028	12,073,280	1,476,917	13,550,197
	$ 28,047,977	$ 8,085,880	$ 36,133,857

Note 5: Restricted Net Position

At December 31, 2020 and 2019, restricted net position is available for the following purposes:

	2020	2019
Debt service	$ 22,179,201	$ 24,323,067
Capital acquisitions	13,382,952	12,894,121
Total restricted expendable net position	$ 35,562,153	$ 37,217,188

The restrictions of the various accounts are as follows:

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

Note 6: Defined Benefit Pension Plan Participation

Plan description

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

Benefits provided

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

Benefits are calculated for each member category as follows:

Employees

- Benefits are determined at 2% of the average annual salary received during the highest thirty-six months of the last ten years of participating service, but not to exceed the applicable annual salary cap, multiplied by the number of years of credited service. Members who join OPERS on or after July 1, 2013, will have their salary averaged over the highest 60 months of the last ten years. Normal retirement age under the Plan is 62 or Rule of 80/90 if the participant became a member prior to November 1, 2011, or age 65 or Rule of 90 if the participant became a member on or after November 1, 2011.

- Members who elect to pay the additional contribution rate, which became available in January 2004, will receive benefits using a 2.5% computation factor for each full year the additional contributions are made. In 2004, legislation was enacted to provide an increased benefit to retiring members who were not yet eligible for Medicare. The Medicare Gap benefit option became available to members under age 65 who retired on or after May 1, 2006. Members may elect to receive a temporary increased benefit to cover the cost of health insurance premiums until the member is eligible to receive Medicare. After the member becomes eligible for Medicare, the retirement benefit will be permanently reduced by an actuarially determined amount. The option is irrevocable, must be chosen prior to retirement, and is structured to have a neutral actuarial cost to the Plan.

- Members become eligible to vest fully upon termination of employment after attaining eight years of credited service, or the members' contributions may be withdrawn upon termination of employment.

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

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

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

Contributions

The contribution rates for each member category of the Plan are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates. Employees are required to contribute 3.5% percent of their annual pay. Participating entities are required to contribute 16.5% of the employees' annual pay. Contributions to the pension plan from the Authority for were $910,035 and $938,136 in 2020 and 2019, respectively.

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

The Authority reported a liability of $2,839,318 and $474,744 for its proportionate share of the net pension liability at December 31, 2020 and 2019, respectively. For the year ended December 31, 2020, the net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. For the year ended December 31, 2019, the net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The Authority's proportion of the net pension liability was based on the Authority's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30th. Based upon this information, the Authority's proportion was 0.31825% and 0.35644% in 2020 and 2019, respectively.

The Authority recognized pension expense of $1,726,577 at December 31, 2020.The Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	$ ---	$ 15,515
Changes of assumptions	1,014,177	---
Net difference between projected and actual earnings on pension plan investments	337,382	---
Authority contributions subsequent to the measurement date	373,282	---
Total	$ 1,724,841	$ 15,515

The Authority recognized pension expense of $768,253 at December 31, 2019. The Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	$ ---	$ 111,713
Changes of assumptions	---	---
Net difference between projected and actual earnings on pension plan investments	---	143,247
Authority contributions subsequent to the measurement date	396,143	---
Total	$ 396,143	$ 254,960

$337,282 and $396,143 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended December 31, 2021 and 2020, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Deferred Inflows/Outflows
2021	$ 544,014
2022	440,913
2023	207,477
2024	143,640
Thereafter	-
	$ 1,336,044

Actuarial Assumptions

The total pension liability as of June 30, 2020 and 2019, was determined based on an actuarial valuation prepared as of July 1, 2019 and July 1, 2018, respectively using the following actuarial assumptions:

- Investment return – 6.5% for 2020 and 7.0% for 2019 compounded annually net of investment expense and including inflation.
- Salary increases – 3.5% to 9.25% for 2020 and 3.5% to 9.5% for 2019.
- Mortality rates – In 2020, Pub 2010 Below Media, General Membership Active/Retiree Healthy Mortality Table with base rates projected to 2030 using Scale-MP2019. Males rates are set back one year, and Female rates are set forward one year.
- No annual post-retirement benefit increases
- Assumed inflation rate – 2.50% for 2020 and 2.75% for 2019.
- Payroll growth – 3.25% for 2020 and 2.75% for 2019.
- Actuarial cost method – Entry age
- Select period for the termination of employment assumptions – 10 years

The actuarial assumptions used in the July 1, 2020, valuation is based on the results of the most recent actuarial experience study, which cover the three-year period ending June 30, 2019. The experience study report is dated May 13, 2020.
The actuarial assumptions used in the July 1, 2019, valuation is based on the results of the actuarial experience study, which cover the three-year period ending June 30, 2016. The experience study report is dated April 13, 2017.

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

The Target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2020, are summarized in the following table:

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

The Target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	38.0%	3.8%
U.S. Small Cap Equity	6.0%	4.9%
Non-US Equity	24.0%	9.2%
US Fixed	32.0%	1.4%
Total	100.0%	

Discount Rate

The discount rates used to measure the total pension liability was 6.5% for 2020 and 7.0% for 2019. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

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

In 2020, the net pension liability of the employers calculated using the discount rate of 6.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	June 30,2020		
	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Net Pension Liability (Asset)	$ 6,683,992	$ 2,839,318	$ (409,385)

In 2019, the net pension liability of the employers calculated using the discount rate of 7.00%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	June 30,2019		
	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Net Pension Liability (Asset)	$ 4,292,423	$ 474,744	$ (2,761,919)

Pension plan fiduciary net position

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

Note 7: Other Employee Benefit Plans

Oklahoma Public Employees Retirement Defined Contribution Plan

Effective November 15, 2015, the Oklahoma Legislature enacted legislation requiring a Defined Contribution System be established by the OPERS for most state employees first employed by a participating State employer on or after November 1, 2015. Employees of the Authority who first become employees on or after November 1, 2015, and have no prior participation in OPERS must participate in the mandatory Defined Contribution Plan created in accordance with Internal Revenue Code Section 401(a) and 457(b) and chapter 40 of Title 590 of the Oklahoma Statute. The Defined Contribution plan is known as Pathfinder. Pathfinder and its related Trust(s) are intended to meet the requirements of the Internal Revenue Code. Pathfinder is administered by OPERS. The board of trustees of OPERS may amend Pathfinder or Trust(s) but no amendment shall authorize or permit any part of the Trust for Pathfinder to be used or diverted to purposes other than for the exclusive benefit of the Pathfinder participants and their beneficiaries.

Contribution rates are established by Oklahoma Statute and may be amended by the Oklahoma Legislature. For the initial period of implementation, employees must make mandatory employee contributions of 4.5% of pretax salary to the 401(a) plan and may make additional voluntary contributions to the 457(b) plan, subject to maximum deferral limits allowed under the Code.

Employees are vested 100% for all employee contributions. The Authority must make mandatory contributions of 6% of the employees' pretax salary and 7% if the employee elects to participate in the 457(b) plan. Employees become vested for the employer contributions based on an established vesting schedule. The amount of the Authorities contributions to was $42,430 and $30,269 for the year ending December 31, 2020 and 2019, respectively.

Additionally, in order to reduce the liabilities of the defined benefit plan, the Authority is required to contribute the difference between the established 16.5% defined benefit employer contribution rate and the amount required to match the participating employees contribution in the defined contribution plan. The amount of the Authorities contributions to was $74,253 and $52,971 for the year ending December 31, 2020 and 2019, respectively. The Authority reports no liability for Pathfinder.

ICMA Deferred Compensation Plan

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

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

ICMA 401(a) Money Purchase Plan

The Authority participates in a voluntary deferred compensation plan provided for under Section 401(a) of the Internal Revenue Code. The plan is structured so that the Authority will match employee contributions into the Section 457 plan, up to a limit of 5% of the employee's annual salary. The Authority contributed $137,000 and $130,000 into the plan in 2020 and 2019, respectively. The assets are not subject to claims of the Authority's general creditors.

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

Note 8: Interest Rate Swap Agreements

Objective of the Interest Rate Swap

The Authority's asset/liability strategy is to have a mixture of fixed- and variable-rate debt to take advantage of market fluctuations. As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Authority entered into an interest rate swap agreement in a notional amount equal to the outstanding principal on the 2005A bond issue. The intention of the swap is to effectively change the Authority's variable interest rate on the 2005A issue to a synthetic fixed rate of 5.05%. The Authority follows hedge accounting for derivatives that are considered effective hedges. Under hedge accounting, the increase of decrease in fair value of a hedge is reported as a deferred inflow or deferred outflow in the Statement of Net Position. For 2020 and 2019, the interest rate swap was considered effective.

Terms

On March 19, 2009, the Authority entered into an interest rate swap agreement with Deutsche Bank. The agreement, which will continue until January 1, 2023, provides for the Authority to receive interest from the counterparty at SIFMA Municipal Swap Index, and to pay interest to the counterparty at a fixed rate of 5.05% on notional amounts that match the outstanding principal portion of the 2005A bonds, which was $15,300,000 and $19,900,000 at December 31, 2020 and 2019, respectively. Under the agreement, the Authority pays interest semi-annually and receives interest monthly. The net interest expense resulting from the agreement is included in interest expense.

Fair Value

As of December 31, 2020 and 2019, the agreements had a negative fair value of $1,164,643 and $1,683,971, respectively, calculated using the par-value method (*i.e.*, the fixed rate on the swap was compared with the current fixed rates that could be achieved in the marketplace should the swap be unwound). The fixed-rate component was valued by discounting the fixed-rate cash flows using the current yield to maturity of a comparable bond. The variable-rate component was assumed to be at par value because the interest rate resets to the market rate at every reset date. The fair value was then calculated by subtracting the estimated market value of the fixed component from the established market value of the variable component.

Credit Risk

The swap's fair value represented the Authority's credit exposure to the counterparty as of December 31, 2020. Should the counterparty to this transaction fail to perform according to the terms of the swap agreement, the Authority has a maximum possible loss equivalent to the swap's fair value at that date. At December 31, 2020, the Authority was not exposed to credit risk because the swap had a negative fair value. The transaction does not require collateral from the Authority or the counterparty.

Deutsche Bank, the counterparty in this transaction, had the following credit rating at December 31, 2020:

Moody's	S&P	Fitches
A3	BBB+	BBB+

Deutsche Bank, had the following credit rating at December 31, 2019:

Moody's	S&P	Fitches
A3	BBB+	BBB

Basis Risk

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

Termination Risk

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

Swap Payments and Associated Debt

Using rates as of December 31, 2020 debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are set forth in the table below. As rates vary, variable-rate interest payments and net swap payments will vary.

	Variable-Rate Notes			
	Principal	Interest	Interest Rate Swap, Net	Total
2021	$ 4,800,000	$ 166,410	$ 485,040	$ 5,451,450
2022	5,100,000	102,555	298,920	5,501,475
2023	5,400,000	34,830	101,520	5,536,350
	$ 15,300,000	$ 303,795	$ 885,480	$ 16,489,275

Note 9: Commodity Price Swap Contracts

Objective of the Swap

The Authority is exposed to market price fluctuations on its purchase of natural gas. To protect itself from natural gas price fluctuations, the Authority periodically enters into natural gas price swap contracts. The Authority follows hedge accounting for derivatives that are considered effective hedges. Under hedge accounting, the increase of decrease in fair value of a hedge is reported as a deferred inflow or deferred outflow in the Statement of Net Position. For 2020 and 2019, the natural gas price swaps were considered effective.

Terms

The Authority enters into natural gas price swap contracts at various fixed prices and notional amounts. Each swap contract provides for the Authority to pay a fixed price, and for the contract counterparty to pay a floating price for the notional amount of the contract. The notional amount of each natural gas price swap contract is measured in MMBtu's with the floating price based on a specific published natural gas price index (spot price) for the relevant contract month. At December 31, 2020, the Authority's outstanding natural gas price swap contracts were as follows:

Maturity Date	Notional Quantity (MMBTU)	Fixed Price ($/MMBTU)	Fair Value
May 31, 2021	50,000	$ 1.935	$ 17,471
June 30, 2021	50,000	1.935	21,080
July 31, 2021	50,000	1.935	22,848
Aug. 31, 2021	50,000	1.935	25,029
Sept. 30, 2021	50,000	1.935	22,869
	250,000		$ 109,297

At December 31, 2019, the Authority had outstanding natural gas price swap contracts with notional amounts totaling 1,630,000 MMBtu's at fixed prices between $1.935 to $2.895 per MMBtu, and expiring between January 2020 and September 2021.

Fair Value

The outstanding natural gas price swap contracts had a positive fair value of $109,297 at December 31, 2020, and a negative fair value of $761,766 at December 31, 2019. The fair value is estimated by discounting actual and implied forward prices using the zero-coupon method. The future net settlement amounts are calculated by assuming that the current forward rates implied by the forward curve for natural gas prices correctly anticipate future spot prices. The future net settlement amounts are then discounted using the spot rates implied by the current interest yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of each contract.

Credit Risk

At December 31, 2020 and 2019, the Authority was not exposed to credit risk because the natural gas price swaps had a negative fair value. However, should the fair value of the contracts become positive, the Authority would be exposed to credit risk related to the counterparty of the contract in the amount of the positive fair value. The swap agreements do not require collateral from the Authority or the counterparty.

At December 31, 2020, all swap transactions had the following credit ratings:

	Moody's	S&P	Fitches
Morgan Stanley	A1	A	A+

At December 31, 2019, all swap transactions had the following credit ratings:

	Moody's	S&P	Fitches
Morgan Stanley	A3	BBB+	A
JPMorgan	A2	A-	AA-

Termination Risk

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

Note 10: Commitments and Contingencies

Purchase Power

During 2020 and 2019, approximately $13,379,000 and $13,446,000 of power was purchased pursuant to several long-term purchase agreements. The Authority is obligated to purchase, at a minimum, approximately $12,912,000 of power in 2021, and is committed to purchase capacity and energy under various purchase power contract in future years.

General Litigation

The Authority is subject to claims and lawsuits that arise in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the changes in financial position and cash flows of the Authority. As of December 31, 2020, there were no claims asserted or lawsuits pending against the Authority.

Note 11: Leased Electric Plant

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

The following lists the components of the lease agreement as of December 31, 2020 and 2019

	2020	2019
Total minimum lease payments to be received	$ 36,133,860	$ 40,650,589
Less: Amounts representing interest included in total minimum lease payments	8,085,883	9,929,165
Net minimum lease payments receivable	$ 28,047,977	$ 30,721,424

Note 12: Plant Retirements

In May of 2020, the co-owners of the Dolet Hills lignite fired steam electric generating plant decided to close the plant at the end of 2021.

In November of 2020, the co-owners, of the Pirkey lignite fired steam electric generating plant decided to close the plant at the end of March 2023.

The decisions to close these plants were made because the plants were increasingly uneconomic in the Southwest Power Pool energy markets due to an abundance of generation from less expensive natural gas and wind generation.

Both plants have had service lives in excess of 35 years. A service life of 35 years was the expected life when these plants were placed in service in the mid-1980s. Therefore, these plants do not meet the definition of an impaired asset as defined by GASB Statement No. 42.

Depreciation of the Dolet Hills assets was accelerated during 2020 and will be complete by the end of 2021. Depreciation for the Pirkey assets will be accelerated beginning in 2021 and will be complete by March.

For the Dolet Hills plant, $4.7 million in depreciation was recognized in 2020, and $4.0 million will be taken in 2021. In addition, $1.9 million in fuel reserves and advanced royalties were written off in 2020.

For the Pirkey plant, $1.5 million in depreciation will be recognized in 2021 and 2022, and $800,000 in fuel reserves and advanced royalties will be expensed during this period.

Note 13: Subsequent Events

As a result of the recent extreme cold weather in the Southwestern United States commencing February 13, 2021, the Authority was required by the Southwest Power Pool (SPP) to run all available power generation for reliability of the electric grid. Widespread blackouts were avoided, and the Authority satisfied the electric power needs of all its member cities throughout the period of extreme cold weather. In doing so it purchased additional gas to generate the needed electric power and was exposed to and incurred higher than normal gas costs due to the unusual demand for power caused by the extreme cold. This was exacerbated by a shortage of natural gas in the region due to significant wellhead freeze-offs. The Authority estimates that the net cost impact of the event is approximately $60 million. On March 12, 2021, the Authority closed on a 5-year term note with Bank of America bearing a fixed interest rate of 1.75% with a prepayment option after 5 months. The Authorities' intention is to pay off the Bank of America term loan with a new taxable bond series that refunds certain bond series for savings and includes $40 million of new money bonds. The Authority believes that the $40 million in new money bonds together with savings on the refunded bonds and the use of reserve funds will be sufficient to payoff of the Bank of America term loan. The Authority intends to structure the new debt so that debt service remains at the current level for 2021 and 2022 and then declines for the years 2023 through 2027 but not by as much as had been previously scheduled. The authority believes this structure will not have any immediate impact on rates to member cities. The new money bonds will have a final maturity date of January 1, 2028.

Oklahoma Municipal Power Authority
A Component Unit of the State of Oklahoma
Required Supplementary Information
As of and for the Years Ended December 31, 2020 and 2019
(Unaudited)

Schedule of Proportionate Share of the Net Pension Liability – Oklahoma Public Employees Retirement System

Last 10 Fiscal Years *

	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
OMPA proportion of net pension liability	0.318251%	0.356446%	0.327189%	0.318826%	0.031058%	0.030422%	0.030084%
OMPA proportionate share of net pension liability	$ 2,839,318	$ 474,744	$ 638,153	$ 1,723,775	$ 3,081,110	$ 1,094,248	$ 552,236
Covered Payroll	$ 4,834,918	$ 5,073,878	$ 5,087,203	$ 4,956,925	$ 5,292,418	$ 5,034,873	$ 4,616,788
OMPA proportionate share of net pension liabilityas a percentage of covered payroll	58.73%	9.36%	12.54%	34.77%	58.22%	21.73%	11.96%
Plan fiduciary net position as a percentage of total pension liability	91.6%	98.6%	97.9%	94.3%	89.5%	93.6%	88.6%

Only 2014 - 2020 information were presented because 10 year data was unavailable.

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

Changes in Assumptions are as follows:

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

There were no other changes in assumptions

Oklahoma Municipal Power Authority
A Component Unit of the State of Oklahoma
Required Supplementary Information
As of and for the Years Ended December 31, 2020 and 2019
(Unaudited)

Schedule of Contributions – Oklahoma Public Employees Retirement System

Last 10 Fiscal Years *

	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Contractually Required Contributions	$ 910,035	$ 938,136	$ 845,397	$ 857,632	$ 920,625	$ 874,210	$ 761,770
Actual employer contributions	$ 910,035	$ 938,136	$ 845,397	$ 857,632	$ 920,625	$ 874,210	$ 761,770
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$4,517,268	$4,985,182	$4,762,999	$4,804,161	$5,072,249	$5,298,243	$4,845,832
Contributions as a percentage of covered payroll	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%

Only 2014 - 2020 information were presented because 10 year data was unavailable.

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

Independent Auditors' Report

To the Board of Directors of
Oklahoma Municipal Power Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Oklahoma Municipal Power Authority as of and for the year ended December 31, 2020, and have issued our report thereon dated March 31, 2021. Our report disclosed that as discussed in Note 13 to the financial statements, subsequent to the date of the financial statements, Oklahoma Municipal Power Authority has been impacted by the market response to Winter Storm Uri. Our opinion was not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Oklahoma Municipal Power Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Oklahoma Municipal Power Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Oklahoma Municipal Power Authority's internal control.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Oklahoma Municipal Power Authority in a separate letter dated March 31, 2021.

Purpose of this Report

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

Baker Tilly US, LLP

Austin, Texas
March 31, 2021