GRAND

New Beginning

Grand River Dam Authority

A component unit of the State of Oklahoma

Comprehensive Annual Financial Report

For The Years Ended December 31, 2017 and 2016

GRAND RIVER DAM AUTHORITY

A component unit of the State of Oklahoma

Comprehensive Annual Financial Report for the Years Ended December 31, 2017 and 2016

Prepared by GRDA's Finance and Corporate Communications Departments

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UNAUDITED

INTRODUCTORY

Section

Comprehensive Annual Financial Report
For The Years Ended December 31, 2017 and 2016

June 26, 2018

To GRDA Customers, Bondholders, and Citizens of Oklahoma:

On behalf of the Grand River Dam Authority (GRDA or Authority), we respectfully submit the Comprehensive Annual Financial Report for the year ended December 31, 2017. The GRDA Finance and Corporate Communications Departments prepared this comprehensive report in conformity with accounting principles generally accepted in the United States of America. We believe the information represented is accurate in all material respects and that all disclosures necessary to enable the reader to gain an adequate understanding of GRDA's financial position and results of operations have been included in the Management Discussion and Analysis and other accompanying reports. Responsibility for the accuracy, completeness and fairness of the financial statement presentation and disclosure rests with the management of the Authority.

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

A Grand New Beginning presents GRDA's 2017 financial and operating highlights. It also illustrates how GRDA has quite literally risen from the ashes with one generation plant, begun generating with the world's most efficient combined-cycle natural gas plant, and continued to increase its renewable energy portfolio with more wind power. Like a phoenix renewing itself, GRDA, amidst the fire at one of its plants and the dynamic changes in the utility industry, used 2017 to forge a Grand New Beginning for GRDA and those it serves.

We are pleased to have you reviewing our financial results and a summary of the steps GRDA is taking to continue its commitment to the mission of "5 E's of Excellence."

Sincerely,

Daniel S. Sullivan
General Manager/Chief Executive Officer

Eddie Rothermel
Chief Financial Officer/Treasurer

GRAND
New Beginning

SUMMARY OF 2017 HIGHLIGHTS AND ACCOMPLISHMENTS

The Grand River Dam Authority's (GRDA's) resiliency in 2016 poised it to rise to a ***Grand New Beginning*** in 2017. The Authority celebrated the dedication of Grand River Energy Center Unit 3 (GREC 3), a 495 MW combined-cycle natural gas plant. This dedication included an announcement from Mitsubishi Hitachi Power Systems of America, the manufacturer of the plant's 501J gas turbine, that the newly constructed unit was the most efficient 60 hertz power plant in the world. The Authority's GREC 2 quite literally rose from the ashes to celebrate its return to service. The Authority received the Municipal Electric Systems of Oklahoma's *Clarence Fulkerson Electric System Achievement Award*, given annually to the public power utility that distinguishes itself for exemplary system improvements and reliability. The Authority also received the Government Finance Officers Association's *Certificate of Achievement for Excellence in Financial Reporting* for the 17th consecutive year.

As Winston Churchill said, *"It is the courage to continue that counts."* As the highlights below will illustrate, the dedication of the Authority's employees and their courage to continue to focus on our core missions, the "5 E's", shine. The employees have pulled together with their diversity, qualifications, and years of experience to overcome challenges and raise the Authority to a ***Grand New Beginning***.

As the electric industry continues to become ever more dynamic with each passing year, the focus on the Authority's core missions helped the Authority achieve excellence despite the challenges that arose in 2017. Historic rainfalls in the month of April led to heavy flooding in the Grand River and Illinois River watersheds, but the Authority's floodgate operations limited downstream flooding. Renewable energy continues to flow into the Integrated Marketplace at staggering levels. What's more, the Authority was able to improve its environmental stewardship by participating in this environmentally green effort through power purchases in the marketplace and in bilateral renewable energy purchase agreements, bringing increased levels of renewable power to customers.

The commitment of the Authority's Board, management, and workforce to efficiency, low-cost and reliable electricity, economic development, environmental stewardship, and to all of the Authority's employees, brought GRDA to a ***Grand New Beginning*** in 2017 and prepares the Authority to be an *Oklahoma Agency of Excellence* for many years to come.

Core Missions Accomplishments:

Electricity
We will produce low-cost, reliable electricity for our customers.

GRDA recognizes its relationship with customers is the key to success and strives hard in many ways to make sure the customers' needs are met. Open communication with customers is nurtured with annual customer meetings. GRDA invites representatives from all customer classes to attend a meeting held with customers of like classes to hear the state of the Authority directly from GRDA management. Materials highlighting the previous year are distributed and customers are given an opportunity to visit and ask questions of representatives from all departments of the Authority. The more engaged we are with customers, the better prepared the Authority can be to meet customers' evolving needs.

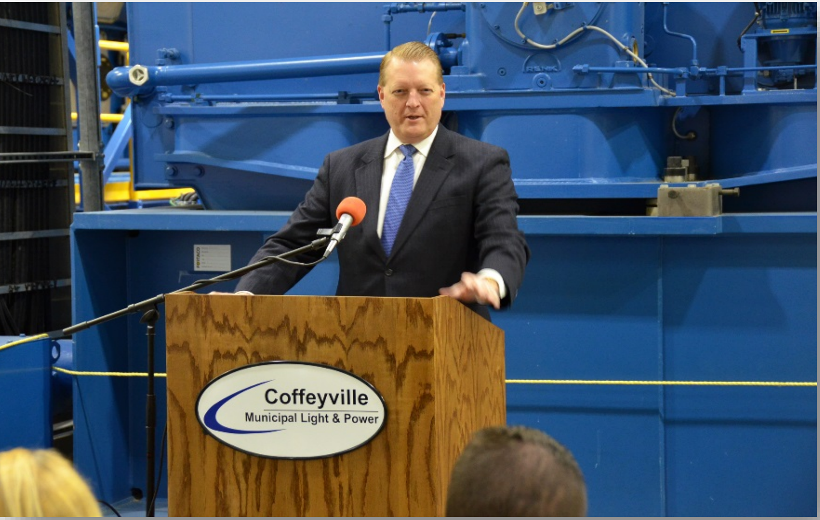
GRDA sells electricity to customers under three primary relationships:

> First, wholesale electricity is sold to municipalities. These customers take all of their energy requirements, with minor exceptions, from GRDA under take-and-pay contracts for metered loads often connected directly to GRDA's transmission system.
>
> Second, the Authority is statutorily allowed to sell retail to customers located in or near the MidAmerica Industrial Park, Pryor, Oklahoma. These customers also take all of their energy requirements from GRDA under take-and-pay contracts.
>
> Third, the Authority sells wholesale electricity to off-system municipal and cooperative utilities under firm take-or-pay contracts.

Because GRDA has served the take-and-pay customers for decades, the load is relatively predictable. The scheduling terms in the firm contracts provide a base resource to the customers, and load and revenue security to the Authority. The Statistical Section of this report includes statistics on loads by customer categories over the past 10 years. To date, increased sales in the MidAmerica Industrial Park have offset other load decreases.

Wholesale Municipal Customers
GRDA directly serves 16 Oklahoma municipal customers and two other municipalities just across the state border that own and operate their own distribution systems. The Authority has some customers it has served for more than 70 years.

Coffeyville, Kansas, the Authority's largest municipal customer, is located just across the state line. Coffeyville has a population of over 10,000 with a strong industrial base, accounting for two-thirds of the Authority's power sales to the city. In October of 2015, Coffeyville Municipal Power and Light (CMP&L) broke ground on a new 56 MW natural gas generation plant, a project made possible by the purchase power agreement between Coffeyville and GRDA, which was placed into operation in 2017.



Likewise, the City of Stillwater, with a population of approximately 47,000, is the Authority's second largest municipal customer with primarily a residential and commercial revenue base, also broke ground on a 56 MW natural gas-fired reciprocating engine generating unit in July of 2015, which was placed in operation in 2016.

While the cities own their new generation, GRDA purchased the capacity and has the rights to dispatch the energy output of the units. As part of the Authority's resource mix, GRDA offers the units into the SPP Integrated Market.

Retail Industrial and Commercial Customers

The Authority currently serves approximately 80 industrial and commercial customers, all but one of which are located in the MidAmerica Industrial Park ("MAIP") near Pryor, Oklahoma. The park, owned and operated by the Oklahoma Ordnance Works Authority, is a public trust of the State of Oklahoma and the nation's largest rural industrial park (by acreage). The 9,000–acre park is home to over 80 companies employing over 4,500 people.

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

The Authority is proud to be the electric service provider to the Google facilities located in the MAIP. Google announced it was coming to Oklahoma in 2007. By 2012, Google announced its investment at MAIP would reach $700 million. In 2016, Google announced that its investment would reach $2 billion by 2018. Most recently, Google announced its investment in its facilities in the park will reach $2.5 billion. GRDA is pleased to provide Google the reliable electric service it needs and to help Google meet its renewable energy goals.

Wholesale Off-System Municipal and Cooperative Customers

While GRDA's lakes and most generation and transmission facilities are physically located in Northeast Oklahoma, the economic benefits of GRDA's low-cost, reliable power and energy are spread all across Oklahoma. Over 15% of the electricity revenues came from off-system firm relationships with Western Farmers Electric Cooperative (WFEC) and the Oklahoma Municipal Power Authority (OMPA), with service territories primarily in the southern and western portions of the state of Oklahoma.

WFEC, along with its 17-member Oklahoma distribution cooperatives and Altus Air Force Base, is GRDA's largest customer. WFEC also has four cooperatives in New Mexico, as well as users in Kansas and Texas. The WFEC and GRDA relationship has been strong since the early 1980's when each utility depended on the other for reliability as a backup source of energy. That original relationship and transmission arrangement transitioned into a mutually beneficial supply and purchase arrangement for both entities. WFEC and GRDA are discussing extending the term of its contractual relationship.

GRDA has served OMPA through a Power Purchase and Sale Agreement since 1985. OMPA is also a state agency and component unit of the State of Oklahoma, which was created to provide adequate, reliable and affordable electric power to Oklahoma's municipally owned electric systems. OMPA presently serves 42 municipally owned electric systems. Indirectly, GRDA generation provides a portion of the requirements to those 42 OMPA participating cities in Oklahoma.

The relationships with OMPA and WFEC take GRDA's presence across the state. When added to the service provided through GRDA's direct customer contracts, the wholesale contracts with WFEC for 200 MWs through 2025 and OMPA for 40 MWs through 2040, GRDA power and energy serves some portion of 75 of Oklahoma's 77 counties. Both WFEC and OMPA are served under take-or-pay firm schedules. OMPA also has a contract with GRDA for generation delivered pursuant to a 20 MW, unit-contingent output contract based on the production from GREC 2 at GRDA's GREC.

GRDA also exports power and energy through firm take-or-pay contracts to neighboring states: Kansas - Kansas Municipal Energy Agency (KMEA); Arkansas - Paragould Light & Water Commission; and Missouri – City of Poplar Bluff. This diversity in the customer base provides additional revenue stability for GRDA.

Generation and Contract Resources

On October 27, 2017, GRDA officially dedicated its new combined cycle gas generation plant at GREC, named GREC 3. The Authority had worked closely with and had the full support of its customers in making the decision to build this generation plant, the first new plant for GRDA in over 30 years. This plant will use Oklahoma natural gas to produce 495 MWs. During the dedication, Mitsubishi Hitachi Power Systems CEO/President Paul Browning announced that initial testing of GREC 3 proved the plant to be the most efficient 60 hertz power plant in the world.

On November 8, 2017, the Authority rededicated its newly-refurbished GREC 2 coal-fired plant. The plant had been engineered to comply with Mercury and Air Toxics Standards just months before the lightning strike set in motion events that left GREC 2 significantly impaired. Today, the plant has been refurbished and is ready to generate 520 MWs.

These generation plants are a part of the diversified mix of power resources the Authority has developed. The Authority has a 10-year capital investment plan that provides for the maintenance and improvements needed for its plants and transmission system to provide reliable

power in an efficient manner. GRDA is pleased to be able to boast about its 99.996% reliability in its distribution system serving its customers within the MAIP.

Today, the Authority's resource mix includes 254 MWs of run-of-river hydro generation; 258 MWs of pumped-storage hydro generation; 520 MWs of coal fired thermal generation that complies with Mercury and Air Toxics Standards; 495 MWs of combined cycle gas generation; 25 MWs of gas generation from GREC 1's ignitor system; 387 MWs of energy from wind generation under renewable purchase power agreements; 443 MWs from GRDA's 36% ownership of a combined cycle gas plant; and 171 MWs in customer capacity purchase agreements. With GRDA's new GREC 3 and newly refurbished GREC 2, GRDA's Board Chairman Joe Vandevier announced at the rededication of GREC 2, "Today we are sitting on this site with nearly a gigawatt of new generation. Not every utility is in such an enviable position."

Employees

We will be a diverse and energetic workforce, working together in a safe environment and treating each other with dignity and respect.

The Authority is celebrating another year of improved safety statistics. The GRDA Safety Coordinator refers to GRDA's status as a "safety renaissance" created by administration's support for more and focused training, better equipment, and a "safety first" mindset among the workforce. It's working. Not only have workers compensation claims decreased, but the severity of the claims has also decreased. In 2017, GRDA celebrated its lowest recordable incident rate since 1988. When compared to 2016, the Authority's Total Recordable Incident Rate (TRIR) was down 41.58%; Days Away or Work Restrictions were down by 50%; more significant cases with only Days Away were down 58.29%; cases with Restrictions Only were down 39.89%, and Other Recordable cases were down 28.51%. The Authority continues to make every effort to be able to have its employees return home in the same condition as when they left for work. Seeing these percentages rise is a reflection of that commitment.

Like many other entities in Public Power, the Authority has been working through many retirements in its workforce. To address the loss of employees that held decades of knowledge and experience, management has spent the last few years working on succession plans and providing leadership training, including the initiation of new training geared towards its supervisors and future supervisors. *The Power of a Modern GRDA Leader* is a comprehensive approach to all phases of leadership, focusing on servant leadership, which was first provided to all executive management then was subsequently offered to nearly every supervisor in the Authority. GRDA also holds quarterly first-level supervisor roundtable meetings to foster Authority-wide communication and further empower the workforce.

GRDA is very active in supporting education and workforce development with area schools and other partners. GRDA spoke to a group of educators from Mayes and Rogers counties at a special "teacher summer camp," coordinated by the MAIP. The Authority was able to talk about career opportunities at GRDA for their students and the skill sets and education requirements that they would need. The Authority is an active participant in career fairs and has a successful relationship with an internship program with the University of Tulsa. GRDA also has a focused effort with Pryor Public Schools that brings GRDA employees into the classroom to present information to the students about their jobs and also brings the students to GRDA to shadow employees in their jobs. The Authority has also expanded its recruiting efforts to national recruiting sites.

The Authority is likewise active in efforts to build employee relationships with other public power entities. GRDA hosted the 2017 Municipal Electric Systems of Oklahoma Lineworkers Rodeo and Training Session at the MAIP. This event was an opportunity for GRDA employees to not only engage in some friendly competition with public power lineworkers from all over the state, but to also work together and learn from each other. This event also

provides familiarity that becomes essential when ice or high winds come sweeping down our plains causing damage that requires mutual aid to bring power back to our customers in a safe and efficient manner.

Unfortunately for our public power partners, there were multiple opportunities to provide mutual aid following Hurricane Harvey and Hurricane Irma. GRDA was pleased to be able to provide mutual aid in Texas, Florida, and the U.S. Virgin Islands. The crews learn invaluable first-hand approaches to bringing power back after such disasters, and GRDA also builds its relationships for mutual aid should it ever have to call on it. The far-reaching responses to these events highlighted another benefit of being a public power provider – you literally have comrades across the United States that are willing to assist you in a time of need.



GRDA employees work together to support those in a time of need in our communities. Many volunteer events are coordinated throughout the year bringing coats and gloves to shelters, food to community pantries, and funds to United Way entities across Oklahoma that can be chosen by individual employees. The Authority had seven teams with at least six members each that participated in a *Walk the Line* fundraiser in support of GRDA's lineworkers and to benefit the Oklahoma Lineworkers Association. Each team committed to walking 1,215 miles, representative of the miles of transmission line that GRDA maintains. GRDA employees lift themselves up by lifting up others and build respect for one another at the same time.

Environmental Stewardship

We will practice environmental awareness and promote conservation and reclamation of the natural resources under our control.

Grand Lake Watershed Plan

As part of our focus on environmental stewardship, the Authority continues its commitment to caring for the Grand River Watershed and promoting its importance across the region. The Authority's Board has approved two interagency agreements with the University of Oklahoma and Oklahoma State University for watershed conservation and the study of the economic value of water-based recreation associated with the watershed. These groups will compile and assess watershed data to focus on not only environmental quality metrics such as bacteria, dissolved oxygen and sediment, but also with the intent to educate the public across the area. Similar agreements are also in place with Rogers State University and Pittsburg State University, which is located in Pittsburg, Kansas.

GRDA and Northeastern State University (NSU) have partnered with a research laboratory on the NSU campus to facilitate interaction among the students, scientists, and water resource professionals. This lab is researching topics that include water quality, animal movement, and bacteria comparisons. The data collected from these projects will offer water quality predictability for GRDA.

GRDA and Northeastern Oklahoma A&M College (NEO) have a partnership to expand agriculture education opportunities. The college has leased nearly 3,000 acres of GRDA acreage along the Neosho River. Some property will be subleased to pecan producers and cattle ranchers, with proceeds going to fund agricultural education and scholarships. Other property will be utilized as outdoor classrooms, making NEO A&M a national leader in agricultural education. NEO has initiated an undergraduate research project that centers on wheat production, evaluated water quality and watershed management at GRDA's Ecosystems and Education Center, explored pecan production and processing, and evaluated natural stands of timber.

FERC and the GRDA Rule Curve

GRDA received an amendment from the Federal Energy Regulatory Commission (FERC) to its license which will be in effect through the remainder of the license period, March 2022. This amendment means GRDA will no longer be required to lower the elevation of Grand Lake by three feet in mid-August each year. The rule had been in effect to facilitate a millet seeding project on mud flat areas around the lake shore. However, the lowering of the lake level by three feet just prior to the popular boating holiday, Labor Day, caused recreational safety concerns. Under the amended license, GRDA will only be required to lower the lake by one foot through mid-September and will then drop it another foot during the fall and winter months. GRDA continues to work with other parties noted above to craft a long-term solution to any impact on the millet seeding project.

Rush for Brush

For many years, GRDA has hosted a *Rush for Brush* at the lakes associated with the Authority's hydro-generation plants. This program encourages local individuals to volunteer and partner with GRDA in conservation by constructing and deploying artificial structures to enhance the fishery habitat in the Grand Lake O' the Cherokees and Lake Hudson. The program has grown through the years and is now an event that is featured in all of the local newspapers and on news programs. It has even been featured in a few out-of-state publications. In 2017, the event was honored by Keep Oklahoma Beautiful (a Keep America Beautiful Affiliate) as an Environmental Excellence Competition Winner.

Economic Development

We will support economic growth and quality of life enhancement in Oklahoma.

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

GRDA is a vital component of Oklahoma's infrastructure and enriches the state's economy and quality of life. While its operational effect is considerable by itself, GRDA's impact on the state economy goes beyond the influences resulting from employment and payroll. In addition to a substantial effect from capital investment, there is also a sizeable impact resulting from sustainable, reliable and low-cost electric power to the state. The GRDA or Authority facilitates economic development and provides stewardship to the state's environmental resources thus enhancing quality of life in Oklahoma.

The contruction of GREC 3 brought economic growth to the Pryor Creek area. At one point, there were over 1,000 non-GRDA workers on the site making sure the project was successful. As GRDA celebrated the grand opening of the plant, Congressman Markwayne Mullin stated, "GRDA has shown over and over again that they are investing for the future. They are investing in our communities. They are investing in our state and using our resources."

GRDA's investment supports growth by its customers. With Google's continued investment in its facilities in the MAIP, GRDA is now providing electric service to Google's second largest data center in the world. "Oklahoma has proven to be an important home for Google since opening our data center operations here in 2011," said Andrew Silvetri, head of external affairs for Google in Oklahoma. "We've been able to accelerate our growth here in part due to the incredible support from our Mayes county partners and the state of Oklahoma. We look forward to continuing our success in Oklahoma." GRDA is proud to be one of those partners.

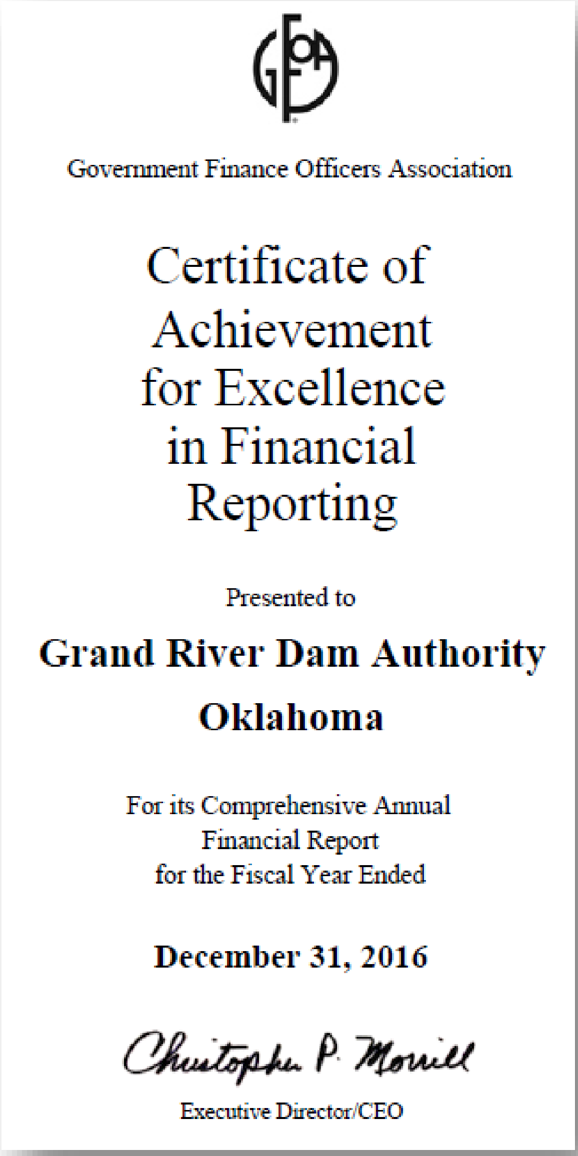
The Authority provides support for growth among its wholesale providers as well. GRDA funds a consultant to provide visioning sessions in our wholesale communities to help them develop a strategic plan for growth. This support led to a ribbon cutting in the City of Wagoner, a GRDA wholesale customer, in September 2017, to celebrate an investment by DMI Cos. of at least $4.5 million that will put a vacant, 198,000 square foot building back into service and bring 60-75 new jobs to the community within five years. The Authority also hosted a Request for Information (RFI) Best Practices Workshop, providing a consultant in this area to equip the communities with the knowledge and strategy needed to successfully develop high-quality responses to RFIs to improve success in the site selection process. GRDA knows that growth in its customer communities leads to growth for GRDA.

GRDA recognizes the importance of maintaining the support of its legislature. The Authority has found there is no substitute for seeing its operations and economic impact in person, and partners with others in the community to host legislative members at events to expand on their first-hand knowledge of GRDA and its operations.

Efficiency

We will operate in the most efficient manner possible, to benefit our ratepayers and the people of Oklahoma.

The Authority's Chief Executive Officer has challenged GRDA management and employees to make 2018 the Year of Efficiency, to find and implement long-term cost cutting measures, while not impacting service or reliability or jeopardizing the safety of our employees or others. However, there were still many strides forward in efficiency that took place in 2017.


Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Grand River Dam Authority
Oklahoma

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

December 31, 2016

Christopher P. Morrill

Executive Director/CEO

Information Technology Advances

In the fall of 2017, the Authority procured an enterprise resource planning system (ERP) and began developing the process for migrating information to the new system. This integrated system will allow the agency to rid itself of software systems that do not communicate with each other and the numerous individual spreadsheets maintained throughout the agency. The ERP system will bring numerous efficiencies in business processes and reporting.

The Authority also acquired an enterprise asset optimization software system designed specifically for the SPP Integrated Marketplace the Authority operates in. This system became operational in April 2018 and will provide countless efficiencies in developing bidding strategies, hedging strategies, settlements, etc. This enterprise approach will provide the consistency and transparency of information needed by all departments within the Authority to make well supported, quick decisions in this fast-paced industry. Maximizing the Authority's efficiency, productivity, and revenue is our goal and this integrated solution will give us the support needed to help us get there.

GFOA Certificate of Achieve Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its comprehensive annual financial report for the calendar year ended December 31, 2016. This was the seventeenth consecutive year the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental agency must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. GRDA believes the current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and the Authority is submitting it to the GFOA to determine eligibility for another certificate.

Managing Volatile Fuel Prices

The Authority has expanded its fuel hedging activities to minimize the impact of volatility in fuel prices. GRDA uses a Risk Oversight Committee composed of senior management and key managers to conduct a monthly review of current risk topics, fuel costs, and other operational exposures and hedging activities. The committee operates under the Board's Risk Policy and an Energy Hedging Program developed by the committee and reviewed by the Board. The committee also makes a monthly report of all trading activities to the Audit and Finance Committee.

Commitment to Continued Growth through the 5 E's

The Authority's management and employees remain committed to moving onward and upward, using what it refers to as its 5 E's of Excellence as its guide: Electricity, Employees, Environmental Stewardship, Economic Development, and Efficiency. One of Oklahoma's favorite sons said,

Even if you are on the right track, you'll get run over if you just sit there.
Will Rogers

GRDA believes that the support of its customers through long-term contracts and major investments, as well as the following financial statements, shows that GRDA is on the right track. GRDA's mission of achieving excellence utilizing the values in the 5 Es is our commitment to those customers that we will continue to move forward on that track.

Internal Control Framework and Budgetary Controls

Maintaining Accountability

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

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

GRDA is a policy driven organization. GRDA Directors review Authority policies at least annually to provide reasonable assurance that an effective system is in place to assure internal control objectives will be achieved and resources will be protected. Directors also utilize an active committee structure to provide for interaction between the employees and the Directors with the most experience in the committee's field and to provide direction in preparation for the full Board's review of matters. The Director of Financial Compliance reports regularly to GRDA's Audit, Finance, Budget and Policy Committee.

The GRDA Board of Directors provides direction and authority for management to conduct day-to-day business in monthly meetings open to the public. Conducting the Authority's business in this transparent environment helps provide assurance to the public that GRDA is expects to be accountable for its transactions. Furthermore, electronic files of disbursements are provided periodically to the state of Oklahoma, which makes the information readily available to the public through the state's websites.

Inherent Limitations

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

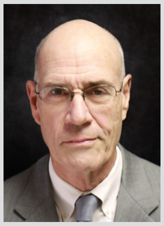
Independent Audit

The financial statements are the responsibility of management. As required by state statutes and bond covenants, independent public accountants are required to express an opinion on the Authority's financial statements based on an audit. The annual audit of the financial statements of the Authority has been completed by Deloitte & Touche, LLP for the calendar year ended December 31, 2017, and their opinion is included in the Financial Section of this report along with the accompanying financial statements and notes.

Acknowledgments

The preparation of this report could not have been accomplished without GRDA's Finance and Corporate Communications departments. GRDA would like to thank our independent auditors, Deloitte & Touche LLP, for their continued highest standards of professional service. Our appreciation also goes to the GRDA Board of Directors and Audit Committee for their commitment, for their expertise, and for having the highest of expectations. We would like to thank our employees and co-workers and our customers for working together as partners. While the Authority proved its resiliency in 2016 to maintain its operations despite a lightning strike at a major generation plant and the unexpected loss of a long-term, large customer, as well as many other challenges, it used 2017 to rise even higher to a ***Grand New Beginning***.

Board of Directors



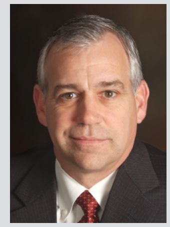
Joseph Vandevier
Chairman
Owasso, OK
Governor Appointee
Representing
Industrial and
Commercial Customers
Term ends Aug 2019

Tom Kimball
Chairman-Elect
Owasso, OK
Senate Pro-Tempore
Appointee,
At-large Director
Term ends Aug 2022

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

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

Jim Richie
Tulsa, OK
House Speaker
Appointee,
At-large Director
Term ends Aug 2021



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

Stephen R. Spears
Cushing, OK
Retired 12-31-2017

Dwayne Elam
Wagoner, OK
Ex Officio Director
Municipal Electric
Systems of Oklahoma
Appointed 1-2018

Management & Organizational Chart

Daniel S. Sullivan
President/CEO

Tim Brown
Executive VP
Chief Operating Officer

Health Lofton
Executive VP
General Counsel

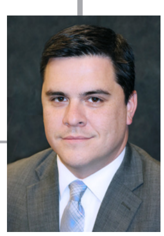
Eddie Rothermel
Executive VP, Chief
Financial Officer,
Treasurer

Ellen Edwards
Executive VP
Compliance

John Wiscaver
Executive VP
Corp. & Strategic
Communications

Charles J. Barney
Executive VP Fuel and
Generation Projects
Retired 1-1-2018

Sheila Allen
Corporate Secretary



Nathan Reese
Executive VP
External Relations

Steve Wall
Executive VP
Chief Information Officer
Hired 2-2018

John Goodwin
Executive VP
Human Resources

Brian Edwards
Executive VP
Chief of Law Enforcement
and Lake Operations

Darrell Townsend, Phd.
VP Ecosystems &
Watershed
Management

Justin Alberty
VP Corporate
Communications

Ed Fite
VP River Operations
and Water Quality

William M. Herron
VP Engineering, System
Operations & Reliability

Robert Ladd
VP GREC Operations

Steve Jacoby
VP Hydroelectric
Projects

Mike Waddell
VP Transmission and
Distribution Operations

Jeff Brown
Director of Financial
Compliance

Stace Kegley
Manager
Compliance

FINANCIAL

Section

Comprehensive Annual Financial Report
For The Years Ended December 31, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Grand River Dam Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the Grand River Dam Authority (the "Authority"), a component unit of the State of Oklahoma, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2017 and 2016, and the respective changes in its financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

Deloitte & Touche LLP

March 31, 2018

Management's Discussion and Analysis – Unaudited

The following discussion and analysis of the Grand River Dam Authority's (GRDA or the Authority) financial performance provides an overview of the Authority's financial activities for the year ended December 31, 2017, and 2016, in comparison with the prior year's financial results. Please read it in conjunction with the financial statements, which follow this section.

USING THIS FINANCIAL REPORT

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

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

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

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

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

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

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

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

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

FINANCIAL HIGHLIGHTS

The Authority celebrated the receipt of two rating increases in 2016. The first came on October 6, 2016, with an announcement by Fitch that it was assigning an "A+" rating to the Authority's Series 2016A and 2016B Bonds. Fitch also upgraded GRDA's Series 2008A, 2010A, 2010B, 2014A and 2014B Bonds to "A+" from "A" with a rating outlook revision to "Stable" from "Positive." The following day, Standard & Poor's Global Ratings announced that it would raise its long-term rating and underlying rating (SPUR) to "AA-" from "A+" on GRDA's earlier bonds and announced it was assigning an "AA-" with a stable outlook to the Series 2016A and 2016B Bonds. These rating increases serve as testimony of the Authority's continually improving financial position and were reaffirmed by the rating agencies preceding the advanced refunding of a portion of the Series 2010A Revenue Bonds in August 2017.

On the evening of July 1, 2016, a lightning strike precipitated a fire at the Grand River Energy Center (GREC), which resulted in a short outage of GREC 1 and the impairment of GREC 2. GREC 1 was successfully returned to operation July 19, 2016, and GREC 2 was returned to service in September 2017.

As of the end of 2017, restoration of the turbine-generator and auxiliary systems approximated $146.2 million; however, the Authority is fully insured and has been made mostly whole by its insurer. Costs to the Authority have thus far been materially limited to $4.3 million, which includes the $1.3 million insurance policy deductible. While the unit has been fully returned to service, further minor repairs associated with ancillary plant assets remain to be completed in 2018. GREC 3 construction also reached substantial completion December 23, 2017, though it reached the milestone of sellable power on June 1.

The Authority ended 2017 with firm wind purchases of 247 MW from Oklahoma wind farms, with another 140 MW placed into service January 1, 2018. In combination with existing hydroelectric generation, these diverse resources allow the

FINANCIAL HIGHLIGHTS - DECEMBER 31, 2017, 2016 AND 2015

	2017	2016	2015
CONDENSED SCHEDULE OF NET POSITION			
Assets:			
Current assets	**204,502,845**	266,859,465	187,394,076
Net utility plant	**1,246,041,479**	1,244,661,834	1,080,625,744
Noncurrent investments	**317,336,649**	305,533,763	599,081,087
Other noncurrent assets	**6,567,037**	4,586,150	10,661,010
Total assets	**1,774,448,010**	1,821,641,212	1,877,761,917
Deferred outflows related to pension plans	**10,358,992**	17,765,376	3,192,494
Deferred outflows related to loss on reacquired debt	**37,967,108**	29,563,900	-
Deferred outflows related to derivative hedges	**539,198**	-	-
Total deferred outflows	**48,865,298**	47,329,276	3,192,494
Liabilities:			
Current liabilities	**63,263,166**	111,699,020	128,852,811
Noncurrent liabilities	**1,108,505,456**	1,130,293,579	1,153,381,782
Total liabilities	**1,171,768,622**	1,241,992,599	1,282,234,593
Deferred inflows related to pension plans	**3,582,289**	588,385	4,216,446
Deferred inflows related to regulated operations	**42,959,617**	28,501,794	-
Total deferred inflows	**46,541,906**	29,090,179	4,216,446
Net Position:			
Net investment in capital assets	**269,911,995**	271,706,418	344,780,665
Restricted for:			
Debt service	**12,523,713**	18,524,344	18,238,867
Rate Stabilization	-	21,000,000	-
Other special purposes	**2,230,264**	2,377,982	2,478,663
Unrestricted	**320,336,808**	284,278,966	229,005,177
Total net position	**605,002,780**	597,887,710	594,503,372

FINANCIAL HIGHLIGHTS - DECEMBER 31, 2017, 2016 AND 2015 (continued)

	2017	2016	2015
CONDENSED SCHEDULE OF CHANGES IN NET POSITION			
Operating Revenues:			
Sales of power	**422,294,469**	428,066,100	401,569,988
Other operating revenues	**13,710,781**	14,157,387	12,485,554
Transfer (provision) for rate stabilization	**-**	(21,000,000)	-
Total operating revenues	**436,005,250**	421,223,487	414,055,542
Non-Operating Revenues:			
Investment income	**7,582,222**	20,394,413	11,775,150
Net increase (decrease) in fair value of investments	**606,602**	(2,491,488)	(2,278,347)
Award revenue - operating	**487,466**	458,782	191,808
Income from nonutility operations	**443,579**	2,076,492	1,338,773
Costs (recovered) to be recovered	**(14,724,084)**	-	-
Total non-operating revenues	**(5,604,215)**	20,438,199	11,027,384
Total revenues	**430,401,035**	441,661,686	425,082,926
Operating Expenses:			
Purchased power-net	**(138,401,740)**	(78,339,797)	(44,525,854)
Depreciation	**(71,935,555)**	(69,673,894)	(67,953,588)
Fuel	**(70,435,652)**	(119,783,385)	(143,804,114)
Operations	**(61,887,909)**	(55,939,972)	(46,841,448)
Maintenance	**(29,456,552)**	(30,436,172)	(34,068,198)
Administrative and general	**(22,355,136)**	(16,048,057)	(13,201,268)
Total operating expenses	**(394,472,544)**	(370,221,277)	(350,394,470)
Non-Operating Expenses:			
Interest expense	**(50,821,244)**	(50,991,904)	(52,576,879)
Amortization of debt discount and expense	**(878,282)**	(8,276,662)	(889,092)
Amortization of bond premium	**10,450,953**	3,993,414	2,853,637
Total non-operating expenses	**(41,248,573)**	(55,275,152)	(50,612,334)
Total expenses	**(435,721,117)**	(425,496,429)	(401,006,804)
Capital Contributions and Extraordinary Items:			
Loss on disposition of railcars	**-**	(8,049,453)	-
Gain on sale of assets	**6,389,128**	-	-
Inventory obsolescence due to impaired assets	**(4,568,050)**	-	-
Award revenue - capital	**1,869,839**	1,470,730	-
Restoration of impaired assets	**(87,847,175)**	(40,595,768)	-
Insurance recoveries net of impairment loss	**96,591,410**	34,393,572	-
Total capital contributions and extraordinary items	**12,435,152**	(12,780,919)	-
Net increase in net position	**7,115,070**	3,384,338	24,076,122
Net Position – Beginning of year	**597,887,710**	594,503,372	584,740,878
Adoption of New Accounting Standard	-	-	(14,313,628)
Net Position – Beginning of year, as restated	**597,887,710**	594,503,372	570,427,250
Net Position – End of year	**605,002,780**	597,887,710	594,503,372

Authority to produce low-cost, reliable electricity for our customers while also striving to excel in one of the Authority's five E's, Environmental Stewardship.

In May 2016, Oklahoma Senate Bill 1388 was signed into law, directing the Authority to assume the duties and responsibilities of the Oklahoma Scenic Rivers Commission (OSRC) as of July 1, 2016. OSRC was established by the legislature in 1977 to protect, enhance and preserve the Illinois River and its tributaries. While this has allowed the Authority to greatly expand its Environmental Stewardship, the financial impact to GRDA has not been material.

Events that drove the results for the Authority in 2017 are similar to the events of 2016. First, the previously mentioned fire at the GREC accounted for many shifts in Operating Results. Second was the advanced refunding of debt transactions that took place in 2017 and 2016. In August 2017, the Authority issued $90.5 million in revenue bonds, and in November 2016, the Authority issued $496.4 million in revenue bonds, refunding existing debt and capitalizing on the opportunity for lower interest rates.

GRDA is a member of the Southwest Power Pool (SPP) Regional Transmission Organization (RTO). The SPP Integrated Marketplace was the source for a supply of low cost energy to meet the requirements of GRDA customers. A combination of low natural gas prices and an abundant supply of wind generation saved GRDA customers significant money during both 2016 and 2017. Although there was a shift in the sales within the GRDA customer categories, the overall 2016 level of sales rose slightly over prior years; however, 2017 sales saw a slight decrease over 2016.

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

Net Position

The Net Position increased by $7.1 million or 1%, following a similar $3.4 million or 1% increase in 2016. While the increase in Net Position in 2017 was only the result of net income, the increase in Net Position for 2016 was heavily influenced by the funding of a Rate Stabilization, which reduced current year revenue by deferring it to future years. This funding reduced the impact to Net Position by $21.0 million. See further discussion regarding the Rate Stabilization under Operating Revenues. While the Authority sold slightly more energy in 2016 than in the previous years, the discontinuation of service to a cooperative load as of June 1, 2017, accounted for the majority of the 6% decrease of MWh sales. Conversely, GRDA's industrial load has experienced steady increases year over year due to growth in the MidAmerica Industrial Park.

Total Assets decreased by $47.2 million or 3% in 2017 after also decreasing $56.1 million or 3% in 2016. The decrease in 2017 Total Assets is comprised of a $62.4 million decrease in Current Assets offset by an $11.8 million increase in Noncurrent Investments. The 2016 decrease is related to the $231.0 million reduction in Restricted Investments caused by the spending of construction funds for construction activities. This is offset by the $79.5 million increase in Current Assets and $164.0 million increase in Net Utility Plant.

Current Assets decreased by $62.4 million or 23% in 2017 following an increase of $79.5 million or 42% during 2016. Money market funds decreased $21.5 million in 2017 due to the December 2016 transfer of $25.0 million from Construction Funds to the Revenue Fund. Since these reimbursements were processed late in the year, they were held as current investments at year-end 2016 but were converted to long-term investments shortly thereafter, accounting for the 2017 decrease. Accounts receivable decreased by $14.8 million or 27% as compared to 2016, of which $12.8 million was attributable to significant completion of the GREC 2 fire restoration work. Current Cash and Cash Equivalents increased by $61.0 million in 2016. The 2016 increase is primarily due to the timing associated with replenishment of cash in the General Reserve Fund from the restricted Construction Funds. In early 2016, $62.8 million of reimbursements for capital expenditures was replenished, accounting for the majority of the 2016 increase. Additionally for 2016, there was an increase in Accounts Receivable due to a combination of an outstanding FEMA claim related to December 2015 flooding and the amounts not yet approved to be reimbursed to the Authority by the insurance carrier for the July 2016 fire at GREC.

Though the balance of materials and supplies inventory included in Current Assets only increased by $158 thousand, there were significant shifts in the inventories on hand. The addition of GREC 3 triggered the requirement to stock spare parts not previously kept on hand. The Authority also incurred an extraordinary loss of $4.6 million due to materials and supplies inventory obsolescence that resulted from the discontinuation of GREC 1 as a coal-fired generating unit and the upgrade of several systems due to the July 2016 GREC 2 fire. The combination of these two events netted to an immaterial impact to Current Assets.

Receivables for under recovered fuel costs contributed $10.6 million to the 2016 increase in Current Assets and an additional $2.4 million for 2017. Another offsetting impact for 2016 to Current Assets was the depletion of coal inventories, reflected in fuel stock. Fuel stock was depleted by $6.5 million or 14% due to the stoppage of all receipts of coal in the latter half of the year under the force majeure provisions of the Authority's coal contract in response to the GREC fire. As the Authority continued the restoration of GREC 2, the force majeure event remained in place until September 2017. As such, a further decrease of $16.1 million or 42% was seen.

Net Utility Plant remained nearly the same throughout 2017, only increasing $1.4 million, which represents 0.1% increase over 2016. Total 2017 additions were $76.7 million, offset by $70.5 million of depreciation and $4.9 million in net retirements. The 2016 Net Utility Plant increase of $164.0 million was a 15% escalation over 2015. The installation of a forced-air fabric filter on GREC 2 and the payment of significant milestones toward the construction of GREC 3 accounted for the majority of the $404.5 million of capital additions in 2016. The 2016 additions were offset by depreciation expense of $69.7 million and retirements of $40.2 million. The Authority utilized approximately $31.0 million and $24.7 million in current year revenues to pay for total capital additions in 2017 and 2016, respectively. The remainder of the capital additions were paid by unexpended bond proceeds in the restricted construction accounts. In 2017, the Authority sold certain stranded transmission and distribution assets, which resulted in an extraordinary gain on sale of assets of $6.4 million. Conversely, in 2016, the disposition of an unused railcar set resulted in an extraordinary loss on the disposition of $8.0 million. More detailed information about changes in Net Utility Plant is presented in Note 4 to Financial Statements, Utility Plant.

Noncurrent Investments increased $11.8 million or 4% in 2017 after decreasing by $293.5 million or 49% in 2016. The 2017 increase was a result of a $55.7 million increase in General Reserve Fund, offset by a $44.5 million decrease in Construction Funds as the construction of GREC 3 was completed. The 2016 result was driven by a decrease in Restricted Investments of $231.0 million or 53% in 2016. The 2016 decrease relates to a diminution in funds due to the $37.5 million contribution of equity towards the 2016 bond refunding and the use of the Construction Funds, which were mainly progress payments toward the construction of GREC 3.

The Authority's revenue bonds issued in 2016 under its increased rating resulted in substantial savings for the Authority's ratepayers. The Series 2016A and 2016B Bonds were issued to refund portions of the Authority's outstanding revenue bonds while interest rates were at levels that created savings and to finance certain costs of the issuance. Portions of the Authority's Series 2008A and Series 2010A were refunded and all of the Authority's Series 2014C (Federally Taxable) Bonds were redeemed in this transaction. Portions of Series 2010A Bonds were refunded with the issuance of $90.5 million Series 2017 Bonds, resulting in an estimated net present value savings of $11.1 million. These portions were not economically advantageous to refund in the 2016 transaction.

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

Noncurrent Prepaid Assets increased in 2017 by $2.0 million due to payments toward the Redbud combined-cycle natural gas plant advanced hot gas path upgrades that will be installed in 2019. Noncurrent Prepaid Assets decreased $5.7 million in 2016 due to the 2016 Bond refunding requiring the expense of prepaid bond insurance from previous bond issuances.

Current Liabilities decreased $48.4 million or 43% after decreasing by $17.2 million or 13% in 2016. Accounts Payable and Accrued Liabilities continued to decrease in 2017, by $20.4 million or 31%, following a decrease of $9.2 million or 12% in 2016. The decreases in Accounts Payable and Accrued Liabilities were due to the substantial completion of GREC 3 and fire restoration work at GREC 2 in 2017 and the emissions projects at GREC 2 in December 2015. Unearned Revenue Related to Insurance Proceeds also offsets the 2016 decrease in Current Liabilities in the amount of $17.9 million. This amount had decreased to only $21 thousand by the end of 2017. To facilitate a timely and efficient reimbursement of expenditures related to the fire, the insurance carrier advanced funds which were deposited in a restricted account by GRDA. This account has been the source to replenish cash following approval by the insurance company. The balance of the amount unearned by the Authority at the end of each year is presented as part of Current Liabilities.

Under Recovered Fuel Costs shifted from a payable at the end of 2015 to a receivable of $10.6 million in 2016. The Under Recovered Fuel Costs increased slightly to $12.9 million in 2017.

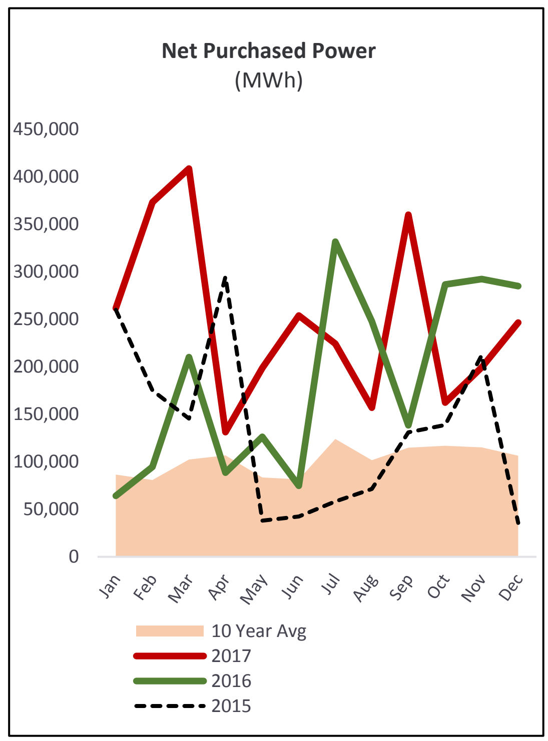
Noncurrent Liabilities, which include the long-term obligations for revenue bonds outstanding, decreased by $21.8 million or 2% after decreasing $23.1 million or 2% in 2016. Both the 2017 and 2016 decreases are attributable to payments of principal on outstanding debt and reductions in Bonds Payable related to the advanced bond refunding transactions. In 2017, Other Noncurrent Liabilities decreased by $7.6 million or 26%, following a 2016 increase of $16.1 million or 124%. Changes in Net Pension Liability account for the vast majority of the changes in each. Additional details about bonds outstanding are presented in Note 6 to Financial Statements, Bonds Payable.

Deferred Outflows of Resources remained relatively consistent, only increasing $1.5 million or 3% following a large increase of $44.1 million in 2016. Deferred Inflows of Resources increased $17.5 million in 2017, following a $24.9 million increase in 2016. These are discussed in further detail in Deferred Inflows of Resources and Deferred Outflows of Resources.

Unrestricted Net Position, which represents the part of net position used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal agreements, increased by $36.1 million or 13% in 2017, following an increase of $55.3 million or 24% in 2016.

OPERATING RESULTS

The Authority was embracing new beginnings as 2017 came to a close, with the completion of the restoration of GREC 2 and construction of GREC 3. It remains a testament to the resiliency and flexibility of the Authority that operating and financial results remained positive in 2017 following a likewise positive year in 2016. The Authority has now operated nearly four years in SPP's Integrated Marketplace, which has provided more financial certainty through the availability of economical Purchased Power. By leveraging available capacity, the Authority has been able to reduce overall costs to customers.



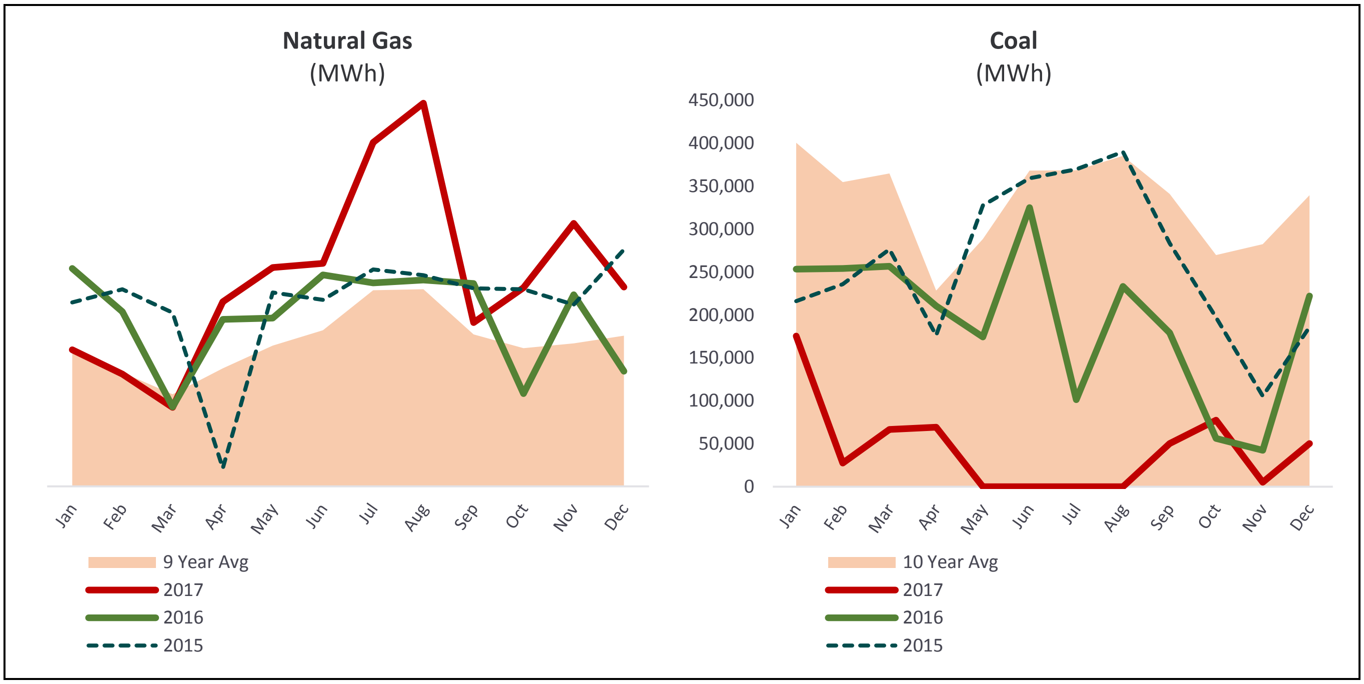
The graph titled "Net Purchased Power (MWh)" depicts the Authority's hourly net purchases of energy from the Integrated Marketplace. As is evidenced by the comparisons of 2015, 2016 and 2017 versus the ten-year average in the light orange shaded area, purchases of power are trending upward. The SPP Integrated Marketplace is designed that the lowest variable cost generation is dispatched ahead of the highest variable cost resources. The continuation of low natural gas prices and the growth of wind resources in SPP have both resulted in the availability of low-priced market energy. The Authority's need to replace generation from GREC 2 due to the fire-related impairment and the discontinuation of GREC 1 as a coal-fired unit have also influenced the purchases of power. GREC 3, which was constructed to replace the base capacity of GREC 1, first produced energy to the grid in March of 2017, which accounts for the sharp drop of Purchased Power in early 2017. GREC 3 was taken offline to upgrade the steam turbine rotor in the fall, which is the reason for the spike again in late 2017.

Since 2013, the Authority's resources have included wind through a 20 year purchased power agreement for a portion of the generation from the Canadian Hills Wind Project. Two other wind projects, Breckinridge Wind and Kay Wind, were added under similar purchased power agreements in 2015. A fourth project, Red Dirt Wind, which became commercially operational January 1, 2018, rounded out the Authority's initial plan for wind resources. The energy produced from these projects is recorded as Purchased Power. The wind purchase agreements provide a hedge against possible increases in fuel costs in future years and help to expand the Authority's environmentally-diversified energy portfolio.

Finally, sales into the spot market represented slightly less than 1% of Total Operating Revenues in both 2017 and 2016. The Authority does not rely on significant spot sales revenues to meet its payment obligations or debt coverage requirements.

As demonstrated by the graph titled "Coal (MWh)", the generation for coal has been substantially lower than the historical ten-year average beginning the second half of 2016 due to the outage caused by the catastrophic fire in that year. While GREC 2 was available for operation in September 2017, coal prices remained uneconomical as compared to both natural gas and the overall available market energy. Combined with the April 2017 discontinuation of GREC 1 as a coal-fired generating unit, the coal generation remained low through the end of 2017.

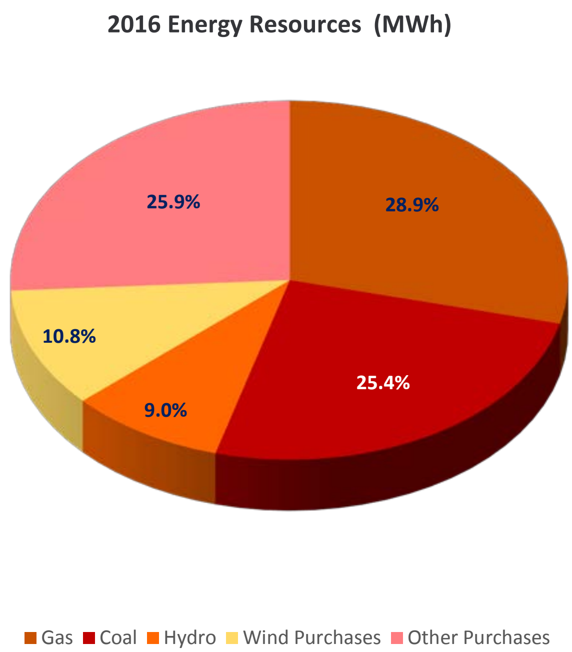
The graphs titled "Natural Gas (MWh)" and "Coal (MWh)" reflect the thermal generation resources used. The graph titled "Natural Gas (MWh)" indicates, there was a scheduled electrical outage for the Redbud plant in April of 2015, while inspection requirements within the Long Term Service Agreement required alternating units to be offline in March and October 2016. It also shows the heavy reliance on GREC 3 during the warm summer months of 2017.

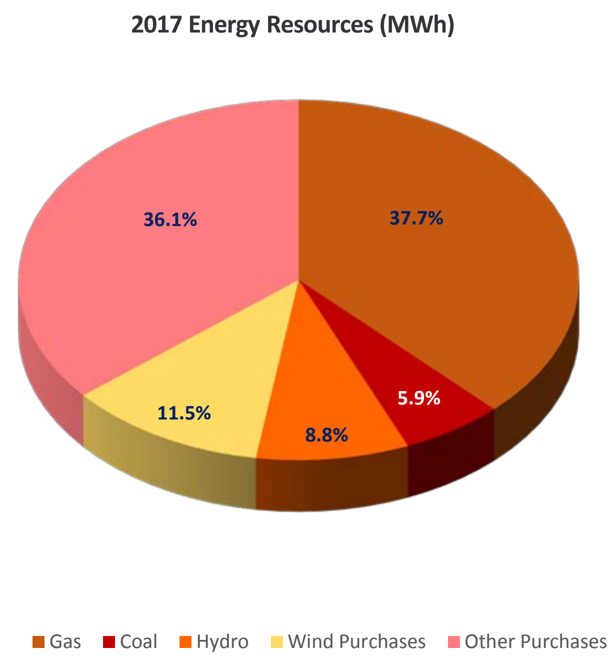


GRDA's capital program included the construction of a nominal 495 MW combined-cycle gas unit, GREC 3, which reached the milestone of sellable power on June 1, 2017. To comply with Environmental Protection Agency (EPA) air quality standards prior to April 16, 2016, environmental upgrades to GREC 2 were substantially completed during the fall 2015 outage, though work continued through early 2016. The Authority filed a request with EPA for an Administrative Order (AO) in February 2015 for a one-year extension for compliance with the Mercury and Air Toxics Standards (MATS) Rule for GREC 1. The extension was originally needed to ensure GRDA could meet SPP capacity reserve margins until GREC 3 became operational. The Authority was initially granted the AO to operate GREC 1 at an annual capacity factor of not to exceed 50% until April 2017; however, the GREC 2 fire resulted in an even greater need for this extension. On September 14, 2016, the Authority was granted an amendment to the AO for GREC 1, allowing generation at an annual capacity factor of not to exceed 80% during the period from April 16, 2016, through April 15, 2017, at which point GREC 1 was discontinued as a coal-fired generating unit.

Though its impact was immaterial to the financial results in 2017, the Authority expanded an Energy Hedging Program that manages market, counterparty, volume, budget, regulatory, model and operations risks through Risk Management Policies. The Board of Directors of the Authority is responsible for an overall understanding of risks and the internal Risk Oversight Committee is responsible for primary operational risk oversight and the implementation of the Risk Management Policies. The Energy Hedging Program has three essential objectives: (1) to achieve a customer power cost to serve native load and off-system firm load at a cost that is materially close to the budgeted amount; (2) to reduce the Authority's exposure to volatile swings in energy and hedging costs and to limit the uncertainty related to market timing when purchasing fuel-related hedges by purchasing a portion of required hedges on a programmatic basis; and (3) to maintain a degree of flexibility allowing the Authority to benefit from a favorable energy market. As these transactions relate to natural gas, realized gains and losses as a result of these hedges are recognized as fuel expense. See Deferred Inflows of Resources and Deferred Outflows of Resources for further discussion.

The graphs titled "2016 Energy Resources (MWh)" and "2017 Energy Resources (MWh)" indicate the energy resources mix upon which GRDA relies to meet the customers' load needs. The availability of adequate generation capacity, along with a reliable transmission system and firm customer contracts, ultimately drive the operating and financial results. The common trend between 2017 and 2016 graphs is the decrease in the Authority's coal generation and the increase in Purchased Power. Wind generating resources have remained consistent throughout 2017 and 2016. While the hydro units continue to play a vital role in both reliability and available capacity, their part in the energy resources mix has lessened in 2017 and 2016. The graphs also depict one of the most telling stories of both 2017 and 2016 as the lower natural gas prices and influx of wind have driven the economic purchases of energy from the Integrated Marketplace.



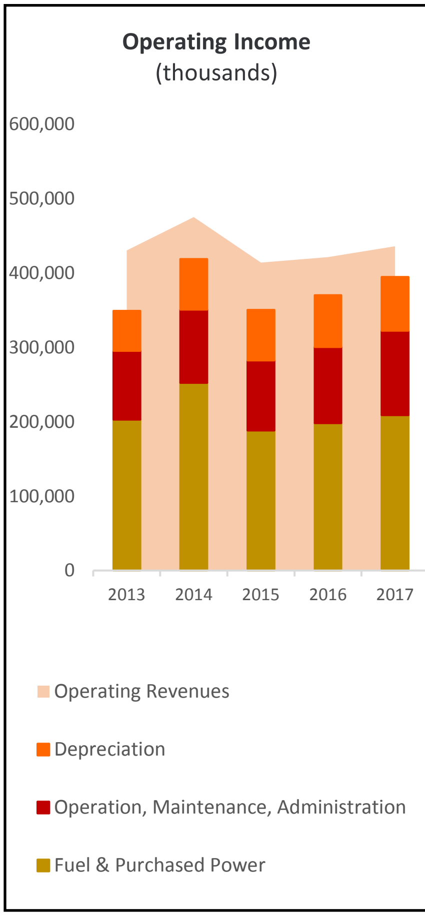


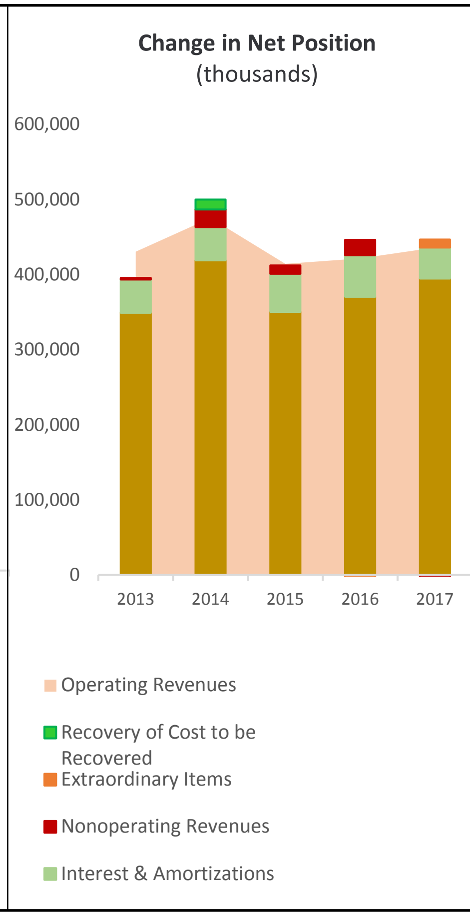
The Authority has a balanced portfolio of generation options providing diversity and employs an experienced team in power marketing that uses those resources in conjunction with the hedging program expanded in 2017, to minimize risks and volatility for the Authority.

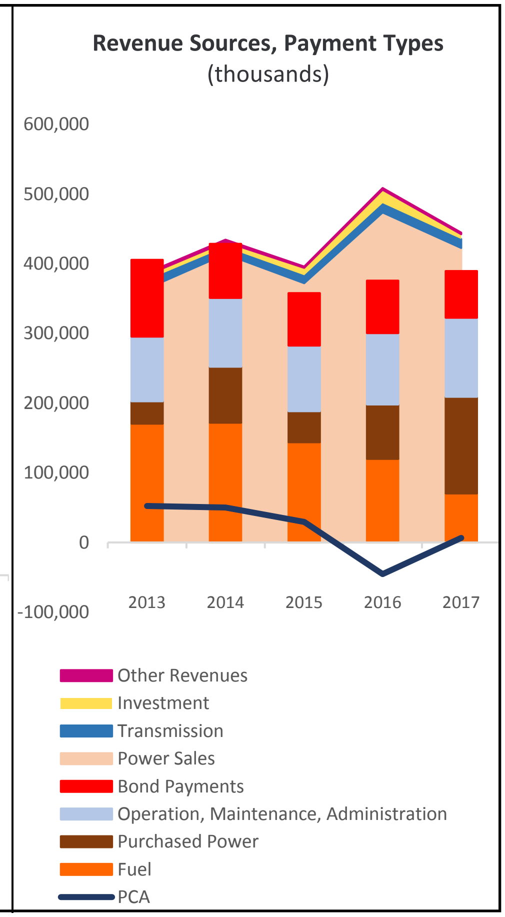
OPERATING INCOME

Operating Income		
	2017	2016
Total operating revenues	**436,005,250**	421,223,487
Total operating expenses	**(394,472,544)**	(370,221,277)
Operating Income	**41,532,706**	51,002,210

Operating Income decreased $9.5 million or 19% after decreasing by $12.7 million or 20% in 2016. The major contributor to the 2016 decrease was the funding of Rate Stabilization, which reclassified $21.0 million of current year revenues to a deferred inflow. This deferred inflow can be drawn in future periods to aid the Authority in mitigating future rate increases. Operating Revenues include Sales of Power which have shown steady increases in industrial customer growth. Operating







Revenues for 2017 continue to experience slight increases year over year as 2017 was $14.8 million or 4% greater than those in 2016, which, again, were slightly higher than those in 2015, increasing by $7.2 million or 2%.

Though the total Operating Revenues for 2017 did increase over the 2016 numbers, had the rate stabilization transfer not decreased the 2016 total, the 2017 Operating Revenues would have decreased by $6.2 million or 1% as compared to 2016. This is discussed in more detail in Operating Revenues. Other Operating Revenues include recovery of revenue requirements for transmission plant recovered through the SPP's administration of the transmission tariffs. Additionally, Non-operating Revenues decreased $26.0 million in 2017 after increasing $9.4 million in 2016. Non-operating Revenues primarily included Investment Income, which accounted for $12.8 million of the 2017 decrease. It also included revenues from third parties for capital asset additions, which was deferred by the Authority by following accounting for regulated operations in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is discussed in further detail in Deferred Inflows of Resources and Deferred Outflows of Resources. This resulted in a further decrease of current year Non-operating Revenues of $14.7 million.

Operating Expenses increased in 2017 by $24.3 million or 7% and in 2016 by $19.8 million or 6%. As previously discussed, Purchased Power, which includes purchased energy and purchased capacity, has been a significant resource for the Authority over the last two years, resulting in an increase in Purchased Power expense of $60.1 million or 77%, following a 2016 increase of $33.8 million or 76%. This is offset by a decrease in Fuel expense of $49.3 million or 41% in 2017 and a decrease in 2016 of $24.0 million or 17%.

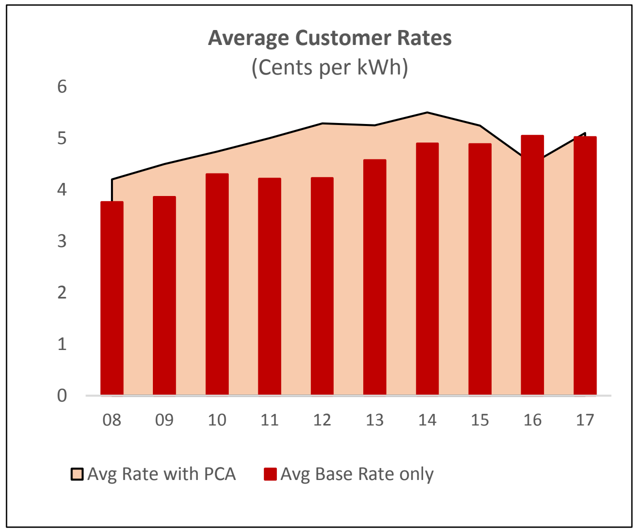
The graph labeled "Operating Income (thousands)" indicates both operating revenues and operating expenses, and the difference in the column height and the shaded area reflects operating income. Operating Revenues are combined with other Non-operating Revenues, primarily interest and investment income, to pay the Authority's expenses. As can be seen in the "Change in Net Position (thousands)" graph to the right of the "Operating Income (thousands)" graph, revenues have consistently exceeded expenses.

The third graph, labeled "Revenue Sources, Payment Types (thousands)," shows the extent to which Sales of Power, which includes the revenue sources labeled Power Sales and the PCA, provide the majority of money to repay GRDA's debt and cover operating costs.

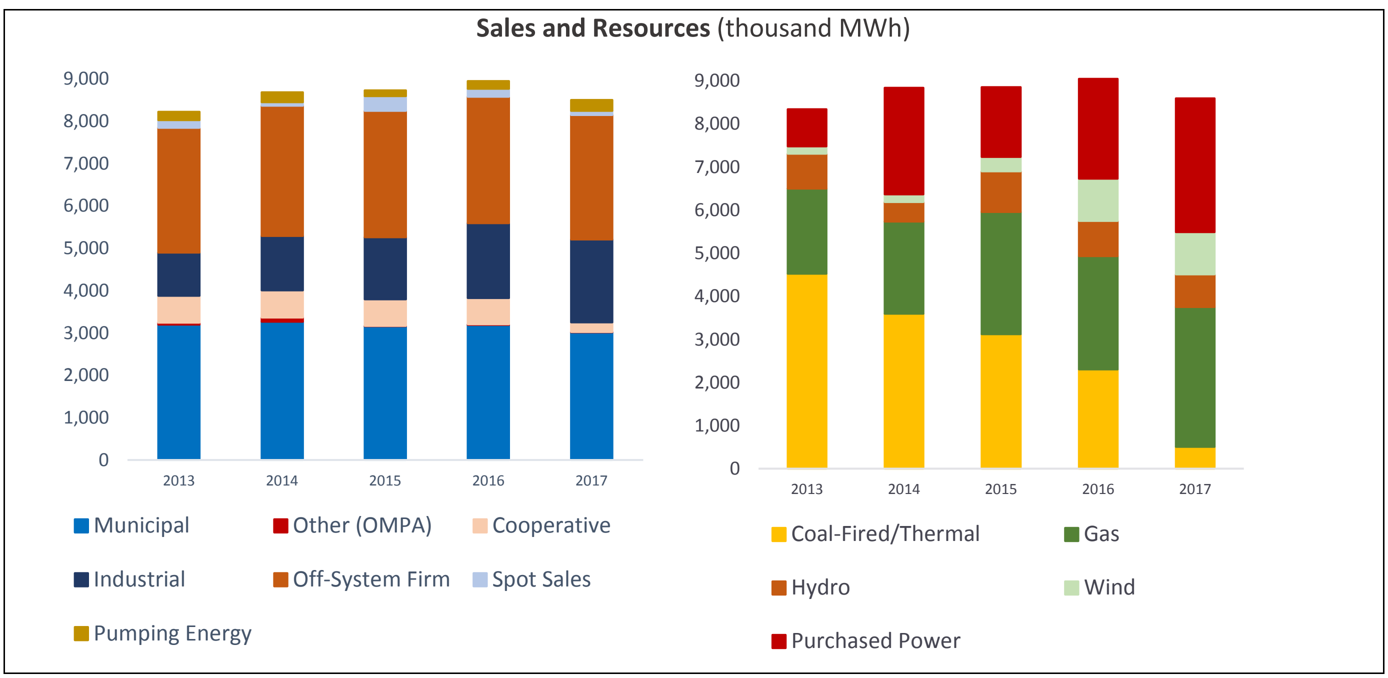
While the first two graphs reflect the income statement amounts, the third graph includes the debt payments, principal and interest recovered through the Authority's rates. GRDA's rate structure is based on a cost-of-service approach, of which fuel and purchased power, debt service and other operating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

OPERATING REVENUES

Operating Revenues for 2017 increased by $14.8 million or 4% following a 2016 increase of $7.2 million or 2%. As previously discussed, a transfer of $21.0 million from current year revenues to a Deferred Inflow of Resources in 2016 reduced the Operating Revenues. Without the impact of the Rate Stabilization transfer in 2016, Operating Revenues for 2017 would have been $6.2 million less than 2016. This is almost entirely attributable to the slight decrease in Sales of Power of $5.8 million or 1%. The decrease in Sales of Power is due to the loss of cooperative and municipal loads offset by growth in industrial customer loads. This decrease followed a $26.5 million or 7% increase in 2016 due to a base rate increase of an average of 3.75%, which was effective January 1, 2016. The graph titled "Average Customer Rates (Cents per kWh)" compares customer rates with and without the PCA.



The trend in customer sales by category can be seen in the graph titled "Sales and Resources (thousand MWh)." The graph compares GRDA's customer sales mix and generation resources over the past five years. The growth in Industrial sales over the last few years is noticeable.



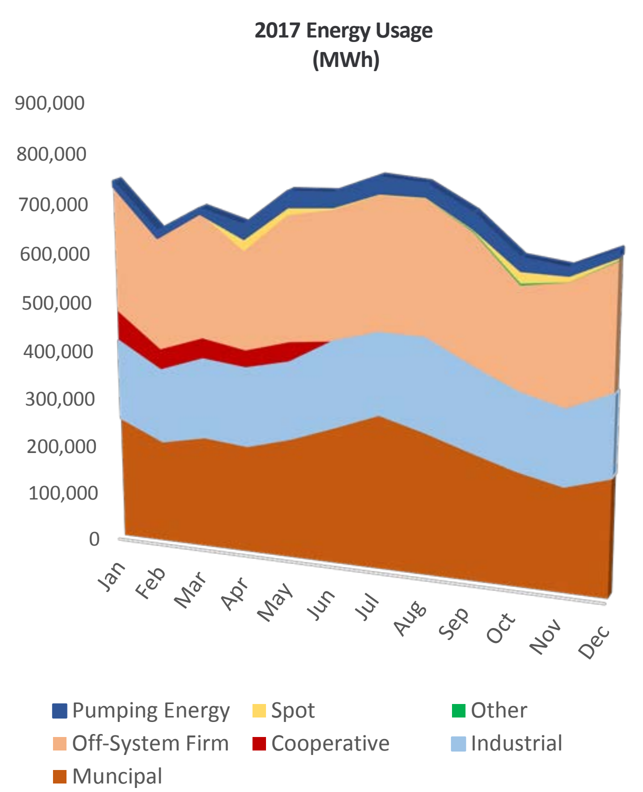
The Authority is empowered to set rates as necessary to provide for operating expenses and debt service payments. When deemed necessary by the Board of Directors, rates can be raised after Board approval by providing at least 60 days' notice to the Authority's customers. By statute, the Authority is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

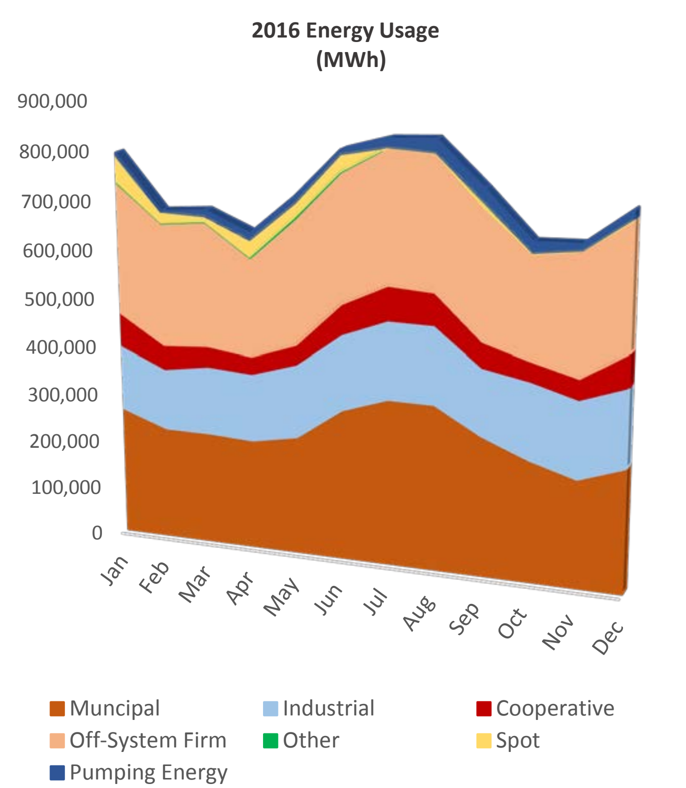
Oklahoma law requires the Authority to maintain rates which are sufficient to produce adequate revenues to fulfill the obligations of the Authority. These obligations include payment of all maintenance and operation expenses, interest and principal of all bonds, sinking fund and/or reserve fund payments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

The Authority customer contracts provide for GRDA to apply changes in rates to all customers served under the same rate schedules at the same service level in a reasonable and not unduly discriminatory manner. In addition they provide for the Authority to deliver a ten-year forecast annually. The contracts also provide for the establishment of a Rate Stabilization Account for any unrestricted cash balances, as determined by GRDA, in excess of the greater of $150.0 million or six months operating expenses to reduce or defer future rate increases. The Authority reached this milestone for the first time for the year ending December 31, 2016, funding this Rate Stabilization with a total of $21.0 million. While this action reduced current year income, as previously discussed, this a testament to the overall financial health and resiliency of the Authority.

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

The PCA is an adjustment mechanism that allows the Authority to recover variations between estimated and actual fuel and purchased power costs for contract sales to Wholesale and Retail customers. The Authority's energy rates include a base rate of 23 mills as the estimated power cost (fuel and purchased power.) The difference of projections of power cost over a 12-month rolling period less the base rate are reflected in the customer rates as the PCA rate. All contract sales are subject to the PCA except for the GREC 2 output contract with OMPA, which is cost based, and any spot-market, short-term sales. The revenues also reflect an accrual of any over or under-collected fuel cost. Approximately $12.9 million in

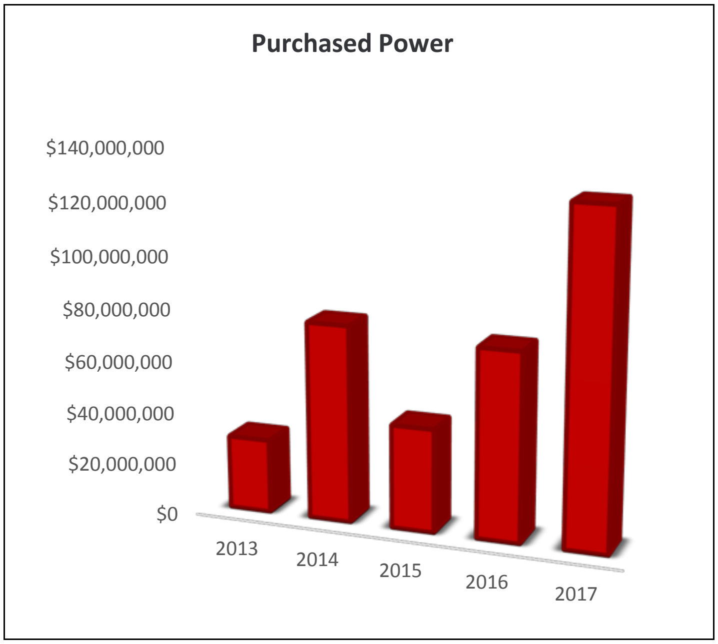




fuel and purchased power costs were under-recovered on December 31, 2017, while $10.6 million were under-recovered at the end of 2016.

OPERATING EXPENSES

Operating Expenses for 2017 increased $24.3 million or 7% after increasing by $19.8 million or 6% in 2016. As previously mentioned, Purchased Power expense increased $60.1 million or 77% in 2017, following a 2016 increase of $33.8 million. For the first time in the history of the Authority's operation, Purchased Power represents the largest Operating Expense. Historically, the Operating Expenses have typically been headlined by Fuel, followed by Depreciation. While Depreciation remains the Authority's second largest operating expense, Fuel has dropped to third. This is significant in that it is representative of the depth of value that participating in the SPP Integrated Marketplace provides to the Authority's customers, as well as the lower cost of natural gas as our main generating unit as compared to coal. See the graph titled "Purchased power" below for the trend in Purchased Power expenses over the last five years. Operations and Maintenance expenses have remained consistent, only increasing by $5.0 million in 2017 or 6% after a similar increase of $5.5 million or 7% in 2016. The 2016 increase is mostly due to GRDA's 100% ownership of GREC 2 versus the 62% ownership of the same unit in 2015. Administrative and General Expenses have increased by $6.3 million or 39% in 2017, following a $2.8 million or 22% increase in 2016.



Coal and freight costs decreased by $33.1 million after a decrease of $18.0 million in 2016. As previously discussed, this decrease is due to GREC 2 being offline for both the majority of 2017 and latter half of 2016.

Depreciation expense has remained steady, increasing only 3% in both 2017 and 2016, as is expected as the Authority's gross assets have continued to increase. Also contributing to the Depreciation expense increase was the November 2015 Board Audit Committee approval of a plan to accelerate depreciation on GREC 1 for all coal-related assets to be fully depreciated by April 2017. Other non-coal-related assets for GREC 1 were accelerated to be fully depreciated by 2030. The Audit Committee also approved the accelerated depreciation of all generating assets for GREC 2 to be fully depreciated by 2030. This includes the new assets installed as part of the restoration of GREC 2 following the fire.

GRDA supplements the owned generation assets with capacity purchases from municipal customers Coffeyville, Cushing and Stillwater, which own generation. GRDA amended its contracts with Coffeyville and Stillwater to allow them to replace older steam generators with highly efficient reciprocating engine natural gas powered plants. Stillwater's upgraded generation was commercially operational in July 2016, and capacity was purchased by the Authority at that time. Coffeyville's upgraded generation was completed in December 2016, though the Authority did not purchase capacity from these units until January 2017. The customers have all-requirement contracts with GRDA, and GRDA offers their generation into the SPP Integrated Marketplace. Additionally, the Authority ended 2017 with 247 MWs of wind generation through purchased power agreements, and 140 MWs from the newly-operational Red Dirt Wind Project was added January 1, 2018.

As previously stated, Administrative and General Expenses have increased by $6.3 million or 39% in 2017, following a $2.8 million or 22% increase in 2016. Both increases are materially due to the GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* impact to recording pension expense, which is discussed further in Deferred Inflows of Resources and Deferred of Outflows of Resources. Historically, Administrative and General Expenses included the settlement of claims, insurance deductibles, employee insurance premiums and post-retirement benefits. With the implementation of GASB Statement No. 68, GRDA has experienced some variability of expenses in this area. The Statement requires current year contributions to be recorded as a reduction in the long-term pension liability rather than a current year expense and introduced other variables to recognition of current year expense.

SIGNIFICANT ASSETS AND DEBT ADMINISTRATION

On August 30, 2017, the Authority issued Series 2017 Revenue Bonds to refund certain portions of the Authority's Series 2010A Revenue Bonds. The Authority refunded approximately $95.6 million in par value of bonds and issued $90.5 million in bonds for a debt reduction of approximately $5.1 million. The new bonds were sold with an all in cost of 3.61%. The present value savings to the Authority's customers from this transaction was estimated to be approximately $11.1 million.

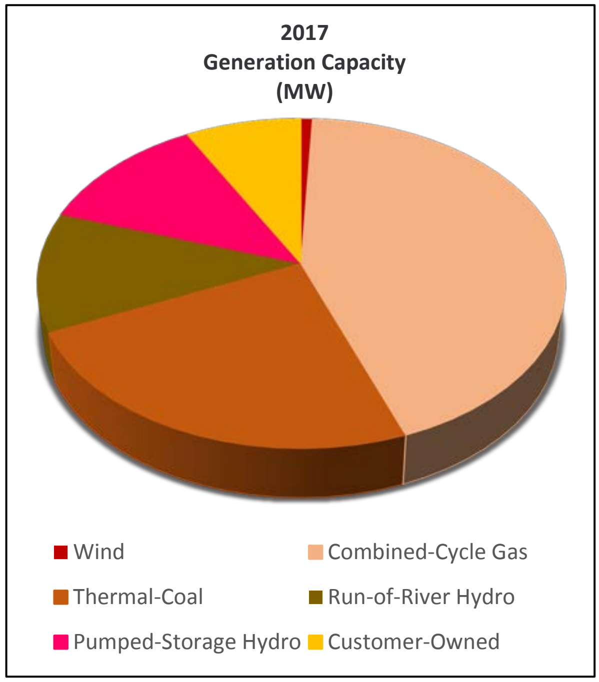
On November 15, 2016, the Authority issued Series 2016A and 2016B Bonds to refund certain portions of the Authority's Series 2008A and Series 2010A Revenue Bonds and redeem all of the Series 2014C Revenue Bonds. The Authority refunded approximately $591 million in par value of bonds and issued $496 million in bonds for a debt reduction of approximately $95 million. The new bonds were sold with an all in cost of 2.72%. The present value savings to the Authority's customers from this transaction was estimated to be approximately $69.5 million. By converting the variable rate bonds of the Series 2014C issue, GRDA was able to capture the low current interest rates and eliminate the rate increase risk in the future.

Capital Assets

Significant asset additions for 2017 were much like those in 2016 being represented by the continuing progress toward the commissioning of GREC 3 and the refurbishment of GREC 2, which included the installation of a high-pressure turbine and generator-circuit breaker. The Authority also designed and rebuilt approximately 12 miles of 69 kV transmission line.

The Authority continues to reinvest in the transmission and distribution systems, as well as the communication system, upgrading and replacing components of lines, substations and repeaters to ensure reliability in meeting our customer's needs.

As shown in the Utility Plant Note 4 to Financial Statements, the majority of Net Utility Plant consists of a diverse mixture of hydroelectric, coal and natural gas generation resources supported by a transmission system for the delivery of power and energy. The pie chart labeled "2017 Generation Capacity (MW)" reflects GRDA's generation capacity by fuel source.



Restricted Assets

The Authority's General Bond Resolution No. 5107 requires Debt Service Reserve Funds (DSRF) to be set aside and that the Debt Service Reserve account be equal to the "Maximum Aggregate Debt Service." Upon issuance of the Series 2017 Bonds, the Debt Service Reserve requirement was calculated to be $86.0 million. In prior years, when the Authority had outstanding debt bearing interest at a variable rate, the calculation of the DSRF requirement included a variable rate assumption based on the smaller of the average one-month London Interbank Offered Rate (LIBOR) during the 12 full calendar months or during the 60 full calendar months immediately preceding the Closing Date of the bond issue transaction. Since the Authority redeemed its variable rate debt in 2016, no such variable rate assumption is required in calculating the DSRF requirement.

The Authority normally keeps an excess in restricted accounts to compensate for any unforeseen market value fluctuations of investments in the account. As of December 31, 2017, the requirement in the debt service reserve account was $86.9 million and included an excess deposit of $0.9 million. As discussed further in Note 2 to Financial Statements, Deposits and Investments, any excess balance in the Debt Service Reserve account is reflected as a restricted asset, because bond proceeds were used to initially fund the account and carry associated restrictions on how the funds can be used. Excess debt service reserve deposits have been used to make bond principal payments. In 2017, $1.1 million was used as part of the Series 2017 Bond Refunding and in 2016, $5.0 million was used as part of the Series 2016A and 2016B Bond Refunding.

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

The Authority has conservative investment requirements which protect against investment losses, although the yields earned on eligible investments reflect the reduced risk. The priority of the investment policies is to protect the deposits rather than earn speculative income.

Deferred Inflows of Resources and Deferred Outflows of Resources

The Authority followed accounting of regulated operations in accordance with GASB Statement No. 62, which requires approval from the Board of Directors, as they represent the regulatory body for the Authority. Board Resolution 5307 was unanimously approved to defer revenues related to capital cost insurance recoveries received and recognize those revenues in the same periods as the assets funded by those insurance recoveries are depreciated. This resolution is intended to clarify and support the appropriate accounting treatment of the capital cost insurance recoveries and depreciation of assets for the GREC fire. The total revenue deferred and recognized as part of a Deferred Inflow of Resources Related to Regulated Operations was $14.5 million and $7.5 million for 2017 and 2016, respectively.

The Authority's Board of Directors further expanded the use of regulated operations in 2017 by adopting Board Resolution 5325, which transferred the discretion to the CFO to allow the Authority to defer revenues related to third-party reimbursement for capital assets procured or constructed. These revenues, like the aforementioned insurance recoveries deferred, will be recognized in proportion to the depreciation of the assets for which the revenue was earned. The Authority reported $5.7 million related to Board Resolution 5325.

The additional $21.0 million presented in Deferred Inflows Related to Regulated Operations represents the 2016 funding of the Rate Stabilization, discussed previously. See Note 5 to Financial Statements, Cost to be Recovered from Future Revenues.

The Deferred Outflows Related to Loss on Reacquired Debt increased $8.4 million in 2017, following the creation of a $29.6 million balance created by the Series 2016A and 2016B Bond issuance. The increase in 2017 was due to recognition of a $11.3 million deferred loss from the Series 2017 Bond netted against the amortization of the Series 2016A and 2016B Bond loss. These balances will be amortized over the life of the associated debt.

As has been noted, the Authority was required to implement GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This implementation created both Deferred Inflows and Outflows of Resources for the Authority. The Deferred Outflows of Resources totaled $10.4 million and $17.8 million for 2017 and 2016, respectively, while Deferred Inflow of Resources totaled $3.6 million and $588 thousand. These amounts represent the Differences in Experience, Differences in Assumption, Investment Gain/Deficit, and Changes in Proportion from the actuarial studies performed on defined benefit plans. See Note 7 to Financial Statements, Retirement Plans, Postretirement, and Other Employee Benefits.

As stated above, the Authority expanded its Energy Hedging Program through which the Authority has entered into derivative transactions related to the purchase of natural gas. At the end of 2017, the Authority reported a Deferred Outflow of $539 thousand, which represents an anticipated loss of the same amount to be recognized in future years.

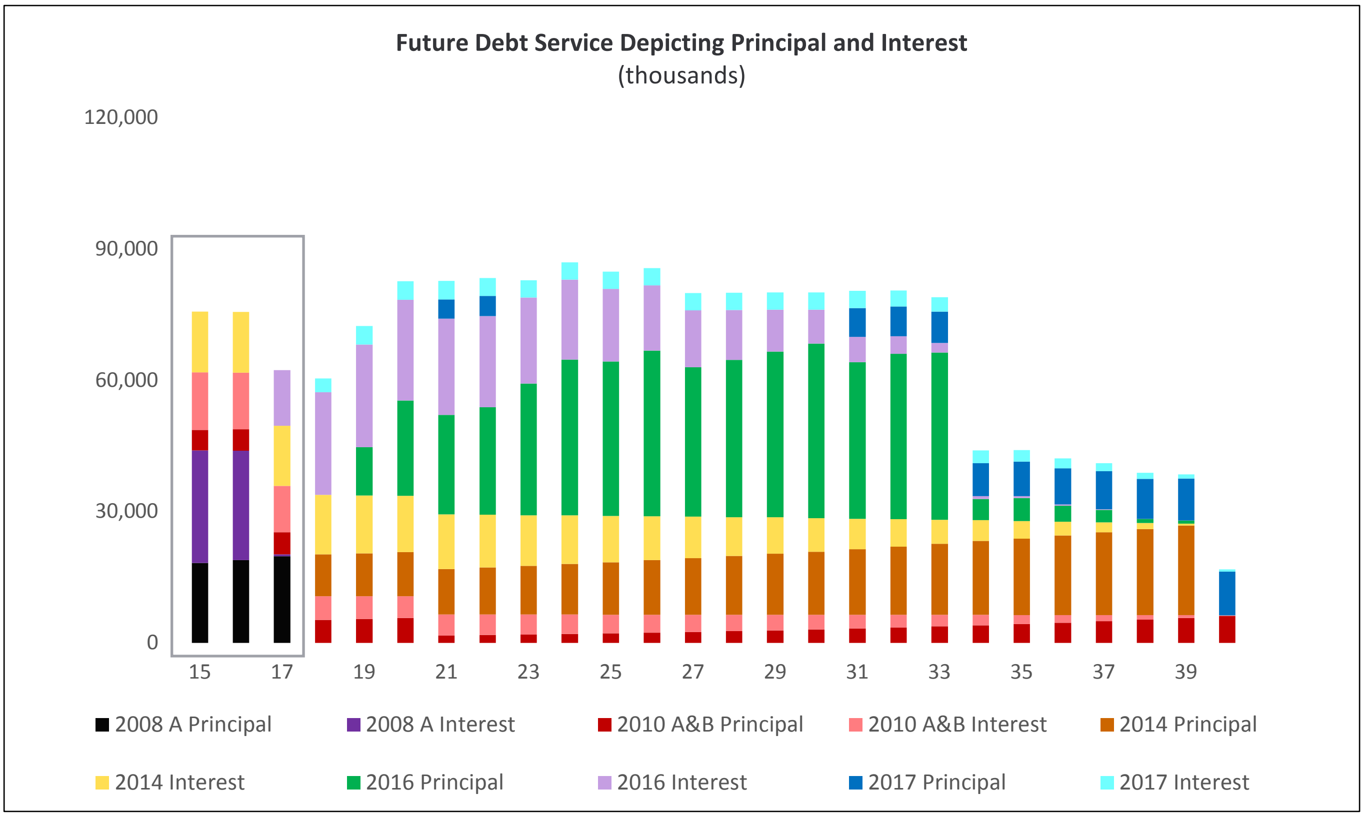
Long-Term Debt

The Authority is not authorized to mortgage or pledge any assets for the repayment of debt. Instead, the bonds issued are revenue bonds, with the future revenues of GRDA's entire electric system pledged to repay bondholders.

The Authority currently has two 2014 bond proceed construction accounts. One is from taxable debt while the other is from tax-exempt proceeds. Disbursements for the construction projects are initially paid from revenue funds. Requests for reimbursements are then submitted to the trustee, and monies are transferred from the construction project accounts to revenue fund accounts. At the end of 2017, $16.4 million of the combined $445.8 million deposit from the 2014 bond series remained in the construction accounts, while $60.8 million remained at the end of 2016.

GRDA's capital financing is so affordable partly due to the way the revenue bonds have been structured. The 2010 bonds were issued to mature beginning in 2015 through 2040, and the 2014 bonds were issued with principal payments beginning in 2018 and increasing through maturity on June 1, 2039. The 2016 bonds were issued to mature beginning in 2019 through 2039. The 2016 bonds refunded portions of the 2008 bonds that were to mature in 2018 through 2033 and refunded portions of the 2010 bonds that were to mature in 2025 through 2030. The 2017 bonds were issued to mature beginning in 2021 through 2040. The 2017 bonds refunded portions of the 2010 bonds that were to mature in 2015 through 2040.

The graph "Future Debt Service Depicting Principal and Interest (thousands)" provides an indication of how much principal and interest are due each year until all currently outstanding bonds mature in 2040. The graph distinguishes between the matured bonds and the currently outstanding issues.



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

In 2016, $481.8 million of the 2008A tax-exempt bonds were advance refunded with the 2016 refunding issue and in 2017 the remaining bonds matured. Additionally in 2016, $44.2 million of the 2010A tax-exempt bonds were advance refunded with the 2016 refunding issue, and in 2017, $95.6 million were advanced refunded with the 2017 refunding issue.

In 2017, all three credit agencies evaluated the ratings of GRDA's bonds prior to the issuance of the 2017 revenue bonds. Fitch assigned an "A+" rating to the 2017 bond series as well as affirmed the Authority's "A+" rating on outstanding bonds and affirmed the Authority's rating outlook is stable. S&P assigned an "AA-" rating to the 2017 bond series as well as affirmed the Authority's "AA-" rating on outstanding bonds and affirmed the Authority's rating outlook is stable. Moody's assigned an "A1" rating to the 2017 bond series as well as affirmed the Authority's "A1" rating on outstanding bonds and affirmed the Authority's rating outlook is stable.

In 2016, two of the three credit rating agencies upgraded GRDA's bond ratings prior to the issuance of the 2016 revenue bonds. Fitch upgraded the Authority from "A" to "A+" and revised the rating outlook to Stable from Positive due to sustained financial performance, diversified and ample power supply and a mixed customer base with long-term contracts. S&P also raised GRDA's rating from "A+" to "AA-" with a stable outlook due to improving financial metrics, including fixed-charge coverage and liquidity, lack of additional bond issuance plans, and declining reliance on coal-fired generation. Moody's assigned an "A1" rating to the 2016 bond series as well as affirmed the Authority's "A1" rating on outstanding bonds and affirmed the Authority's rating outlook is stable.

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

CHANGE IN FINANCIAL POSITION

Over the last several years, the Authority's financial metrics have continued to improve. While liquidity had always been good, debt service coverage improved significantly as older debt was retired and has remained strong through prudent operations. At the same time, the Authority improved its revenue stream and worked to control risks, as well as secured the internal infrastructure. Through this, a goal driven, customer-focused utility with sustainable policies has emerged. The business experience and oversight of the Authority's Board of Directors ensure that GRDA's success continues and plans are implemented efficiently and effectively.

Wholesale customers provide financial security with long-term contracts, enabling better future load projections. The Authority has been humbled by and is motivated by the active support of its customers. Long-term revenue projections are also more reliable as many of the all-requirements contracts with the municipal customers run two years longer than any outstanding debt. Additionally, relationships with WFEC and OMPA provide firm sales and diversification throughout the state of Oklahoma. Though the contracts expire sooner than the long-term contracts with the municipal customers, the Authority is working to maintain flexibility and provide a mutually beneficial relationship to help ensure those contracts will be renewed.

The Authority continues to be very proud of Google's continued expansion of its facilities in Mayes County. The Authority is Google's local utility provider. Google has already built a four-story data center in the MidAmerica Industrial Park. In a press release in September of 2016, Google stated that its investment in Oklahoma will reach $2 billion by 2018. Then, in February 2018, Google announced an additional $600 million investment in the MidAmerica Industrial Park. The Authority is positioned to support Google's growth in the community.

The 2017 and 2016 calendar years were marked by the Authority's pledge of excellence by carrying through with the 2014 commitments to upgrade and construct generation and transmission assets. The 2017 year ended with excellent debt service coverage and included many impactful milestones for the refurbishment of GREC 2 and the completion of GREC 3. All of this was undertaken with the strict adherence to daily financial cash management and compliance oversight of the construction payment process.

ECONOMIC OUTLOOK

GRDA has a positive economic outlook due to sound financial and operational fundamentals and solid customer relationships. GRDA's rates are competitive, and ten-year financial projections indicate they will remain that way. The customers GRDA serves under take-and-pay contracts are diverse and service-oriented, so they don't experience the upswings and downswings associated with oil and gas prices as is the case for the rest of the state of Oklahoma. Other customers who take power off-system are served under take-or-pay contracts, so the revenue stream is even more predictable and secure.

While Net Income appears to be minimal for 2017, the Authority was able to undertake not only the refurbishment of GREC 2, but also made repairs to GRDA assets in response to two FEMA events, one from December 2015 and one from April 2017, combined with normal inflation, with no rate increase seen by a single GRDA customer. GRDA's financial metrics remain strong and paint a picture of a healthy and thriving Authority.

The Authority and its customers continue to work to educate end users regarding the connection between efficiency and affordability as the Integrated Marketplace and technology impact what end users expect from their electricity providers.

The Authority protects the waters of the Grand River and the environments associated with it and uses Oklahoma's natural gas, water, and wind resources to generate electricity. The Authority meets customers' needs and environmental mandates with new generation like the combined-cycle natural gas unit. Investments in upgrades to GREC 2 ensured it would meet environmental standards. The diversity in GRDA's generation plants allows management of risks. The system is backed by a robust transmission system. The Authority has a favorable economic outlook because its electric system profile has low-debt costs, strong customer support and coordinated resource planning.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

STATEMENTS OF NET POSITION

AS OF DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS:		
Current assets:		
Cash and cash equivalents - general operating account	$ 41,706,481	$ 64,177,371
Investments	36,780,215	51,491,935
Accounts receivable - net	39,917,452	54,717,021
Accrued interest receivable	5,013,591	3,398,181
Fuel stock	22,288,191	38,339,118
Materials and supplies	40,860,841	40,703,084
Under recovered fuel costs	12,926,158	10,556,106
Prepaid assets	5,009,916	3,476,649
Total current assets	204,502,845	266,859,465
Noncurrent assets:		
Investments	317,336,649	305,533,763
Prepaid assets	6,469,978	4,440,000
Net utility plant:		
Nondepreciable - at original cost	55,011,449	478,677,699
Depreciable - at original cost less depreciation	1,191,030,030	765,984,135
Other noncurrent assets	97,059	146,150
Total noncurrent assets	1,569,945,165	1,554,781,747
TOTAL ASSETS	1,774,448,010	1,821,641,212
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows related to pension plans	10,358,992	17,765,376
Deferred outflows related to loss on reacquired debt	37,967,108	29,563,900
Deferred outflows related to derivative hedges	539,198	-
Total deferred outflows of resources	48,865,298	47,329,276
LIABILITIES:		
Current liabilities:		
Accounts payable and accrued liabilities	44,568,748	64,982,188
Accrued interest payable	3,913,713	4,069,343
Bonds payable - current portion	14,760,000	24,780,000
Unearned revenues related to insurance proceeds	20,705	17,867,489
Total current liabilities	63,263,166	111,699,020
Noncurrent liabilities:		
Bonds payable - net	1,087,054,941	1,101,211,229
Other noncurrent liabilities	21,450,515	29,082,350
Total noncurrent liabilities	1,108,505,456	1,130,293,579
TOTAL LIABILITIES	1,171,768,622	1,241,992,599
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows related to pension plans	3,582,289	588,385
Deferred inflows related to regulated operations	42,959,617	28,501,794
Total deferred inflows of resources	46,541,906	29,090,179
NET POSITION:		
Net investment in capital assets	269,911,995	271,706,418
Restricted for:		
Debt service	12,523,713	18,524,344
Rate stabilization	-	21,000,000
Other special purposes	2,230,264	2,377,982
Unrestricted	320,336,808	284,278,966
TOTAL NET POSITION	$ 605,002,780	$ 597,887,710

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
OPERATING REVENUES:		
Sales of power	**$ 422,294,469**	$ 428,066,100
Other operating revenues	**13,710,781**	14,157,387
Transfer (provision) for rate stabilization	**-**	(21,000,000)
Total operating revenues	**436,005,250**	421,223,487
OPERATING EXPENSES:		
Purchased power - net	**(138,401,740)**	(78,339,797)
Depreciation	**(71,935,555)**	(69,673,894)
Fuel	**(70,435,652)**	(119,783,385)
Operations	**(61,887,909)**	(55,939,972)
Maintenance	**(29,456,552)**	(30,436,172)
Administrative and general	**(22,355,136)**	(16,048,057)
Total operating expenses	**(394,472,544)**	(370,221,277)
OPERATING INCOME	**41,532,706**	51,002,210
NONOPERATING REVENUES AND (EXPENSES):		
Investment income	**7,582,222**	20,394,413
Net increase (decrease) in the fair value of investments	**606,602**	(2,491,488)
Award revenue - operating	**487,466**	458,782
Income from nonutility operations	**443,579**	2,076,492
Interest Expense	**(50,821,244)**	(50,991,904)
Costs to be recovered	**(14,724,084)**	-
Amortization of debt discount and financing costs	**(878,282)**	(8,276,662)
Amortization of bond premium	**10,450,953**	3,993,414
Total nonoperating expenses	**(46,852,788)**	(34,836,953)
CAPITAL CONTRIBUTIONS:		
Award revenue - capital	**1,869,839**	1,470,730
Total capital contributions	**1,869,839**	1,470,730
EXTRAORDINARY ITEMS:		
Gain on sale of assets	**6,389,128**	-
Loss on disposition of railcars	**-**	(8,049,453)
Inventory obsolescence due to impaired assets	**(4,568,050)**	-
Restoration of impaired assets	**(87,847,175)**	(40,595,768)
Insurance recoveries net of impairment loss	**96,591,410**	34,393,572
Total extraordinary items	**10,565,313**	(14,251,649)
NET INCREASE IN NET POSITION	**7,115,070**	3,384,338
NET POSITION - Beginning of year, as previously reported	**597,887,710**	594,503,372
NET POSITION - End of year	**$ 605,002,780**	$ 597,887,710

See notes to financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Received from user charges	**$ 435,109,011**	$ 400,445,857
Received from refined coal partner	**10,323,108**	68,448,194
Received from award revenues - operating	**6,428**	2,658
Payments to employees for services	**(39,577,110)**	(39,667,205)
Payments to suppliers for goods and services	**(264,664,298)**	(266,422,947)
Payments to refined coal partner	**(14,215,108)**	(69,180,757)
Net cash provided by operating activities	**126,982,031**	93,625,800
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Additions to utility plant	**(76,671,466)**	(253,910,315)
Payments for retirements of utility plant	**(625,683)**	(316,673)
Received from sales of retirements of utility plant	**10,129,066**	13,235,142
Proceeds from bond issues	**90,455,000**	496,405,000
Bond premium	**13,975,419**	90,726,960
Payments to refund bonds	**(103,759,834)**	(638,545,521)
Bond issuance costs	**(695,592)**	(1,746,093)
Insurance proceeds received	**90,613,186**	50,000,000
Insurance proceeds spent	**(108,459,969)**	(32,132,511)
Repayment of principal	**(24,780,000)**	(23,795,000)
Interest paid	**(48,068,595)**	(40,086,725)
Net cash used in capital and related financing activities	**(157,888,468)**	(340,165,736)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	**8,213,076**	19,293,097
Purchases of securities	**(1,098,824,728)**	(213,790,369)
Proceeds from sales and maturities of securities	**1,099,047,199**	502,059,575
Net cash provided by investing activities	**8,435,547**	307,562,303
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(22,470,890)**	61,022,367
CASH AND CASH EQUIVALENTS - Beginning of year	**64,177,371**	3,155,004
CASH AND CASH EQUIVALENTS - End of year	**$ 41,706,481**	$ 64,177,371
NONCASH ITEMS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Noncash award revenues - capital	**$ 1,869,839**	$ -
NONCASH ITEMS FROM INVESTING ACTIVITIES:		
Change in unrealized gain (loss) on investments	**$ 606,602**	$ (2,491,488)
Amortization of premiums and discounts	**$ 404,834**	$ 496,296
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	**$ 41,532,706**	$ 51,002,210
Noncash items included in net operating income:		
Income from nonutility operations	**(2,925,274)**	2,068,762
Loss of disposition of railcars	**-**	(8,049,453)
Inventory obsolescence due to impaired assets	**(4,568,050)**	-
Depreciation	**71,935,555**	69,675,501
Changes in assets and liabilities:		
Receivables:		
Customers	**2,702,913**	(2,345,366)
Other	**12,095,673**	(5,106,191)
Fuel stock	**16,050,927**	6,466,952
Materials and supplies	**(157,757)**	337,999
Other	**(3,567,747)**	(525,690)
Deferred outflows related to pension plans	**7,406,383**	(14,572,882)
Deferred outflows related to derivative hedges	**(539,198)**	-
Accounts payable and accrued liabilities	**(20,438,447)**	(9,269,684)
Over (under) recovered fuel costs	**(2,370,052)**	(37,041,989)
Other noncurrent liabilities	**(7,627,329)**	16,111,898
Deferred inflows related to pension plans	**2,993,905**	(3,628,061)
Deferred inflows related to rate stabilization	**-**	21,000,000
Deferred inflows related to deferred revenues	**14,457,823**	7,501,794
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$ 126,982,031**	$ 93,625,800

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

Investments—Investments principally comprise US government securities, US government agencies, US government sponsored enterprises, State of Oklahoma agency bonds, money market funds, and certificates of deposit. The Authority reports investments at fair value, which is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

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

The fuel emissions protection project with Chouteau Fuels Company, LLC was terminated effective June 8, 2017. Chouteau Fuels Company, LLC is a subsidiary of DTE Energy Company, which required the sale of coal fuel stock to the counterparty that chemically treated the coal fuel stock and then sold it back to the Authority at a reduced price for consumption and enhanced environmental protection.

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

Under/Over Recovered Fuel Costs—The Authority's rate structure as approved by the Board of Directors provides for the Authority to make adjustments in revenue collections from municipal, industrial, cooperative and off-system firm customers to recover actual fuel costs incurred by the Authority. This adjustment, referred to as the Power Cost Adjustment (PCA), is calculated monthly based on a 12-month average of fuel costs. The cumulative difference between the actual fuel costs less the base rate of 23 mills and the revenue collected by the PCA is reflected as either an asset ("under recovery") or liability ("over recovery") in the Authority's accompanying Statements of Net Position, as amounts will either be collected from or refunded to customers of the Authority in subsequent periods.

Joint Participant—Among the Authority's assets is coal-fired plant GREC 2. GREC 2 was jointly owned by the Authority (62%) and KAMO Electric Cooperative, Inc. (KAMO) until May 2016, when a legal settlement, was applied effectively as of January 1, 2016, resulted in the purchase of KAMO's portion. The Authority now has 100% ownership.

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

The Authority has entered into short-term natural gas supply contracts to purchase and provide its share of fuel supply for the Redbud plant.

OG&E operates the Redbud facility under an operating agreement with the Authority and OMPA and allocates certain costs and expenses attributable to Redbud to the Authority and to OMPA in accordance with their undivided ownership interests (36% and 13%, respectively). The Authority's Statements of Revenues, Expenses, and Changes in Net Position include the following related to those allocations: $3,386,774 and $3,129,677 in maintenance and $5,624,812 and $5,239,328 in operations of the Operating Expenses section for 2017 and 2016, respectively.

The Redbud facility has long-term service agreements with a large industrial manufacturer for the maintenance of the gas and steam turbines. The related long-term purchase commitments for the Authority's portion totaled approximately $77.2 million and $74.9 as of December 31, 2017 and 2016, respectively. These amounts have been included in the contractual commitments in Note 9. The Authority's Statements of Net Position in 2017 and 2016 include approximately $6.5 million and $4.4 million in noncurrent prepaid assets as of December 31, 2017 and 2016, respectively, for payments made in 2015 and 2017 related to advanced hot gas path upgrades expected to be installed in 2019.

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

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

	2017	2016
GREC coal-fired plants	**1.5-35 years**	1.5-34 years
GREC combined-cycle plant	**5-35 years**	NA
Redbud combined-cycle plant	**3-32 years**	3-32 years
Hydraulic production plants	**5-87 years**	5-87 years
Transmission system	**5-40 years**	5-40 years
Other properties and production plant	**3-30 years**	5-30 years

Long-Lived Assets—The Authority reviews long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the service utility of the capital assets has a significant unexpected decline. In reporting its capital assets, the Authority follows the guidance of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*.

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

Management continuously monitors the future recoverability of regulatory assets, and when, in management's judgment, any future recovery becomes impaired, the amount of the regulatory asset is reduced or written off, as appropriate. For additional information about the costs to be recovered, see Note 5 in the Notes to the Financial Statements.

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

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

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

Deferred Outflows—The Authority has deferred outflows related to pension plans, loss on reacquired debt and derivative hedges. For additional information about the pension plans, see Note 7 in the Notes to the Financial Statements. For additional information about the loss on reacquired debt, see Note 6 in the Notes to the Financial Statements. For additional information about the derivative hedges, see Note 11 in the Notes to the Financial Statements.

Deferred Inflows—The Authority has deferred inflows related to pension plans and regulated operations. For additional information about the pension plans, see Note 7 in the Notes to the Financial Statements. For additional information about the loss on regulated operations, see Note 5 in the Notes to the Financial Statements.

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

Purchased Power—Purchased power includes the cost of energy purchased for resale to contract customers. Included are the settlements for hourly net exchange of electricity in the SPP Integrated Marketplace and bilateral purchases from counterparties, including energy purchased under wind purchase agreements and customer capacity purchase agreements.

Energy Hedging—In 2014, GRDA formalized its Risk Management Policies and Energy Hedging Programs. Accordingly, GRDA evaluates transactions under GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. For additional information about the hedging program, see Note 11 in the Notes to the Financial Statements.

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

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

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*: The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement was effective for the Authority for fiscal year 2017. This Statement did not have a material impact on the Authority's financial statements.

GASB Statement No. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans:* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement was effective for the Authority for fiscal year 2017. This Statement did not have a material impact on the Authority's financial statements.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an Amendment of GASB Statement No. 14:* The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement was effective for the Authority for fiscal year 2017. This Statement did not have a material impact on the Authority's financial statements.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements:* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement was effective for the Authority for fiscal year 2017. This Statement did not have an impact on the Authority's financial statements.

GASB Statement No. 82, *Pension Issues-an Amendment of GASB Statements No. 67, No. 68, and No. 73:* The objective of this Statement is to address certain issues that have been raised with respect to GASB Statements No. 67, *Financial Reporting for Pension Plans*, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* and GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement was effective for the Authority for fiscal year 2017. The Authority's Required Supplementary Information (RSI) was updated to properly present the covered payroll, the selection of assumptions, and the contributions, as required by this Statement.

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

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions:* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Statement is effective for financial statements for periods beginning after June 15, 2017, which makes it effective for the Authority for fiscal year 2018, and management is currently evaluating the impact of this pronouncement on the Authority's financial statements.

GASB Statement No. 83, *Certain Asset Retirement Obligations:* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The Statement is effective for financial statements for periods beginning after June 15, 2018, which makes it effective for the Authority for fiscal year 2019, and management is currently evaluating the impact of this pronouncement on the Authority's financial statements.

GASB Statement No. 84, *Fiduciary Activities:* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Statement is effective for financial statements for periods beginning after December 15, 2018, which makes it effective for the Authority for fiscal year 2019, and management is currently evaluating the impact of this pronouncement on the Authority's financial statements.

GASB Statement No. 85, *Omnibus 2017*: The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The Statement is effective for financial statements for periods beginning after June 15, 2017, which makes it effective for the Authority for fiscal year 2018, and management is currently evaluating the impact of this pronouncement on the Authority's financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Activities*: The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and Notes to Financial Statements for debt that is defeased in substance. The Statement is effective for financial statements for periods beginning after June 15, 2017, which makes if effective for the Authority for fiscal year 2018, and management is currently evaluating the impact of this pronouncement on the Authority's financial statements.

GASB Statement No. 87, *Leases:* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for financial statements for periods beginning after December 15, 2019, which makes it effective for the Authority for fiscal year 2020, and management is currently evaluating the impact of this pronouncement on the Authority's financial statements.

2. DEPOSITS AND INVESTMENTS

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

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

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

As of December 31, 2017 and 2016, the Authority had the following cash and investments (classified as either Cash equivalents, Investments or Restricted investments on the Statements of Net Position) and corresponding maturities:

	2017			
		Investment Maturities (in Years)		
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**
U.S. gov't agencies and U.S. gov't sponsored enterprises	**$ 345,027,170**	**$ 34,305,603**	**$ 271,821,418**	**$ 38,900,149**
Certificates of deposits	**6,260,324**	**6,260,324**	**-**	**-**
Money market funds	**43,474,645**	**43,474,645**	**-**	**-**
Cash deposits—net	**1,061,206**	**1,061,206**	**-**	**-**
Total	**$ 395,823,345**	**$ 85,101,778**	**$ 271,821,418**	**$ 38,900,149**

	2016			
		Investment Maturities (in Years)		
Investment Type	Fair Value	Less than 1	1-5	6-10
U.S. gov't agencies and U.S. gov't sponsored enterprises	$ 312,140,114	$ 43,784,109	$ 240,222,487	$ 28,133,518
Certificates of deposits	7,116,378	7,116,378	-	-
Money market funds	99,960,416	99,960,416	-	-
Cash deposits—net	1,986,161	1,986,161	-	-
Total	$ 421,203,069	$ 152,847,064	$ 240,222,487	$ 28,133,518

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

As of December 31, 2017 and 2016, the Authority's investments had the following ratings:

	2017		
	Investment Rating		
Investment Rating	**Moody's/ S&P/Fitch Aaa/AA+/AAA**	**Credit Risk Not Applicable**	**Total**
Money markets	**$ -**	**$ 43,474,645**	**$ 43,474,645**
Certificates of deposits	**-**	**6,260,324**	**6,260,324**
U.S. gov't securities	**188,093,307**	**-**	**188,093,307**
U.S. gov't agencies and U.S. gov't sponsored enterprises	**156,933,863**	**-**	**156,933,863**
Cash deposits--net	**-**	**1,061,206**	**1,061,206**
	$ 345,027,170	**$ 50,796,175**	**$ 395,823,345**

	2016		
	Investment Rating		
Investment Rating	Moody's/ S&P/Fitch Aaa/AA+/AAA	Credit Risk Not Applicable	Total
Money markets	$ -	$ 99,960,416	$ 99,960,416
Certificates of deposits	-	7,116,378	7,116,378
U.S. gov't securities	174,689,428	-	174,689,428
U.S. gov't agencies and U.S. gov't sponsored enterprises	137,450,686	-	137,450,686
Cash deposits--net	-	1,986,161	1,986,161
	$ 312,140,114	$ 109,062,955	$ 421,203,069

As of December 31, 2017 and 2016, the Authority had the following portfolio of investments with credit exposure by investment type as a percentage of total investments:

	2017	2016
U.S. government securities	**47.5 %**	41.5 %
U.S. government agencies and U.S. government sponsored enterprises:		
FFCB	**1.7**	2.2
FHLB	**3.6**	3.9
FHLMC	**19.0**	12.3
FNMA	**14.9**	0.6
GNMA	**0.5**	13.6
Money market funds	**11.0**	23.7
Certificate of deposits	**1.6**	1.7
Cash deposits–net	**0.2**	0.5

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

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

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

Level 1 inputs are quoted (unadjusted) prices in active markets for identical assets or liabilities that the government can access at the measurement date. Observable markets include exchange markets, dealer markets, brokered markets and principal-to-principal markets. The Authority has no investments that fall into Level 1.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation or by other means, e.g., "market-corroborated" inputs. For example, US government securities are reflected as Level 2 because the inputs used to determine fair value may not always be quoted prices in an active market. Level 2 inputs include:

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

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

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

The following table shows the levels used to measure the fair value of investments:

	2017 Fair Value Level 1	2017 Fair Value Level 2	2017 Fair Value Level 3	2017 Fair Value Total
US government securities	$ -	$ 188,093,307	$ -	$ 188,093,307
Agency securities	-	156,933,863	-	156,933,863
Total	$ -	$ 345,027,170	$ -	$ 345,027,170

	2016 Fair Value Level 1	2016 Fair Value Level 2	2016 Fair Value Level 3	2016 Fair Value Total
US government securities	$ -	$ 172,178,103	$ -	$ 172,178,103
Agency securities	-	139,951,011	-	139,951,011
Total	$ -	$ 312,129,114	$ -	$ 312,129,114

Carrying Values—Cash and cash equivalents and current and noncurrent investments at December 31, 2017 and 2016, follows:

2017	General Operations	Board Designated	Rate Stabilization	Bond Service (Restricted)	Construction (Restricted)	Bond Service Reserve (Restricted)	Other Special Purposes (Restricted)	Total
Current:								
Cash deposits - net	$ 1,061,206	$ -	$ -	$ -	$ -	$ -	$ 2,203,264	$ 3,264,470
Money market funds - cash and investments	40,645,275	-	-	117,285	20,705	-	27,000	40,810,265
U.S. government securities, agencies and sponsored enterprises	17,948,474	-	-	12,406,427	-	-	-	30,354,901
Certificates of deposits - maturity < 12 months	4,057,060	-	-	-	-	-	-	4,057,060
Total current	63,712,015	-	-	12,523,712	20,705	-	2,230,264	78,486,696
Non-current:								
U.S. government securities, agencies and sponsored enterprises	153,896,661	39,232,000	21,000,000	-	14,401,226	86,142,382	-	314,672,269
Money market funds	-	-	-	-	1,999,465	664,915	-	2,664,380
Total noncurrent	153,896,661	39,232,000	21,000,000	-	16,400,691	86,807,297	-	317,336,649
Total cash and investments	$ 217,608,676	$ 39,232,000	$21,000,000	$ 12,523,712	$ 16,421,396	$ 86,807,297	$ 2,230,264	$ 395,823,345

2016	General Operations	Board Designated	Rate Stabilization	Bond Service (Restricted)	Construction (Restricted)	Bond Service Reserve (Restricted)	Other Special Purposes (Restricted)	Total
Current:								
Cash deposits - net	$ 1,986,161	$ -	$ -	$ -	$ -	$ -	$ 2,350,982	$ 4,337,143
Money market funds - cash and investments	62,191,210	-	-	2,168,491	17,867,489	-	27,000	82,254,190
U.S. government securities, agencies and sponsored enterprises	7,956,725	-	-	16,355,852	-	-	-	24,312,577
Certificates of deposits - maturity < 12 months	4,765,396	-	-	-	-	-	-	4,765,396
Total current	76,899,492	-	-	18,524,343	17,867,489	-	2,377,982	115,669,306
Non-current:								
U.S. government securities, agencies and sponsored enterprises	98,189,451	38,849,000	21,000,000	-	45,424,228	84,364,858	-	287,827,537
Money market funds	-	-	-	-	15,442,176	2,264,050	-	17,706,226
Total noncurrent	98,189,451	38,849,000	21,000,000	-	60,866,404	86,628,908	-	305,533,763
Total cash and investments	$ 175,088,943	$ 38,849,000	$21,000,000	$ 18,524,343	$ 78,733,893	$ 86,628,908	$ 2,377,982	$ 421,203,069

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

Additional information relating to cash and investment restrictions follows:

Rate Stabilization—As of December 31, 2016, the Authority established and deposited $21.0 million into the Rate stabilization in the accompanying Statements of Net Position. Customer contracts contain requirements for the establishment and funding of a rate stabilization. Resolution No. 5107 and Board Resolution No. 5154 contain further guidelines for the establishment and maintenance of the fund. This amount was funded from operating revenues and will be used at the discretion of the Authority's Board of Directors to reduce or defer future rate increases.

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

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

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

Restricted for Other Special Purposes—Due to agreements with FERC, the Authority has restricted money for two purposes. The first restriction is for the Fish and Wildlife Mitigation Fund, established in June 2003 as required by FERC. The Authority funded an initial deposit of $260,000 in 2003, and was required to make $100,000 annual contributions (adjusted for inflation) each year the Pensacola Dam license is in effect. In December 2015, the Authority funded the balance of $1.45 million, which represented the estimated annual contributions through the year 2022. Generally, the purpose of this fund is to support projects to protect and enhance fish and wildlife resources at the direction of various groups external to the Authority. Expenditures of approximately $153,986 and $106,000 were made from the fund in 2017 and 2016, respectively. The second restriction is for the Nature Conservancy Fund, established in May 2008 as required by FERC. The Authority funded an initial deposit of $27,000 in 2008. The Authority is required to replenish the fund to $27,000 on the first working day in January of each year. Generally, the purpose of this fund is to maintain bat caves protection on Grand Lake. No expenditures were made from the fund in either 2017 or 2016.

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

The Special Reserve and Contingency Fund I and II—These designated, though unrestricted, funds were established in December 2004 as Board-designated funds for future use, if needed, for extraordinary maintenance, operational, and environmental expenses and for expenses related to unforeseen risk, including, but not limited to, unscheduled outages, unexpected purchased power expense, and other extraordinary expense not covered by insurance proceeds. These Board-designated funds had a balance of $39.2 million and $38.8 million as of December 31, 2017 and 2016, respectively.

Line of Credit—In 2015, the Authority established an unsecured line of credit with Bank of Oklahoma to meet the requirements for participating in the SPP Integrated Marketplace. The current line of credit is for $7.0 million and expires on May 31, 2018, with an auto-renewal clause.

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

Gross realized gains and gross realized losses on sales of investment securities for the years ended December 31, 2017 and 2016, were as follows:

	2017	2016
Gross realized gains	**$ 1,111,126**	$ 2,945,207
Gross realized losses	**(3,762,218)**	(995,893)

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

3. RECEIVABLES

Accounts receivable is comprised at December 31, 2017 and 2016, of the following amounts:

	2017	2016
Customers	$ 32,399,875	$ 35,102,788
Less allowance for doubtful accounts	(100,000)	(100,000)
Other	7,617,577	19,714,233
Total	$ 39,917,452	$ 54,717,021

At December 31, 2017, the Authority's other current accounts receivable included insurance recoveries related to the July 2016 GREC Fire (for 2016 & 2017), Chouteau Fuels Company, LLC (2016), reimbursable work for other entities, the current portion of receivables for aid of construction, and dock billings.

At December 31, 2017 and 2016, the Authority had noncurrent receivables included in Other noncurrent assets for closure and post-closure costs related to the flyash landfill at the GREC of $75,724 and $74,741, respectively.

4. UTILITY PLANT

A summary of changes in utility plant for the years ended December 31, 2017 and 2016, follows:

	2017			
	Balance December 31, 2016	Additions/ Transfers	Retirements	Balance December 31, 2017
Capital assets - nondepreciable:				
Land	$ 37,648,820	$ 11,679	$ -	$ 37,660,499
Construction work in progress	441,028,879	(423,631,145)	(46,784)	17,350,950
Total capital assets - nondepreciable	478,677,699	(423,619,466)	(46,784)	55,011,449
Capital assets - depreciable:				
GREC 1 coal-fired plant (Note 1)	356,544,729	9,626,130	333,196	366,504,055
GREC 2 coal-fired plant (Note 1)	479,506,761	12,278,438	(2,070,383)	489,714,816
GREC 3 combined-cycle plant	-	442,787,735	-	442,787,735
Redbud combined-cycle plant	364,941,662	2,136,244	(758,356)	366,319,550
Hydraulic production plants	167,725,358	3,801,955	(380,197)	171,147,116
Transmission system	374,775,708	19,509,083	(9,305,911)	384,978,880
Other properties and production plant	133,850,118	10,163,026	(1,593,823)	142,419,321
	1,877,344,336	500,302,611	(13,775,474)	2,363,871,473
Less accumulated depreciation:				
GREC 1 coal-fired plant	(312,447,782)	(6,635,419)	299,655	(318,783,546)
GREC 2 coal-fired plant	(370,876,749)	(17,066,193)	2,011,129	(385,931,813)
GREC 3 combined-cycle plant	-	(9,397,534)	-	(9,397,534)
Redbud combined-cycle plant	(152,486,128)	(18,267,342)	326,113	(170,427,357)
Hydraulic production plants	(34,926,064)	(2,411,418)	228,829	(37,108,653)
Transmission system	(168,457,199)	(7,941,435)	5,370,690	(171,027,944)
Other properties and production plant	(72,166,279)	(8,730,836)	732,519	(80,164,596)
	(1,111,360,201)	(70,450,177)	8,968,935	(1,172,841,443)
Total capital assets - depreciable	765,984,135	429,852,434	(4,806,539)	1,191,030,030
Net utility plant	$ 1,244,661,834	$ 6,232,968	$ (4,853,323)	$ 1,246,041,479

	2016			
	Balance December 31, 2015	Additions/ Transfers	Retirements	Balance December 31, 2016
Capital assets - nondepreciable:				
Land	$ 37,648,820	$ -	$ -	$ 37,648,820
Construction work in progress	267,395,207	173,633,672	-	441,028,879
Total capital assets - nondepreciable	305,044,027	173,633,672	-	478,677,699
Capital assets - depreciable:				
GREC 1 coal-fired plant (reduced by cost of common facilities applicable to joint ownership of GREC 2 (Note 1))	353,902,549	18,792,128	(16,149,948)	356,544,729
GREC 2 coal-fired plant (Note 1)	337,699,915	160,367,560	(18,560,714)	479,506,761
Redbud combined-cycle plant	364,784,756	1,578,221	(1,421,315)	364,941,662
Hydraulic production plants	164,032,531	3,788,091	(95,264)	167,725,358
Transmission system	344,058,978	32,925,388	(2,208,658)	374,775,708
Other properties and production plant	122,188,272	13,428,499	(1,766,653)	133,850,118
	1,686,667,001	230,879,886	(40,202,552)	1,877,344,336
Less accumulated depreciation:				
GREC 1 coal-fired plant	(281,617,507)	(34,205,731)	3,375,456	(312,447,782)
GREC 2 coal-fired plant	(237,996,157)	(147,093,573)	14,212,981	(370,876,749)
Redbud combined-cycle plant	(134,723,258)	(18,259,262)	496,392	(152,486,128)
Hydraulic production plants	(32,615,897)	(2,399,993)	89,826	(34,926,064)
Transmission system	(160,395,409)	(9,611,862)	1,550,072	(168,457,199)
Other properties and production plant	(63,737,056)	(9,922,705)	1,493,482	(72,166,279)
	(911,085,284)	(221,493,126)	21,218,209	(1,111,360,201)
Total capital assets - depreciable	775,581,717	9,386,760	(18,984,343)	765,984,135
Net utility plant	$ 1,080,625,744	$ 183,020,432	$ (18,984,343)	$ 1,244,661,834

The change in construction work in progress during 2017 and 2016 is presented on a net basis to avoid a duplication of additions and retirements in the preceding tables. The change in construction work in progress includes capitalized interest of approximately $3,004,000 and $11,783,000 for 2017 and 2016, respectively, which also increases investment income. The Authority had depreciation and amortization expense of $71,935,555 and $69,673,894 for 2017 and 2016, respectively.

The Authority had construction contractual commitments at December 31, 2017, of approximately $27,392,000 for equipment and construction contracts. Major projects include construction of the natural gas combined-cycle plant, GREC 3, for approximately $12,786,000; SCADA, upgrades of communications and network security for approximately $6,165,000; refurbishment of the Pensacola flood gates for approximately $4,243,000; GREC improvements for approximately $1,330,000; upgrades for police equipment and communications for approximately $1,040,000; and ecological, lake and environmental projects for approximately $575,000.

On the evening of July 1, 2016, a lightning strike precipitated a fire at the GREC, which resulted in a short outage of GREC 1 and the impairment of assets within GREC 2. GREC 1 successfully returned to operation July 19, 2016, and the Authority determined that no portion of GREC 1 was impaired. The GREC 2 turbine-generator and auxiliary systems were extensively damaged and required significant restoration before the assets were able to return to service. GREC 2 successfully returned to operation September 14, 2017. According to GASB Statement No. 42, the capital assets damaged by the turbine-generator fire were considered impaired. The Authority utilized the restoration cost approach based on current-year dollars to measure the impairment. Under the restoration cost approach, the amount of the impairment is derived from the ratio of estimated costs to restore the utility of the affected capital assets to the total cost to replace the assets. This ratio is then multiplied by the carrying value of the impaired assets. As a result, the Authority reduced the carrying amount of its electric plant and equipment by approximately $4,264,954 in 2016 along with an insurance recovery amount of $38,658,526. Both items are included in the Insurance recoveries net of impairment loss and recorded as an Extraordinary item on the Statements of Revenues, Expenses, and Changes in Net Position. For 2017, Insurance recoveries net of impairment loss of $96,591,410 is recorded as an extraordinary item on the Statements of Revenues, Expenses, and Changes in Net Position.

The property and casualty insurer of the GREC 2 turbine-generator acknowledged that the damage was subject to insurance coverage. In lieu of a lump sum payment of insurance proceeds, the insurer opted to advance the insurance proceeds periodically as needed. The Authority established a Fire Insurance Fund with Bank of Oklahoma to handle all insurance proceeds and reimbursements. All insurance advancements have been credited to Other Deferred Credits. In 2016, $50.0 million in insurance proceeds were advanced of which $32,132,511 was reimbursed, resulting in a balance of $17,867,489 on the Statement of Net Position as Deferred inflows of resources related to insurance proceeds. The Authority also had a receivable recorded for items that were paid by the Authority but not reimbursed from the Fire Insurance Fund as of December 31, 2016, in the amount of $14,027,810. This amount is a portion of the Current Assets: Accounts receivable-net on the Statement of Net Position. In addition to the $17,867,489 insurance proceeds balance at December 31, 2016, the insurer advanced GRDA $90,613,186 in insurance proceeds during 2017 for a total available balance for reimbursement of $108,480,675. Reimbursements of $108,459,969 were processed from the fund during 2017, resulting in a balance of $20,705 on December 31, 2017, on the Statements of Net Position as unearned revenue related to insurance proceeds. The Authority also has a receivable recorded for items that were paid by the Authority but not reimbursed from the Fire Insurance Fund as of December 31, 2017, in the amount of $1,259,685. This amount is a portion of the Current Assets: Accounts receivable-net on the Statements of Net Position.

As a consequence of the GREC 2 turbine-generator fire, GREC 2 was idled until the restoration was complete. The carrying amount of the electric plant and equipment idled at December 31, 2016, was approximately $85.9 million. On September 14, 2017, GREC 2 returned to operations.

The Authority entered into a lease vehicle program in 2016, initially leasing 14 passenger vehicles with a term of 48 months. The leased equipment is amortized on a straight-line basis over the shorter of the useful life of the related assets or the lease term. The gross amount of assets acquired under capital leases for 2016 is $295,952. Total accumulated amortization related to the leased vehicles was $49,160 at December 31, 2016. The balance of capital leases payable at December 31, 2016, was $246,792 and recorded as a portion of accounts payable and accrued liabilities. The Authority expanded the program by leasing an additional three passenger vehicles in 2017 at a gross amount of $75,939. Total accumulated amortization related to the leased vehicles was $136,487 at December 31, 2017. The balance of capital leases payable at December 31, 2017, was $235,403 and recorded as a portion of accounts payable and accrued liabilities. The Authority currently has no plans to expand the program beyond 2017. The interest rate related to the lease obligation is variable based on the current interest rate on delivery date. The interest portion of the capital lease minimum payments were $13,794 and $7,965 in 2017 and 2016, respectively.

In 2017, the Authority entered into a Riparian Conservation Easement program partnered with the Oklahoma Conservation Commission. The goal of this program is to increase the amount of long term protected riparian area by securing 30-year minimum easement agreements with landowners within the Illinois River Watershed. Each easement is paid to the landowner in a lump sum payment and subject to reimbursement to the Authority from the Conservation Commission. The Authority currently has 19 easements in place, 17 of which were assumed in the Oklahoma Scenic Rivers Commission acquisition, for a gross amount of $890,152 at December 31, 2017. The easements are amortized on a straight-line basis over the shorter of the useful life of the related asset or the lease term. Total accumulated amortization related to the easements is $251,624 at December 31, 2017, and is offset by a corresponding recognition of revenue from the reimbursement from the Conservation Commission.

The following is a schedule detailing the minimum lease payments under capital leases:

	Minimum Lease Payments
2018	$ 92,972
2019	92,972
2020	43,813
2021	5,646
2022	-
Total	$ 235,403

5. COST TO BE RECOVERED

In 2017, the Authority determined that it should defer the capital asset portion of the revenue proceeds from third party reimbursement for capital assets procured or constructed as per GASB Statement No. 62. Deferral of revenue in accordance with this Statement requires Board Resolution. Board Resolution No. 5325 pertaining to this matter was passed and adopted by the Board of Directors on December 13, 2017. This Board Resolution grants the Chief Financial Officer the discretion to record certain revenues as regulated assets in regards to revenues related to third-party reimbursement for capital assets procured or constructed and recognize those revenues proportionately as said assets are depreciated.

At December 31, 2017, the deferred regulatory asset consists of recognized revenues associated with all third party reimbursement on capital assets, as approved by the Chief Financial Officer. This amount is a portion of Deferred inflows related to regulated operations on the Statement of Net Position. A roll forward of costs to be recovered from future revenues follows:

	2017
Beginning balance	$ 7,501,794
Deferral of revenues	14,993,539
Amortization of revenues	(535,716)
Ending balance	$ 21,959,617

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

At December 31, 2016, the deferred regulatory asset consists of recognized revenues associated with the GREC fire insurance proceeds on capital assets. This amount is a portion of Deferred inflows related to regulated operations on the Statement of Net Position. A rollforward of costs to be recovered from future revenues follows:

	2016
Beginning balance	$ -
Deferral of revenues	7,504,470
Amortization of revenues	(2,676)
Ending balance	$ 7,501,794

6. BONDS PAYABLE

A summary of changes in bonds payable for the years ended December 31, 2017 and 2016, follows:

	2017			
	December 31, 2016	Bonds Issued	Retirements	December 31, 2017
Revenue Bonds, 2008 Series A:				
3.625% to 5% Series 2008A - maturing in 2018	$ 19,760,000	$ -	$ (19,760,000)	$ -
Revenue Bonds, 2010 Series A & B:				
3% to 5.25% Series 2010A - maturing in 2015 through 2040	111,055,000	-	(99,230,000)	11,825,000
3.71% to 7.155% Series 2010B (fully taxable) - maturing 2015 through 2040	74,540,000	-	(1,375,000)	73,165,000
Total Series 2010 A & B	185,595,000	-	(100,605,000)	84,990,000
Revenue Bonds, 2014 Series A, B & C:				
3% to 5% Series 2014A - maturing in 2018 through 2039	225,635,000	-	-	225,635,000
1.804% to 3.961% Series 2014B (fully taxable) - maturing 2018 through 2039	84,845,000	-	-	84,845,000
Total Series 2014 A, B & C	310,480,000	-	-	310,480,000
Revenue Bonds, 2016 Series A & B:				
3% to 5% Series 2016A - maturing in 2019 through 2039	475,330,000	-	-	475,330,000
1.828% to 3.503% Series 2016B (fully taxable) - maturing 2020 through 2033	21,075,000	-	-	21,075,000
Total Series 2016 A & B	496,405,000	-	-	496,405,000
Revenue Bonds, 2017 Series:				
3% to 5% Series 2017 - maturing in 2021 through 2040	-	90,455,000	-	90,455,000
Total bonds payable	1,012,240,000	90,455,000	(120,365,000)	982,330,000
Less current portion	(24,780,000)	24,780,000	(14,760,000)	(14,760,000)
Long-term portion	987,460,000			967,570,000
Add (deduct):				
Unamortized debt premium	116,184,969	13,975,419	(10,450,953)	119,709,435
Unamortized debt discount	(2,433,740)	-	2,209,246	(224,494)
Unamortized loss on advance refunding	(29,563,900)	(11,311,487)	2,908,279	(37,967,108)
Long-term bonds payable	$ 1,071,647,329	$ 2,663,932	$ (5,333,428)	$ 1,049,087,833

	2016			
	December 31, 2015	Bonds Issued	Retirements	December 31, 2016
Revenue Bonds, 2008 Series A:				
3.2% to 5% Series 2008A - maturing in 2014 through 2028	$ 328,560,000	$ -	$ (308,800,000)	$ 19,760,000
4.8% to 5% Series 2008A - maturing in 2033	191,930,000	-	(191,930,000)	-
Total Series 2008 A	520,490,000	-	(500,730,000)	19,760,000
Revenue Bonds, 2010 Series A & B:				
3% to 5.25% Series 2010A - maturing in 2015 through 2040	158,750,000	-	(47,695,000)	111,055,000
3.71% to 7.155% Series 2010B (fully taxable) - maturing 2015 through 2040	75,860,000	-	(1,320,000)	74,540,000
Total Series 2010 A & B	234,610,000	-	(49,015,000)	185,595,000
Revenue Bonds, 2014 Series A, B & C:				
3% to 5% Series 2014A - maturing in 2018 through 2039	225,635,000	-	-	225,635,000
1.804% to 3.961% Series 2014B (fully taxable) - maturing 2018 through 2039	84,845,000	-	-	84,845,000
Variable Rate Series 2014C (fully taxable) - maturing in 2018 through 2039	65,000,000	-	(65,000,000)	-
Total Series 2014 A, B & C	375,480,000	-	(65,000,000)	310,480,000
Revenue Bonds, 2016 Series A & B:				
3% to 5% Series 2016A - maturing in 2019 through 2039	-	475,330,000	-	475,330,000
1.828% to 3.503% Series 2016B (fully taxable) - maturing 2020 through 2033	-	21,075,000	-	21,075,000
Total Series 2016 A & B	-	496,405,000	-	496,405,000
Total bonds payable	1,130,580,000	496,405,000	(614,745,000)	1,012,240,000
Less current portion	(23,795,000)			(24,780,000)
Long-term portion	1,106,785,000			987,460,000
Add (deduct):				
Unamortized debt premium	37,267,836	90,075,081	(11,157,948)	116,184,969
Unamortized debt discount	(3,643,429)	-	1,209,689	(2,433,740)
Unamortized loss on advance refunding	-	(29,563,900)	-	(29,563,900)
Long-term bonds payable	$ 1,140,409,407	$ 60,511,181	$ (9,948,259)	$ 1,071,647,329

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

In 2017, the Authority issued $90,455,000 of 2017 Series Revenue Bonds to (i) advance refund $95,585,000 of the Authority's Revenue Bonds Series 2010A, and (ii) to finance certain costs of issuance of the Series 2017 Bonds. The Authority recorded an initial accounting loss of approximately $11.3 million in connection with this advance refunding, which was recorded as a deferred asset and is being amortized to expense over the life of the new bonds. The economic gain on the transaction was $12.2 million. The difference between the present values of the old and new debt service payments is $11.1 million. The Authority will realize $17.1 million in decrease aggregate debt service payments.

In 2016, the Authority issued $496,405,000 of 2016 Series A and Series B Revenue Bonds to (i) advance refund $481,790,000 of the Authority's Revenue Bonds, Series 2008A and advance refund $44,160,000 of the Authority's Revenue Bonds, Series 2010A, and redeem all of the Authority's $65,000,000 Revenue Bonds, Series 2014C (Federally Taxable), and (ii) to finance certain costs of issuance of the Series 2016 Bonds. The Authority recorded an initial accounting loss of approximately $30.0 million in connection with this advance refunding, which was recorded as a deferred asset and is being amortized to expense over the life of the new bonds. The economic gain on the transaction was $111.4 million. The difference between the present values of the old and new debt service payments is $69.5 million. The Authority will realize $132.5 million in decrease aggregate debt service payments.

In 2014, the Authority issued $375,480,000 of 2014 Series A, Series B, and Series C Revenue Bonds to fund a portion of the construction of a nominal 495 MW combined-cycle plant (GREC 3), environmental upgrades to the existing nominal 520 MW coal-fired plant (GREC 2), other capital requirements for power supply and transmission needs and to pay certain costs of issuance of the 2014 Bonds. The $225,635,000 Series 2014A (tax-exempt) and the $84,845,000 Series B (taxable) bonds were issued in October 2014 and have a fixed interest rate. The $65,000,000 Series 2014C (taxable) bonds were issued in December 2014 and have a variable rate. The 2014C Bonds were issued in the weekly mode and will bear interest at the weekly rate, which, in the sole and exclusive judgment of the remarketing agent, would equal (but not exceed) the interest rate necessary to enable the remarketing agent to sell such Series 2014C Bonds (exclusive of accrued interest, if any) on the relevant rate adjustment date and for such rate period at a price equal to one hundred percent (100%) of the principal amount thereof. While in the weekly mode, the Series 2014C Bonds are subject to redemption and optional and mandatory tender for purchase prior to maturity. Additionally, the Series 2014C Bonds have the benefit of credit facility in the form of an irrevocable direct pay letter of credit issued by Barclays Bank PLC. Barclays Capital Inc. is the remarketing agent for the Series 2014C Bonds. The Series 2014C Bonds were redeemed by the 2016 refunding issues.

In December 2010, the Authority issued $239,315,000 of 2010 Series A and Series B Revenue Bonds to fund capital additions, repairs and improvements to the system, to fund a portion of the interest accruing on the 2010 Bonds to December 1, 2012, and to pay certain costs of issuance of the 2010 Bonds. $44,160,000 of the Series 2010A Bonds were advance refunded with the 2016 refunding issues and $95,585,000 of the Series 2010A Bonds were advance refunded with the 2017 refunding issues.

In September 2008, the Authority issued $575,375,000 of 2008 Series A and Series B Revenue Bonds for the purchase of a 36% interest in the 1230MW gas-fired, combined-cycle Redbud Power Plant (see Note 1), to fund capital additions, repairs and improvements to the system, to make deposits into the bonds service reserve, reserve, and contingency accounts and to pay certain costs of issuance for the 2008 bonds. $481,790,000 of the Series 2008A Bonds were advance refunded with the 2016 refunding issues.

Monies from the 2017 and 2016 refunding bonds were placed in escrow for the payment of principal and interest on all the defeased bonds and were invested in obligations of the United States, which were deposited in irrevocable trusts with recourse against the trustee if funds are not available to pay principal, interest and any redemption premium on a timely basis. Since the revenue bonds that are defeased are no longer direct liabilities of the Authority, they are not reflected on the accompanying Statements of Net Position.

Defeased bonds of $621,535,000 were outstanding at December 31, 2017, and consisted of a portion of the Series 2008A and Series 2010A Bonds. The scheduled maturities of bonds payable at December 31, 2017, are as follows and reflect the scheduled payments to be remitted by the trustee to the bondholders:

	Due to Bond Holders			Due to Trustee
Years Ending December 31	Annual Principal	Semiannual Interest	Calendar Year Bond Payments	Debt Service Requirement
2018	$ 14,760,000	$ 22,954,334		$ 67,671,151
		23,233,962	$ 60,948,296	
2019	26,205,000	23,233,962		78,649,723
		22,706,933	72,145,895	
2020	37,505,000	22,706,933		82,921,131
		21,841,374	82,053,307	
2021	39,240,000	21,841,374		83,321,044
		20,965,270	82,046,644	
2022	41,675,000	20,965,270		83,353,088
		20,046,383	82,686,653	
2023-2027	243,915,000	171,957,208	415,872,208	420,107,876
2028-2032	288,190,000	107,885,147	396,075,147	402,667,868
2033-2037	203,440,000	44,646,405	248,086,405	229,549,057
2038-2040	87,400,000	5,971,045	93,371,045	72,608,939
	$ 982,330,000	$ 550,955,600	$ 1,533,285,600	$ 1,520,849,877

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

To secure the bonds, the Authority has pledged all revenues of the Authority. Resolution No. 5107 and supplemental bond resolutions specify multiple covenants made by the Authority to the Bond Fund Trustee and bondholders. Among the more significant requirements, the Authority has covenanted to charge adequate rates, operate and maintain the facilities, and make any necessary repairs, renewals, replacements and improvements. System properties are not to be encumbered or sold or disposed of and additional parity bonds are not to be issued unless certain conditions are met. As of December 31, 2017, the Authority was in compliance with bond covenants.

In general, federal tax laws require the Authority to rebate to the US Treasury any profit from investments that yield a higher rate than the tax-exempt revenue bond proceeds. The Authority had no accrued liability balance for arbitrage rebate at December 31, 2017 and 2016, respectively.

7. RETIREMENT PLANS, POSTRETIREMENT, AND OTHER EMPLOYEE BENEFITS

The Authority participated in five retirement plans during 2017 and 2016. The plans currently available to the Authority personnel include three defined benefit plans and two defined contribution plans. The defined benefit plans include the Oklahoma Public Employees Retirement System (OPERS) plan, the Oklahoma Law Enforcement Retirement System (OLERS) plan, and the GRDA postemployment Healthcare Plan. The defined contribution plans include the Oklahoma State Employees Deferred Compensation Plan (the "State Plan") and the OPERS Pathfinder plan. A summary of significant data for each of the retirement plans and discussion of postemployment and other employee benefits follows:

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

For the year ended December 31, 2017:

	OPERS	OLERS	Total
Deferred outflows of resources	$ 9,497,418	$ 861,575	$ 10,358,993
Deferred inflows of resources	2,235,117	1,347,172	3,582,289
Pension liability (asset)	12,498,665	1,891,434	14,390,099

For the year ended December 31, 2016:

	OPERS	OLERS	Total
Deferred outflows of resources	$ 15,800,828	$ 886,396	$ 16,687,224
Deferred inflows of resources	961,503	705,035	1,666,538
Pension liability (asset)	22,684,530	(142,729)	22,541,801

OKLAHOMA PUBLIC EMPLOYEES DEFINED BENEFIT RETIREMENT PLAN

General Information about the Pension Plan

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

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

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

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

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

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

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

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

Contributions. OPERS members and the Authority are required to contribute to the OPERS Plan at a rate set by statute. Contribution rates are established and may be amended by the State. Each member participates based on gross salary earned (excluding overtime). As state employees, the Authority employees contribute 3.5% on salary. The Authority contributed 16.5%, on all salary for the fiscal years ended June 30, 2017 and 2016.

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

During the reporting period for 2017 and 2016, the OPERS recognized $6,516,168 and $6,615,357, respectively, in contributions from the Authority.

Contribution rates as of December 31, 2017 and 2016, were as follows:

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

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

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

At December 31, 2017, the Authority reported a liability of $12,498,665 for its cumulative proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2017, the Authority's proportion, which included the proportion previously designated for Oklahoma Scenic Rivers Commission was 2.3117%. At June 30, 2016, the Authority's proportion, which included the proportion previously designated for Oklahoma Scenic Rivers Commission was 2.2062%. For the year ended December 31, 2017, the Authority recognized pension expense of $6,430,718. For the year ended December 31, 2016, the Authority reported a liability of $22,684,530 and recognized pension expense of $3,685,633.

As of December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Plan – 2017	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	**$ -**	**$ 2,235,117**
Changes in assumptions	**5,318,183**	**-**
Net differences between projected and actual earnings on pension plan investments	**377,703**	**-**
Employer contributions subsequent to the measurement date	**3,182,375**	**-**
Change in proportion	**619,157**	**-**
Total	**$ 9,497,418**	**$ 2,235,117**

As of December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Plan – 2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 961,503
Changes in assumptions	5,174,649	-
Net differences between projected and actual earnings on pension plan investments	7,143,754	-
Employer contributions subsequent to the measurement date	3,197,984	-
Change in proportion	284,440	-
Total	$ 15,800,827	$ 961,503

$3,182,375 reported as deferred outflows related to pension resulting from the OPERS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

		OPERS Plan	
Year Ended December 31:	**Deferred Outflow of Resources**	**Deferred Inflows of Resources**	**Net Pension Expense**
2018	$ 3,960,046	$ (2,253,800)	$ 1,706,246
2019	4,540,492	(917,169)	3,623,323
2020	817,698	-	817,698
2021	-	(2,067,342)	(2,067,342)
	$ 9,318,236	$ (5,238,311)	$ 4,079,925

Actuarial Assumptions – The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2017	2016
Actuarial valuation date:	July 1, 2017	July 1, 2016
Measurement date of net pension liability:	June 30, 2017	June 30, 2016
Actuarial cost method:	Entry age	Entry age
Asset valuation method for contributions:	Five-year moving average of expected and actual market values	Five-year moving average of expected and actual market values
Asset valuation method for assets under GASB 68:	Fair value of assets	Fair value of assets
Long-term expected rate of return:	7%	7.25%
Discount rate:	7%	7.25%
Salary increases:		
Inflation:	2.75%	3%
Seniority/merit:	3.5% to 9.5% per year including inflation	4.5% to 8.4% per year including inflation
Mortality:	RP-2014 Blue Collar Active Mortality Table	RP-2000 Combined Active/Retiree Healthy Mortality Table

Actuarial assumptions are based upon the most recent experience study, which covered the three year period ending June 30, 2016. The experience study report is dated April 13, 2017.

Long-Term Expected Return on Plan Assets. The long-term expected rate of return on pension plan investments was determined using a lognormal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2017 and 2016, are summarized in the following table:

Asset Class	Long-Term Real Rate of Return	Target Allocation
U.S. Large Cap Equity	5.3 %	38.0 %
U.S. Small Cap Equity	5.6	6.0
U.S. Fixed Income	0.7	25.0
International Stock	5.6	18.0
Emerging Market Stock	6.4	6.0
TIPS	0.7	3.5
Rate Anticipation	1.5	3.5
Total		100.0 %

Single Discount Rate. The discount rate used to measure the total pension liability was 7% for 2017 and 7.25% for 2016. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employees will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6%) or 1-percentage-point higher (8%) than the current rate:

	2017		
	1% Decrease to Discount Rate (6%)	**Current Discount Rate (7%)**	**1% Increase To Discount Rate (8%)**
Proportionate share of the net pension liability	**$ 36,940,351**	**$ 12,498,665**	**$ (8,197,691)**

	2016		
	1% Decrease to Discount Rate (6.25%)	Current Discount Rate (7.25%)	1% Increase To Discount Rate (8.25%)
Proportionate share of the net pension liability	$ 44,106,907	$ 21,546,600	$ 2,394,825

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

Payables to the Pension Plan

At December 31, 2017 and 2016, the Authority has outstanding payables to OPERS of $645,712 and $643,410, respectively, related to December 2017 and 2016 employer, employee, and voluntary contributions, which are payable in the following month. These amounts are included in accounts payable on the Statements of Net Position.

OKLAHOMA LAW ENFORCEMENT RETIREMENT PLAN

General Information about the Pension Plan

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

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

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

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

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

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

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

During the reporting period for 2017 and 2016, the OLERS recognized $134,826 and $136,630 in contributions from the Authority, respectively.

Contribution rates as of December 31, 2017 and 2016, were as follows:

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

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

At December 31, 2017, the Authority reported a liability of $1,891,434 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The Authority’s proportion of the net pension liability was based on the Authority’s share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2017, the Authority’s proportion was 1.4556%. At June 30, 2015, the Authority’s proportion was 1.3370%. For the year ended December 31, 2017, the Authority recognized pension expense of $2,769,361. For the year ended December 31, 2016, the Authority reported an asset of $142,729 and recognized pension expense of $419,985.

At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OLERS Plan 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 405,587	$ 70,033
Changes in assumptions	13,163	-
Net differences between projected and actual earnings on pension plan investments	-	1,269,486
Employer contributions subsequent to the measurement date	65,373	-
Change in proportion	377,451	7,654
Total	$ 861,574	$ 1,347,173

At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OLERS Plan 2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 351,889	$ 236,819
Changes in assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	-	468,215
Employer contributions subsequent to the measurement date	67,200	-
Change in proportion	467,307	-
Total	$ 886,396	$ 705,034

The $65,373 reported as deferred outflows related to pension resulting from the OLERS employer's contributions subsequent to the measurement date is recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OLERS Plan		
Year Ended December 31:	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**	**Net Pension Expenses**
2018	$ 243,959	$ (320,609)	$ (76,650)
2019	243,959	(499,510)	(255,551)
2020	196,491	(392,077)	(195,586)
2021	88,069	(132,090)	(44,021)
2022	23,725	(2,885)	20,840
	$ 796,203	$ (1,347,171)	$ (550,968)

Actuarial Assumptions. The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2017	**2016**
Actuarial valuation date:	July 1, 2017	July 1, 2016
Measurement date of net pension liability:	June 30, 2017	June 30, 2016
Actuarial cost method:	Entry age	Entry age
Asset valuation method for contributions:	Five-year moving average of expected and actual market values	Five-year moving average of expected and actual market values
Asset valuation method for assets under GASB 68:	Fair value of assets	Fair value of assets
Long-term expected rate of return:	7.5%	7.5%
Discount rate:	7.5%	7.5%
Salary increases:		
Inflation:	2.75%	3.00%
Seniority/merit:	3.5% - 9.75%, including inflation	3.75% - 7.8%, including inflation
Mortality:	RP-2014 Blue Collar Healthy Employees with Generational Projection using Scale MP-2016	RP-2000 Combined Blue Collar Healthy Employees with Generational Projection

Actuarial assumptions used in the July 1, 2017, valuation are based upon an experience study conducted using experience from the five-year period ending June 30, 2016.

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

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

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

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Large Cap Equity	10.99%	20 %
Small Cap Equity	12.22	10
Long/Short Equity	10.74	10
International	11.96	10
Emerging Market	13.23	5
Private Equity	13.71	5
Fixed Income	19.49	30
Real Assets	15.00	10
Total		100 %

Single Discount Rate. A single discount rate of 7.5% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.5% for both the June 30, 2017 and June 30, 2016 measurement dates. A municipal bond rate was not used in determining the discount rate.

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

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

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

		2017	
	1% Decrease to Discount Rate (6.50%)	**Current Discount Rate (7.50%)**	**1% Increase to Discount Rate (8.50%)**
Proportionate share of the net pension liability	**$ 3,882,094**	**$ 1,891,434**	**$ 259,692**

		2016	
	1% Decrease to Discount Rate (6.50%)	Current Discount Rate (7.50%)	1% Increase to Discount Rate (8.50%)
Proportionate share of the net pension liability	$ 2,812,513	$ 2,526,404	$ 660,814

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

Payables to the Pension Plan

At December 31, 2017 and 2016, the Authority has outstanding payables to OLERS of $19,376 and $19,305, respectively, related to December 2017 and 2016, employer, employee, and voluntary contributions, which are payable in the following month. These amounts are included in accounts payable on the Statements of Net Position.

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT DEFINED CONTRIBUTION PLAN

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

Contribution rates are established by Oklahoma Statute and may be amended by the Oklahoma Legislature. For 2015, the initial period of implementation, employees must make mandatory employee contributions of 4.5% of pretax salary to the 401(a) plan and may make additional voluntary contributions to the 457(b) plan, subject to the maximum deferral limit allowed under the Internal Revenue Code. Employees are vested 100% for all employee contributions. The Authority must make mandatory contributions of 6% of the employee's pretax salary and 7% if the employee elects to participate in the 457(b) plan. Employees become vested for the employer contributions based on an established vesting schedule. The amount of the Authority's contributions for Pathfinder for the year ended December 31, 2017 and 2016, was approximately $153,263 and $106,975, 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 contributed by the Authority for the year ended December 31, 2017 and 2016, to meet this requirement is $220,137 and $42,871, respectively. The Authority had outstanding payables to OPERS for the defined benefit plan for the year ended December 31, 2017 and 2016, of $29,440 and $0, respectively, which were payable in the following month.

OKLAHOMA STATE EMPLOYEES DEFERRED COMPENSATION PLAN

Plan Description. Employees of the Authority may also participate in the Oklahoma State Employees Deferred Compensation Plan (the "State Plan"), a voluntary deferred compensation plan administered by OPERS. The State Plan is a defined contribution plan available to all Authority employees, which permits participants to defer receipt of a portion of their salary until future years as authorized by Section 457 of the Internal Revenue Code and in accordance with the provisions of Oklahoma Statutes, Title 74, Sections 1701, et seq. The State Plan is established by and may be amended by the Legislature of the State. Oklahoma Statutes assign the authority for management and operation of the State Plan to the Board of Trustees of the OPERS. The minimum amount allowable to be deferred under the State Plan is $25 per month. Under state law, each employee is eligible to receive a $25 monthly matching contribution from the Authority to be deposited in a 401(a) retirement account. Employee contributions to the Plan totaled $1,087,927 and $1,059,653 for the years ended December 31, 2017 and 2016, respectively. The Authority paid matching contributions and administrative fees of $151,273 and $158,972 for the years ended December 31, 2017 and 2016, respectively.

GRDA POSTEMPLOYMENT HEALTHCARE PLAN

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

Funding Policy. The contributions of plan members and the Authority are established and may be amended by the Board of Directors within the limits of Oklahoma statutes. The contribution is based on estimated pay-as-you-go financing requirements. For the years ended December 31, 2017 and 2016, the Authority contributed $584,188 and $570,074, respectively, to the plan which consisted entirely of current premiums and included no additional contribution to prefund benefits.

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

	2017	2016
Annual required contribution	**$ 818,771**	$ 765,275
Interest on net OPEB obligation	**105,733**	90,188
Adjustment to annual required contribution	**(93,820)**	(80,026)
Annual OPEB cost	**830,684**	775,437
Contributions made	**(584,188)**	(570,074)
Increase in net OPEB obligation	**246,496**	205,363
Net OPEB obligation – beginning of year	**3,020,834**	2,815,571
Net OPEB obligation – end of year	**$ 3,267,330**	$ 3,020,934

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for December 31, 2017, and the two preceding years were as follows:

Year-End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2015	$ 775,437	69.21%	$ 2,815,571
December 31, 2016	775,437	73.52	3,020,934
December 31, 2017	**830,684**	**70.33**	**3,267,430**

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

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

In the most recent actuarial valuation, as of January 1, 2017, the Entry Age Normal method was used, as opposed to the unit credit actuarial cost method which was used in the actuarial valuation as of January 1, 2015. The actuarial assumptions included a 4% inflation rate assumption, a 3.5% discount rate, which is approximately based on the employer's own long-term rate of return on investments, a 4% projected annual payroll increase, and no increase to the postretirement benefit. The unfunded actuarial accrued liability is being amortized over the maximum permissible amortization period of thirty years as a level percentage of payroll on an open basis.

Funded Status and Funding Progress. As of January 1, 2017, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $12,852,859, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $12,852,859. The covered payroll (annual payroll of active employees covered by the plan) was $37,581,377, and the ratio of the UAAL to the covered payroll was 34.2%.

Other Employee Benefits. The Authority has accrued a liability for annual and compensated leave, and related payroll taxes, of $4,971,269 and $4,688,981 at December 31, 2017 and 2016, respectively, which is included in Accounts payable and accrued liabilities in the accompanying financial statements.

Accrued Annual Leave	2017	2016
Beginning balance	**$ 4,670,127**	$ 4,668,154
Increases	**3,537,516**	3,376,367
Decreases	**(3,255,415)**	(3,374,394)
End of year balance	**$ 4,952,228**	$ 4,670,127

Compensated Leave	2017	2016
Beginning balance	**$ 18,657**	$ 36,207
Increases	**283,327**	228,283
Decreases	**(282,943)**	(245,833)
End of year balance	**$ 19,041**	$ 18,657

As of December 31, 2017, $3,466,560 of the $4,952,228 total accrued annual leave is expected to be paid during 2018.

8. OTHER RELATED-PARTY TRANSACTIONS

The primary organizations considered related parties are those municipal, industrial, electric cooperative and other governmental organizations or lake area organizations that have representatives serving on the Authority's Board of Directors. The primary transactions in the ordinary course of business with these related parties, except for various transactions with KAMO (see Note 1), which are described elsewhere in the Notes to Financial Statements, include sales of electrical power and transmission and memberships in related trade associations or organizations, or tourism and economic development activities associated with the management of the lakes, including commercial and private dock permit fees.

OG&E operates the Redbud facility under an operating agreement with the Authority and OMPA and allocates certain costs and expenses attributable to Redbud to the Authority and OMPA in accordance with their undivided ownership interests—see further discussion of Redbud facility in sections "Joint Participant" and "Joint Ownership" in Note 1.

9. COMMITMENTS AND CONTINGENCIES

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

The Authority had contractual commitments at December 31, 2017, for long-term coal and freight purchases through 2025 under contracts with estimated minimum obligations. The obligations below are based on the Authority's contract rates and represents management's best estimate of future expenditures for those minimum obligations under long-term arrangements.

Years Ending December 31	
2018	$ 40,045,200
2019	41,912,059
2020	43,220,059
2021	44,576,059
2022	45,980,059
2023	47,432,059
2024	48,932,059
2025	50,480,059
Total	$ 362,577,613

The Authority had contractual commitments as of December 31, 2017, for long-term service agreements at the Redbud facility for the maintenance of the gas and steam turbines of approximately $77.2 million through the year 2028. The Authority had contractual commitments as of December 31, 2017, for natural gas at the Redbud facility of approximately $2.3 million through the year 2018 as well as for transportation of natural gas to the Redbud facility of approximately $4.5 million through March 31, 2019.

The Authority had contractual commitments as of December 31, 2017, for long-term service agreements at the GREC 3 facility for the maintenance of the gas and steam turbines of approximately $68.8 million through the year 2030. The Authority had contractual commitments as of December 31, 2017, for natural gas at the GREC 3 facility of approximately $14.7 million through the year 2018 as well as for transportation of natural gas to the GREC 3 facility of approximately $148.1 million through the year 2047.

The Authority had contractual commitments as of December 31, 2017, for long-term wind power purchase agreements of approximately $729.7 million through the year 2035 and for customer generation capacity agreements of approximately $288.0 million through the year 2042.

The Authority is a defendant in a lawsuit in Ottawa County, Oklahoma, brought by approximately 50 landowners claiming a constitutional taking of and damages to real and personal property due to flooding beginning in the 1990s. All except five of the claims were settled in 2016. The remaining five claims were settled in 2017 and the Authority is in the process of finalizing the settlements.

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

The Authority was a party in an arbitration with KAMO Electric Cooperative to resolve a dispute arising from the First Integrated Transmission Agreement between the Authority and KAMO. The parties settled the dispute in March 2018 with KAMO's agreement to pay to the Authority $8,142,608 for the settlement of load ratio share calculation and with KAMO's agreement to pay the Authority $1,267,693 for the settlement of the losses calculation.

The Authority is a party to a coal purchase contract with Peabody Energy. Under that contract, the Authority was obligated to purchase 1.8 million tons of coal from Peabody during 2016. For 2016, the Authority accepted 929,858 tons of coal, leaving a shortfall of 870,142 tons due to a force majeure event beginning on July 1, 2016, and continuing through September 2017. Peabody Energy claims that it is entitled to damages of $5.00 per shortfall ton for a total of $4,350,710. The Authority disputes this claim. The parties are attempting to negotiate a resolution to this dispute.

10. FLYASH LANDFILL CLOSURE AND POSTCLOSURE COSTS

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

State regulations will require the Authority to place a final cover on the flyash site when it discontinues its depositing of flyash and to perform certain maintenance and monitoring functions at the site for eight years after closure. Although closure costs occur as the landfill is used, and in a manner consistent with the closure plan, postclosure costs are required to be paid near or after the date of discontinuance of use of the landfill. GASB Statement No. 18 requires proprietary funds to report a portion of these costs as an operating expense in each period based on capacity and utilization. The amount recorded as a liability for the closure and postclosure costs in Other Noncurrent Liabilities at December 31, 2017 and 2016, was $2,027,937 and $1,997,913, respectively, which represents 89% of the total estimated closure and postclosure costs for December 31, 2017 and 2016, respectively. There was an increase in the liability from 2017 to 2016 of $30,024. The Authority will recognize the remaining estimated cost of closure and postclosure care of approximately $259,000 as the remaining estimated capacity is filled. These estimated closure amounts are based on what it would cost to perform all closure and postclosure care in 2017. Actual costs are subject to change resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

This flyash landfill has a total capacity of 7,449,987 cubic yards in which 4,322,718 cubic yards have been used through December 31, 2017. The remaining useful life at December 31, 2017, was approximately 63 years.

11. RISK MANAGEMENT

Resolution No. 5107 requires the Authority to, in each case where it is obtainable at a reasonable rate and on reasonable terms, insure its facilities, maintain liability insurance, and bond certain officers and employees. In general, all insurance coverage, including property (all risk coverage, including earthquake and flood), equipment, aircraft, employment practices liability, directors and officers liability, excess liability (including an endorsement for certified “acts of terrorism” as defined in the Federal Terrorism Risk Insurance Act), is purchased from private insurance carriers through the State of Oklahoma Risk Management Department (State Risk Management) of the Office of Management and Enterprise Services. State Risk Management contracts with a third-party insurance broker for brokerage services and advice. The Authority also participates in the State of Oklahoma’s Consolidated Workers’ Compensation Program, a self-insured program operated by States Risk Management. A private insurance carrier provides excess insurance coverage for the Consolidated Workers’ Compensation Program and a private company provides claims administration services. Settled claims have not exceeded commercial insurance coverage in any of the past three years. In addition, the Authority is subject to generation supply and market price risks, which are continually evaluated as to level of risk and how to best mitigate exposure to loss. Concentration of revenues from a single external customer also increases credit and market concentration risks. The Authority had two customers in 2017 and one customer in 2016 that each accounted for 10% or more of the Authority’s operating revenues for the year. In 2016, sales to Western Farmers Electric Cooperative totaled approximately $56.2 million. In 2017, sales to Western Farmers Electric Cooperative totaled approximately $63.1 million, sales to Google Inc. totaled approximately $56.8 million.

In compliance with GASB Statement No. 53, the annual changes in the fair value of effective hedging derivative instruments are required to be deferred (reported as deferred outflows of resources and deferred inflows of resources) on the Statement of Net Position. Deferral of changes in fair value generally lasts until the transaction involving the hedged item ends.

The Authority expanded its hedging program to include natural gas futures in 2017, a core business commodity input, in an effort to mitigate gas cost risk by reducing cost volatility and improving cost effectiveness. Unrealized gains and losses related to such activity are deferred and recognized as fuel expense incurred in the production cycle.

The fair value balances and notional amounts of derivative instruments outstanding at December 31, 2017, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2017 financial statements are as follows (debit (credit)):

	Changes in Fair Value		Fair Value at December 31, 2017		
Business-Type Activities	Classification	Amount	Classification	Amount	Notional Amount (MMBTU’s)
Cash flow hedges: Commodity forward (swap)	Deferred outflow of resources	$ 539,198	Derivative instruments (liability)	$ (539,198)	5,545,000

The aggregate fair value of hedging derivative instruments in liability positions at December 31, 2017, is $539,198. This represents the maximum loss that would be recognized as the reporting date if all counterparties fail to perform as contracted.

All of the Authority's derivative instruments are held with a single counterparty, which has a credit rating of "A/A".

The following table displays the objective and terms of the Authority's hedging derivative instruments outstanding at December 31, 2017, along with the credit rating of the associated counterparty.

Item	Type	Objective	Notional Amount (MMTBU's)	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
A	Commodity forward contract (swap)	Hedge of changes in cash flows due to market price fluctuations related to expected purchase of natural gas	$ 912,500	12/27/17	11/28/18	Pay $2.989/MMBTU; scheduled monthly settlements based on 2,500 MMBTUs/day and Henry Hub pricing point at settlement date	"A/A"
B	Commodity forward contract (swap)	Hedge of changes in cash flows due to market price fluctuations related to expected purchase of natural gas	225,000	12/27/17	02/26/18	Pay $3.285/MMBTU; scheduled monthly settlements based on 2,500 MMBTUs/day and Henry Hub pricing point at settlement date	"A/A"
C	Commodity forward contract (swap)	Hedge of changes in cash flows due to market price fluctuations related to expected purchase of natural gas	912,500	12/27/17	11/28/18	Pay $3.029/MMBTU; scheduled monthly settlements based on 2,500 MMBTUs/day and Henry Hub pricing point at settlement date	"A/A"
D	Commodity forward contract (swap)	Hedge of changes in cash flows due to market price fluctuations related to expected purchase of natural gas	912,500	12/27/18	11/26/19	Pay $2.900/MMBTU; scheduled monthly settlements based on 2,500 MMBTUs/day and Henry Hub pricing point at settlement date	"A/A"
E	Commodity forward contract (swap)	Hedge of changes in cash flows due to market price fluctuations related to expected purchase of natural gas	912,500	12/27/17	11/28/18	Pay $2.960/MMBTU; scheduled monthly settlements based on 2,500 MMBTUs/day and Henry Hub pricing point at settlement date	"A/A"
F	Commodity forward contract (swap)	Hedge of changes in cash flows due to market price fluctuations related to expected purchase of natural gas	1,825,000	12/27/17	11/28/18	Pay $2.820/MMBTU; scheduled monthly settlements based on 5,000 MMBTUs/day and Henry Hub pricing point at settlement date	"A/A"

The fair values of the forward contracts are estimated based on the present value of their estimated future cash flows calculated using the Henry Hub forward curve. GRDA enters into natural gas transactions to hedge its price exposure to fluctuations in the market price of natural gas. A portion of GRDA's natural gas transactions are physical in nature (normal purchase, normal sale) and are excluded from the scope of the financial trades disclosed.

Contracts are accounted for in accordance with GASB Statement No. 53, which addresses recognition, measurement, and disclosure related to derivative instruments with reporting required in the Statements of Net Position or recognized on the Statements of Revenues, Expenses, and Changes in Net Position depending on effectiveness. Contracts are evaluated to determine whether they meet the definition of derivative instruments and, if so, whether they effectively hedge the expected change in cash flow associated with natural gas prices. Effectiveness testing is performed at the end of each month. If the derivative instrument(s) passes effectiveness testing, the change in fair value of the instrument(s) is deferred in the Statements of Net Position. If deemed to be ineffective, the change in fair value of the instrument(s) is immediately recognized in the Statements of Revenues, Expenses, and Changes in Net Position. GRDA does not intend to enter into any hedges that would be deemed ineffective.

Credit Risk: Credit risk is the risk of loss due to a counterparty defaulting on its obligations. GRDA's derivative contracts and physical bi-lateral transactions expose GRDA to custodial credit risk. In the event of default or nonperformance by bi-lateral counterparties and brokers, New York Mercantile Exchange (NYMEX) or Intercontinental Exchange (ICE), GRDA's operations could be materially affected. However, GRDA does not expect the exchanges to fail in meeting their obligations given their high credit ratings and the credit requirements upheld by NYMEX, of which these brokerage firms are members.

Termination Risk: Termination risk is the risk that a derivative or physical bi-lateral trade will terminate prior to its scheduled maturity due to a contractual event. Contractual events include illegality, tax and credit events upon merger and other events. One aspect of termination risk is GRDA would lose the hedging benefit of a derivative or bi-lateral trade that becomes subject to a termination event. Another aspect of termination risk is that, if, at the time of termination, the mark to market value of the derivative was a liability to GRDA, it would be required to pay the market value of the derivative to the counterparty. GRDA addresses this risk through the use of the International Swaps and Derivatives Association (ISDA) agreements and individual contracts have language to address termination risk. Termination risk is associated with all of GRDA's derivatives up to the fair value amounts. GRDA believes termination risk is very low.

Basis Risk: Basis risk in the financial markets arises when an underlying position and the product used as a hedge are based on different quality or trade at different locations. GRDA is exposed to basis risk because GRDA's assets and customer obligations do not always match locations. For GRDA's natural gas requirements, the NYMEX is the exchange futures contract used which trades at Henry Hub Louisiana while operationally GRDA purchases are based on the Enable Gas (EIOT) or the OneOk (OGT) index. This exposes GRDA to the basis risk between NYMEX and EIOT or OGT indices. GRDA is hedging the Henry Hub portion of the gas price only, not the basis for the individual pipeline(s)—EIOT/OGT.

UNAUDITED

REQUIRED

Supplementary Information

Comprehensive Annual Financial Report
For The Years Ended December 31, 2017 and 2016

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

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN

Fiscal Year Ending	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
December 31, 2017	**2.3117 %**	**$ 12,498,665**	**$ 38,300,232**	**32.63 %**	**94.28 %**
December 31, 2016	2.2462 %	$ 21,890,211	$ 38,811,001	56.40 %	89.48 %
December 31, 2015	2.1715 %	$ 7,810,649	$ 38,557,227	20.26 %	96.00 %

SCHEDULE OF EMPLOYER CONTRIBUTIONS (UNAUDITED)

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT PLAN

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2017	**$ 6,218,254**	**$ 6,516,168**	**$ (297,914)**	**$ 38,300,232**	**17.01 %**
December 31, 2016	$ 6,641,675	$ 6,615,357	$ 26,318	$ 38,811,001	17.05 %
December 31, 2015	$ 6,333,952	$ 6,343,582	$ (9,630)	$ 38,557,227	16.45 %

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

The Authority is required to present the last ten fiscal years of data; however, until a full ten-year trend of data is compiled, GASB Statement No. 68 allows the presentation for those years for which information is available.

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

Changes in Assumptions are as follows:

	2017	2016	2015
Long-term expected rate of return	**7.00%**	7.25 %	7.50 %
Discount rate	**7.00%**	7.25 %	7.50 %
Price inflation	**2.75%**	3.00%	3.00%
Real wage growth	**0.75%**	1.00%	1.00%

There were no other changes in assumptions.

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

OKLAHOMA LAW ENFORCEMENT RETIREMENT PLAN

Fiscal Year Ending	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
December 31, 2017	**1.4556 %**	**$ 1,891,434**	**$ 1,209,093**	**156.4341 %**	**87.85 %**
December 31, 2016	1.3370 %	$ 1,631,598	$ 1,241,483	131.4233 %	81.88 %
December 31, 2015	0.8627 %	$ 894,807	$ 1,098,172	81.4815 %	89.62 %

SCHEDULE OF EMPLOYER CONTRIBUTIONS (UNAUDITED)

OKLAHOMA LAW ENFORCEMENT RETIREMENT PLAN

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2017	**$ 134,827**	**$ 134,826**	**$ 1.00**	**$ 1,209,093**	**11.15 %**
December 31, 2016	$ 136,630	$ 136,630	$ -	$ 1,241,483	11.01 %
December 31, 2015	$ 81,430	$ 81,430	$ -	$ 1,098,172	7.42 %

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

The Authority is required to present the last ten fiscal years of data; however, until a full ten-year trend of data is compiled, GASB Statement No. 68 allows the presentation for those years for which information is available.

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

Changes in Assumptions are as follows:

	2017	2016	2015
Price inflation	**2.75%**	3.00%	3.00%

There were no other changes in assumptions.

SCHEDULE OF FUNDING PROGRESS (UNAUDITED)

FOR THE YEAR ENDED DECEMBER 31, 2017

OTHER POSTEMPLOYMENT BENEFITS PLAN

Actuarial Valuation Date	Actuarial Values of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2014	$ -	$ 12,736,244	$ 12,736,244	- %	$ 34,520,427	36.89 %
January 1, 2015	$ -	$ 12,852,859	$ 12,852,859	- %	$ 37,581,377	34.20 %
January 1, 2017	**$ -**	**$ 12,813,019**	**$ 12,813,019**	**- %**	**$ 39,473,804**	**32.46 %**

Funded Status and Funding Progress—As of January 1, 2017, the most recent actuarial valuation date, the plan was 0% funded. The projected unit credit actuarial cost method was used for the schedule of funding progress. Covered payroll (annual payroll of active employees covered by the plan) prior to 2010 is estimated. The discount rate was lowered to 3.5% for the actuarial valuation dated January 1, 2012, January 1, 2014, January 1, 2015 and January 1, 2017. See Note 7 to Financial Statements, Retirement Plans, Postretirement, and Other Employee Benefits for additional information about GRDA's Postemployment Healthcare Plan.

UNAUDITED

STATISTICAL

Section

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

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

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

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

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

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

Revenue Capacity

LARGEST 20 CUSTOMERS BY NET REVENUES

2017

Customer Name	Customer Since	Customer Classification	Net Revenue Percentage
Western Farmers Electric Cooperative	1983	Off-System Firm	15%
Google, Inc.	2007	Industrial	13
City of Coffeyville, Kansas	1999	Municipal	9
Kansas Municipal Energy Agency	2000	Off-System Firm	7
Stillwater Utilities Authority	1987	Municipal	6
Paragould, Arkansas, Light and Water Commission	1992	Off-System Firm	6
Claremore Public Works Authority	1946	Municipal	4
Oklahoma Municipal Power Authority	1985	Other Contractual Agreement/Off-System Firm	4
City of Siloam Springs, Arkansas	1989	Municipal	3
Northeast Oklahoma Electric Cooperative, Inc.	1946	Cooperative	3
City of Poplar Bluff, Missouri	1992	Off-System Firm	3
Pryor Chemical Company	2004	Industrial	3
Tahlequah Public Works Authority	1947	Municipal	3
Miami Public Utilities Board	1947	Municipal	2
Solae, LLC	1975	Industrial	2
Sallisaw Municipal Authority	1952	Municipal	2
Cushing Municipal Authority	1953	Municipal	2
City of Pryor Creek Municipal Utility Board	1951	Municipal	1
Air Products Manufacturing Corporation	1976	Industrial	1
Wagoner Public Works Authority	1947	Municipal	1
Net Revenues as a Percentage of Sales of Power			90%

NINE YEARS AGO - 2008

Customer Name	Customer Since	Customer Classification	Net Revenue Percentage
Northeast Oklahoma Electric Cooperative, Inc.	1946	Cooperative	10%
City of Coffeyville, Kansas	1999	Municipal	9
Stillwater Utilities Authority	1987	Municipal	7
Kansas Municipal Energy Agency	2000	Off-System Firm	6
Paragould, Arkansas, Light and Water Commission	1992	Off-System Firm	6
Western Farmers Electric Cooperative	1983	Off-System Firm	5
Associated Electric Cooperative	Periodic	Off-System Firm	5
Oklahoma Municipal Power Authority	1985	Other Contractual Agreement/Off-System Firm	5
Claremore Public Works Authority	1946	Municipal	4
City of Poplar Bluff, Missouri	1992	Off-System Firm	4
City of Siloam Springs, Arkansas	1989	Municipal	4
Miami Public Utilities Board	1947	Municipal	3
Tahlequah Public Works Authority	1947	Municipal	3
Southwest Power Pool	Periodic	Regional Transmission Organization	3
Air Products Manufacturing Corporation	1976	Industrial	2
Sallisaw Municipal Authority	1952	Municipal	2
Solae, LLC	1975	Industrial	2
City of Pryor Creek Municipal Utility Board	1951	Municipal	2
Cushing Municipal Authority	1953	Municipal	1
Wagoner Public Works Authority	1947	Municipal	1
Net Revenues as a Percentage of Sales of Power			84%

Source: Grand River Dam Authority

Revenue Capacity

RATE HISTORY

	2017	2016	2015	2014	2013
ELECTRIC SERVICE RATES:					
Capacity Charges per kW:					
Wholesale - Distribution Primary	**$10.95**	$10.95	$10.50	$10.50	$10.50
Wholesale - Transmission	**10.11**	10.11	9.69	9.69	9.69
Wholesale - Generation Bus	**9.50**	9.50	9.11	9.11	9.11
Industrial - Distribution, Schedule LGS	**11.32**	11.32	10.82	10.82	10.82
Industrial - Distribution, Schedule GS	**12.41**	12.41	11.09	11.09	11.09
Industrial - Distribution Primary, Schedule LGS	**11.08**	11.08	10.60	10.60	10.60
Industrial - Distribution Primary, Schedule GS	**11.71**	11.71	10.33	10.33	10.33
Industrial - Transmission	**10.25**	10.25	9.80	9.80	9.80
Energy Charges per kWh:					
Wholesale - Distribution Primary	**0.0321**	0.0321	0.031	0.031	0.031
Wholesale - Transmission	**0.0317**	0.0317	0.031	0.031	0.031
Wholesale - Generation Bus	**0.0314**	0.0314	0.031	0.031	0.031
Industrial - Distribution, Schedule LGS	**0.0327**	0.0327	0.0316	0.0316	0.0316
Industrial - Distribution, Schedule GS	**0.0328**	0.0328	0.0324	0.0324	0.0324
Industrial - Distribution Primary, Schedule LGS	**0.0325**	0.0325	0.031	0.031	0.031
Industrial - Distribution Primary, Schedule GS	**0.0328**	0.0328	0.0324	0.0324	0.0324
Industrial - Transmission, Schedule LGS	**0.0324**	0.0324	0.031	0.031	0.031
Commercial - SGS-C	**0.0761**	0.0761	0.07442	0.07442	0.07442
Commercial - GS-C	**0.1064**	0.1064	0.1013	0.1013	0.1013
Power Cost Adjustment per kWh:					
PCA - 1st half of Year	**Avg 0.0014**	Avg (0.0073)	Avg 0.0072	Avg 0.00460	0.01166
PCA - 2nd half of Year	**Avg 0.0002**	Avg (0.0035)	Avg 0.0001	Avg 0.00744	Avg 0.00239

	2017	2016	2015	2014	2013
WATER RATES: per thousand gallons					
Grand Lake	**$0.110**	$0.110	$0.100	$0.100	$0.100
Lake Hudson	**0.110**	0.110	0.100	0.100	0.100
Fort Gibson Lake - Commercial	**0.110**	0.110	0.100	0.100	0.100
Fort Gibson Lake - Wholesale	**0.033**	0.033	0.030	0.030	0.030
WR Holway Reservoir	**0.137**	0.137	0.100	0.100	0.100
River Pump Station	**0.073**	0.073	0.073	0.073	0.063

	2017	2016	2015	2014	2013
DOCK PERMIT RATES:					
Private Docks:					
Docks less than 1100 sq. feet:					
Base charge, including first slip	**$100.00**	$100.00	$100.00	$100.00	$100.00
Per each additional slip	**25.00**	25.00	25.00	25.00	25.00
Docks greater than 1100 sq. feet:					
Base charge	**100.00**	100.00	100.00	100.00	100.00
Per square foot	**0.06**	0.06	0.06	0.06	0.06
Commercial Docks:					
Minimum charge	**200.00**	200.00	200.00	200.00	200.00
Per slip	**25.00**	25.00	25.00	25.00	25.00
Per square foot	**0.06**	0.06	0.06	0.06	0.06

Source: Grand River Dam Authority

2012	2011	2010	2009	2008
$11.88	$11.88	$12.13	$10.09	$10.09
11.02	11.02	11.24	9.32	9.32
10.39	10.39	10.60	8.76	8.76
12.26	12.26	12.51	10.40	10.40
12.57	12.57	12.83	10.40	10.40
12.00	12.00	12.25	10.19	10.19
11.81	11.81	12.07	9.64	9.64
11.14	11.14	11.36	9.42	9.42
0.0216	0.0216	0.0220	0.0210	0.0210
0.0216	0.0216	0.0220	0.0210	0.0210
0.0216	0.0216	0.0220	0.0210	0.0210
0.02203	0.02203	0.02248	0.0214	0.0214
0.02258	0.02258	0.02304	0.0214	0.0214
0.02156	0.02159	0.02203	0.0210	0.0210
0.02258	0.02258	0.02304	0.0214	0.0214
0.02159	0.02159	0.02203	0.0210	0.0210
0.072	0.072	0.0735	0.06442	0.06442
0.098	0.098	0.1000	0.06442	0.06442
0.01332	0.00644	0.00249	0.00626	0.00775
0.00825	0.00924	0.00611	0.00645	0.00595

Per Oklahoma Statute as well as General Bond Resolution 5107, the Authority's Board of Directors has the sole responsibility and authority for establishing sufficient rates.

Effective July 1, 2013 the Authority began updating the Power Cost Adjustment monthly. The average monthly PCA for each six-month period is included in the table since July 1, 2013.

2012	2011	2010	2009	2008
$0.100	$0.100	$0.100	$0.060	$0.030
0.100	0.100	0.100	0.060	0.030
0.100	0.100	0.100	0.060	0.030
0.030	0.100	0.100	0.060	0.030
0.100	0.100	0.100	0.060	0.030
0.063	0.068	0.068	0.100	0.100

2012	2011	2010	2009	2008
$100.00	$100.00	$100.00	$100.00	$100.00
25.00	25.00	25.00	25.00	25.00
100.00	100.00	100.00	100.00	100.00
0.06	0.06	0.06	0.06	0.06
200.00	200.00	200.00	200.00	200.00
25.00	25.00	25.00	25.00	25.00
0.06	0.06	0.06	0.06	0.06

Debt Capacity

DEBT SERVICE COVERAGE

	2017	2016	2015	2014	2013
Operating Revenues	**$ 435,767,043**	$ 420,932,552	$ 414,055,542	$ 475,159,326	$ 430,426,855
Over/(Under) Recovered Fuel Cost	**-**	-	-	-	-
Revenues Available for Debt Service	**435,767,043**	420,932,552	414,055,542	475,159,326	430,426,855
Operating Expenses, excluding depreciation	**(319,970,467)**	(300,547,383)	(282,440,882)	(350,744,574)	(295,194,540)
Other Income, excluding noncash amortizations, market adjustments, and other excluded interest	**8,677,204**	12,265,711	8,656,223	20,570,370	6,835,884
Other Available Funds	**133,053**	-	-	13,703,911	7,539,167
Rate Stabilization Fund	**-**	21,000,000	-	-	-
Available for Debt Service	**$ 124,606,833**	$ 153,650,880	$ 140,270,883	$ 158,689,033	$ 149,607,366
Sinking Fund Requirements:					
Principal	**18,935,000**	24,369,583	23,449,167	28,523,892	59,141,198
Interest	**47,918,861**	50,546,292	52,051,897	49,075,242	50,974,856
Debt Service	**$ 66,853,861**	$ 74,915,875	$ 75,501,064	$ 77,599,134	$ 110,116,054
Net Revenues Available for Capital Improvements or Other Authorized Purposes	**$ 57,752,972**	$ 78,735,005	$ 64,769,819	$ 81,089,899	$ 39,491,312
Debt Service Coverage	**1.86**	2.05	1.86	2.04	1.36
Debt Service/MWh Generated	**$ 11.63**	$ 13.03	$ 10.94	$ 12.54	$ 15.06

Source: Grand River Dam Authority

REVENUE BONDS OUTSTANDING AND LIMITS

	2017	2016	2015	2014	2013
Long Term Portion (1)	**$ 1,087,054,941**	$ 1,101,211,229	$ 1,140,409,407	$ 1,166,810,673	$ 784,142,575
Current Portion	**14,760,000**	24,780,000	23,795,000	22,965,000	36,306,340
Total Outstanding Bonds	**1,101,814,941**	1,125,991,229	1,164,204,407	1,189,775,673	820,448,915
Bond Indebtedness Limit	**1,410,000,000**	1,410,000,000	1,410,000,000	1,410,000,000	1,410,000,000
Bond Indebtedness Margin	**308,185,059**	284,008,771	245,795,593	220,224,327	589,551,085
Margin as a percentage of Limit	**21.9%**	20.1%	17.4%	15.6%	41.8%
Outstanding Debt Per Capita in District	**$ 683**	$ 706	$ 726	$ 748	$ 519
Outstanding Debt to Total Personal Income	**645%**	628%	672%	711%	512%

Source: Grand River Dam Authority

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

2012	2011	2010	2009	2008
$ 411,022,733	$ 394,486,571	$ 382,000,789	$ 317,668,977	$ 323,747,187
-	-	-	-	(2,687,159)
411,022,733	394,486,571	382,000,789	317,668,977	321,060,028
(272,187,924)	(254,480,377)	(243,624,219)	(214,758,203)	(193,038,490)
12,778,212	11,907,475	11,834,590	17,588,591	14,929,690
4,000,000	-	15,874,058	22,000,000	28,104,674
-	-	-	-	-
$ 155,613,021	$ 151,913,669	$ 166,085,218	$ 142,499,365	$ 171,055,902
89,299,585	84,623,379	87,427,504	95,392,385	71,002,500
41,447,602	42,873,407	43,497,512	38,333,851	31,642,622
$ 130,747,187	$ 127,496,786	$ 130,925,016	$ 133,726,236	$ 102,645,122
$ 24,865,834	$ 24,416,883	$ 35,160,202	$ 8,773,129	$ 68,410,780
1.19	1.19	1.27	1.07	1.67
$ 18.63	$ 15.91	$ 16.48	$ 16.60	$ 14.12

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

2012	2011	2010	2009	2008
$ 820,851,660	$ 911,841,014	$ 997,997,959	$ 844,164,321	$ 937,454,436
91,110,000	86,765,000	81,665,000	95,470,000	72,590,000
911,961,660	998,606,014	1,079,662,959	939,634,321	1,010,044,436
1,410,000,000	1,410,000,000	1,410,000,000	1,410,000,000	1,410,000,000
498,038,340	411,393,986	330,337,041	470,365,679	399,955,564
35.3%	29.2%	23.4%	33.4%	28.4%
$ 580	$ 637	$ 694	$ 611	$ 664
613%	707%	790%	711%	752%

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

Financial Trends

NET POSITION AND CHANGE IN NET POSITION

	2017	2016	2015	2014	2013
NET POSITION					
Assets:					
Current Assets	**$ 204,502,845**	$ 266,859,465	$ 187,394,076	$ 209,580,470	$ 239,521,952
Net Utility Plant	**1,246,041,479**	1,244,661,834	1,080,625,744	876,027,323	825,045,007
Investments	**317,336,649**	305,533,763	599,081,087	740,055,949	397,792,015
Other Noncurrent Assets	**6,567,037**	4,586,150	10,661,010	11,277,802	7,462,896
Total Assets	**1,774,448,010**	1,821,641,212	1,877,761,917	1,836,941,544	1,469,821,870
Deferred Outflows:	**48,865,298**	47,329,276	3,192,494	-	-
Liabilities:					
Current Liabilities	**63,263,166**	111,699,020	128,852,811	79,863,026	117,596,459
Noncurrent Liabilities	**1,108,505,456**	1,130,293,579	1,153,381,782	1,172,337,640	789,240,945
Total Liabilities	**1,171,768,622**	1,241,992,599	1,282,234,593	1,252,200,666	906,837,404
Deferred Inflows:	**46,541,906**	29,090,179	4,216,446	-	-
Net Position:					
Net Investment in Capital Assets	**269,911,995**	271,706,418	344,780,665	304,838,953	348,205,546
Restricted for:					
Debt Service	**12,523,713**	18,524,344	18,238,867	17,705,259	33,526,719
Rate Stabilization Fund	**-**	21,000,000	-	-	-
Other Special Purposes	**2,230,264**	2,377,982	2,478,663	5,321,351	1,942,224
Unrestricted	**320,336,808**	284,278,966	229,005,177	256,875,315	179,309,977
Total Net Position	**$ 605,002,780**	$ 597,887,710	$ 594,503,372	$ 584,740,878	$ 562,984,466

	2017	2016	2015	2014	2013
CHANGE IN NET POSITION					
Operating Revenues:					
Sales of Power	**$ 422,294,469**	$ 428,066,100	$ 401,569,988	$ 463,946,059	$ 416,591,647
Other operating revenues	**13,710,781**	14,157,387	12,485,554	11,213,267	13,835,208
Transfer (provision) for rate stabilization	**-**	(21,000,000)	-	-	-
Total Operating Revenues	**436,005,250**	421,223,487	414,055,542	475,159,326	430,426,855
Operating Expenses:					
Purchased power - net	**(138,401,740)**	(78,339,797)	(44,525,854)	(80,171,737)	(32,091,910)
Depreciation	**(71,935,555)**	(69,673,894)	(67,953,588)	(68,138,608)	(53,952,049)
Fuel	**(70,435,652)**	(119,783,385)	(143,804,114)	(171,947,118)	(170,624,193)
Operations	**(61,887,909)**	(55,939,972)	(46,841,448)	(46,102,751)	(41,766,524)
Maintenance	**(29,456,552)**	(30,436,172)	(34,068,198)	(36,992,566)	(34,350,768)
Administrative and general	**(22,355,136)**	(16,048,057)	(13,201,268)	(15,530,402)	(16,361,145)
Total Operating Expense	**(394,472,544)**	(370,221,277)	(350,394,470)	(418,883,182)	(349,146,589)
Operating Income	**41,532,706**	51,002,210	63,661,072	56,276,144	81,280,266
Other Non-Operating Revenues	**15,508,997**	12,388,746	11,027,384	22,461,908	731,315
Gain (loss) on impairment of asset	**4,176,185**	(6,202,196)	-	-	-
Interest and Bond-Related Amortizations	**(41,248,573)**	(55,275,152)	(50,612,334)	(44,372,401)	(43,903,851)
Increase (Decrease) in Costs to be Recovered	**-**	-	-	698,009	1,640,965
Capital Contributions	**1,869,839**	1,470,730	-	-	-
Recovery of cost to be recovered	**(14,724,084)**	-	-	(13,307,248)	-
Net Increase in Net Position	**$ 7,115,070**	$ 3,384,338	$ 24,076,122	$ 21,756,412	$ 39,748,695

Source: Grand River Dam Authority

2012	2011	2010	2009	2008
$ 255,025,040	$ 321,618,071	$ 278,502,458	$ 320,324,339	$ 443,547,555
795,320,230	782,641,048	801,422,915	778,489,258	730,162,939
433,875,248	398,963,309	444,945,573	244,179,432	206,646,566
19,074,561	18,215,154	24,228,271	22,589,056	22,723,419
1,503,295,079	1,521,437,582	1,549,099,217	1,365,582,085	1,403,080,479
-	-	-	-	-
142,613,484	125,764,760	118,474,852	152,199,370	117,860,150
837,445,824	926,444,492	1,013,865,944	859,841,618	952,157,405
980,059,308	1,052,209,252	1,132,340,796	1,012,040,988	1,070,017,555
-	-	-	-	-
263,939,054	192,361,193	188,760,234	154,704,963	178,061,740
56,886,806	61,324,015	66,485,014	59,544,174	51,568,437
-	-	-	-	-
749,975	637,178	513,456	394,469	407,705
201,659,936	214,905,944	160,999,717	138,897,491	103,025,042
$ 523,235,771	$ 469,228,330	$ 416,758,421	$ 353,541,097	$ 333,062,924

2012	2011	2010	2009	2008
$ 401,449,292	$ 388,834,078	$ 374,524,747	$ 309,678,303	$ 316,628,436
9,573,441	5,652,493	7,476,042	7,990,674	7,118,751
-	-	-	-	-
411,022,733	394,486,571	382,000,789	317,668,977	323,747,187
(29,831,445)	(14,585,117)	(11,154,488)	(7,589,678)	(30,339,495)
(48,204,063)	(50,869,539)	(44,101,788)	(48,595,784)	(32,644,506)
(151,413,641)	(160,222,167)	(151,322,794)	(130,956,467)	(98,340,950)
(30,099,571)	(27,823,333)	(23,480,280)	(28,885,899)	(21,574,439)
(33,722,761)	(26,809,111)	(33,720,522)	(27,581,156)	(22,597,687)
(27,120,506)	(25,040,649)	(23,946,136)	(19,745,003)	(20,185,919)
(320,391,987)	(305,349,916)	(287,726,008)	(263,353,987)	(225,682,996)
90,630,746	89,136,655	94,274,781	54,314,990	98,064,191
10,166,652	22,579,696	14,962,273	17,600,716	21,057,910
-	-	-	-	-
(49,213,767)	(55,213,808)	(47,471,710)	(52,779,134)	(37,722,260)
1,560,409	1,483,770	1,410,896	1,341,601	1,262,100
863,401	-	41,084	-	306,926
-	-	-	-	-
$ 54,007,441	$ 57,986,313	$ 63,217,324	$ 20,478,173	$ 82,968,867

Financial Trends

CASH AND INVESTMENT BALANCES

	2017	2016	2015	2014	2013
General Operating	**$ 217,608,676**	$ 175,088,943	$ 173,842,198	$ 158,052,673	$ 85,793,845
Board Designated	**39,232,000**	38,849,000	38,266,000	33,633,000	36,500,000
Restricted for:					
Rate Stabilization	**21,000,000**	21,000,000	-	-	-
Bond Service	**12,523,712**	18,524,343	18,238,867	17,705,259	33,526,719
Construction	**16,421,396**	78,733,893	328,410,668	518,754,428	202,530,697
Bond Service Reserve	**86,807,297**	86,628,908	89,208,703	88,451,195	133,476,142
Reserve and Contingency	-	-	-	-	-
Other Special Purposes	**2,230,264**	2,377,982	2,478,663	5,321,351	1,942,224
Total Cash and Investments	**$ 395,823,345**	$ 421,203,069	$ 650,445,099	$ 821,917,906	$ 493,769,627

Source: Grand River Dam Authority

Operating Information

HISTORICAL ENERGY RESOURCES (MWH)

Year	Run-of-River Hydro Generation	Pumped-Storage Hydro Generation	Coal-Fired Thermal Generation	Combined-Cycle Gas Generation	Long-Term Wind Purchase	Other Purchased Power	Total GRDA	Municipal SPA Allocation	Total Resources
2008	1,140,029	279,154	5,612,618	239,073	-	343,244	7,614,118	52,395	7,666,513
2009	1,069,449	170,326	5,493,609	1,322,444	-	128,920	8,184,748	43,801	8,228,549
2010	804,231	233,436	4,991,403	1,915,495	-	280,878	8,225,443	38,952	8,264,395
2011	492,200	228,570	5,508,842	1,782,658	-	410,568	8,422,838	31,001	8,453,839
2012	284,048	150,566	4,222,926	2,362,192	18,329	964,528	8,002,589	25,707	8,028,296
2013	711,789	104,040	4,526,724	1,968,570	169,710	858,973	8,339,806	29,991	8,369,797
2014	325,372	129,333	3,595,061	2,137,660	174,336	2,478,267	8,840,029	23,914	8,863,943
2015	873,816	67,972	3,120,808	2,837,754	329,699	1,624,113	8,854,162	39,885	8,894,047
2016	726,954	89,060	2,306,516	2,625,974	981,175	2,318,847	9,048,526	36,543	9,085,069
2017	**619,522**	**138,133**	**507,698**	**3,240,163**	**986,837**	**3,099,589**	**8,591,942**	**30,316**	**8,622,258**

Source: Grand River Dam Authority

HISTORICAL SALES BY CUSTOMER GROUP (MWH)

Year	Municipal	Cooperative	Industrial	Other	Off-System Firm	Total Contract Sales	Off-System Spot	Total Sales
2008	3,047,991	605,556	686,806	181,709	1,660,683	6,182,745	864,608	7,047,353
2009	3,000,980	607,723	616,543	160,818	1,730,040	6,116,104	1,612,029	7,728,133
2010	3,132,069	661,648	770,321	159,263	1,965,468	6,688,769	993,433	7,682,202
2011	3,215,429	648,510	939,237	135,576	2,255,335	7,194,087	699,525	7,893,612
2012	3,184,093	602,781	1,056,978	36,401	2,552,525	7,432,778	170,759	7,603,537
2013	3,193,662	630,015	1,022,471	49,597	2,943,886	7,839,631	180,004	8,019,635
2014	3,266,293	640,025	1,287,651	96,537	3,074,595	8,365,101	79,648	8,444,749
2015	3,156,468	620,160	1,467,245	12,497	2,985,668	8,242,038	343,271	8,585,309
2016	3,192,044	621,128	1,769,842	10,125	2,978,366	8,571,505	191,999	8,763,504
2017	**3,015,320**	**226,978**	**1,952,204**	**6,902**	**2,938,895**	**8,140,299**	**103,239**	**8,243,538**

Source: Grand River Dam Authority

2012	2011	2010	2009	2008
$ 65,680,834	$ 105,062,893	$ 69,267,384	$ 62,189,497	$ 56,055,494
37,500,000	35,000,000	32,500,000	30,000,000	27,500,000
-	-	-	-	-
56,886,806	61,324,015	66,485,014	59,544,174	51,568,437
232,617,067	257,891,432	317,223,969	151,837,215	241,949,727
141,810,137	143,429,267	139,140,993	141,560,060	141,560,060
-	-	-	13,390,015	35,390,015
749,975	637,178	513,456	394,469	407,705
$ 535,244,819	$ 603,344,785	$ 625,130,816	$ 458,915,430	$ 554,431,438

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

Operating Information

WATER SALES (in thousands of gallons)

	Grand		Hudson		Fort Gibson		Total	
Year	Customer Revenue	Gallons Billed	Customer Revenue	Gallons Billed	Customer Revenue	Gallons Billed	Customer Revenue	Gallons Billed
2008	65,323	944,237	20,086	489,109	43,566	1,364,521	128,975	2,797,867
2009	94,621	924,989	37,126	540,224	81,859	1,315,657	213,606	2,780,870
2010	131,071	925,025	63,071	586,705	119,600	1,184,221	313,742	2,695,951
2011	105,833	1,047,588	50,782	507,823	116,614	1,157,651	273,229	2,713,062
2012	104,851	1,039,608	55,661	1,607,712	64,832	835,820	225,344	3,483,140
2013	95,920	946,476	72,039	3,187,891	50,013	796,972	217,972	4,931,339
2014	85,029	836,320	50,332	503,323	58,801	974,195	194,162	2,313,838
2015	77,824	761,922	52,267	522,664	50,573	939,047	180,664	2,223,633
2016	93,556	875,249	66,611	930,394	78,715	1,191,178	238,882	2,996,821
2017	**94,827**	**848,638**	**57,320**	**490,548**	**37,108**	**755,805**	**189,255**	**2,094,991**
Total	948,855	9,150,052	525,295	9,366,393	701,681	10,515,067	2,175,831	29,031,512

NUMBER OF FULL-TIME EMPLOYEES

GRDA Facility	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Thermal Generation	**145**	167	186	194	191	191	191	196	210	212
Hydroelectric Generation	**52**	51	47	45	46	39	36	40	40	41
Transmission and Engineering	**174**	162	167	159	149	146	140	134	125	128
Energy Control and Operations	**33**	36	39	37	36	37	32	28	28	30
Information Technology	**12**	11	9	8	8	6	7	13	12	12
Ecosystems and GRDA Police	**72**	63	53	41	32	30	32	19	17	17
Other Administrative	**87**	84	76	67	60	62	58	55	57	57
Total Employees by Function	**575**	574	577	551	522	511	496	485	489	497
Employees per MW of Generation	**0.29**	0.29	0.33	0.31	0.30	0.30	0.29	0.28	0.28	0.28

Source: Grand River Dam Authority

Miscellaneous Operating Information

NATURE OF CAPITAL ASSETS

Generating Facilities	Location	Rated Capability	Generating Fuel	Date of Commercial Operations
Pensacola Project				
Grand Lake O' the Cherokees:				
Pensacola Dam Units 1, 2, 3, 4, 5 and 6	Langley, OK	126 MW	Run-of-River Hydro	1941
Markham Ferry Project				
Lake Hudson:				
Robert S. Kerr Dam Units 1, 2, 3 and 4	Locust Grove, OK	128 MW	Run-of-River Hydro	1964
Salina Pumped Storage Project				
W.R. Holway Reservoir:				
Salina Units 1, 2 and 3	Salina, OK	129 MW	Pumped-Storage Hydro	1968
Salina Units 4, 5 and 6	Salina, OK	129 MW	Pumped-Storage Hydro	1971
Grand River Energy Center *(formerly known as Coal-Fired Complex)*				
GREC 1	Chouteau, OK	25 MW	Coal Fired Thermal	1981
GREC 2	Chouteau, OK	520 MW	Coal Fired Thermal	1985
GREC 3	Chouteau, OK	495 MW	Combined Cycle Gas	2017
Redbud Plant				
Redbud Units 1, 2, 3 and 4 (GRDA's 36%)	Luther, OK	443 MW	Combined Cycle Gas	Purchased 2008

Renewable Purchase Power Agreements			
Canadian Hills Wind Project	48 MW (energy)	Wind	2012
Breckinridge Wind Project	99 MW (energy)	Wind	2015
Kay County	100 MW (energy)	Wind	2015
Red Dirt Wind Project	140 MW (energy)	Wind	COD 2018

Customer Capacity Purchase Agreements	
Stillwater	64 MW
Coffeyville	86 MW
Cushing	21 MW

Other Facilities	Location
Administration Headquarters	Vinita, OK
Ecosystem & Education Center	Langley, OK
Energy Control Center	Locust Grove, OK
Cushing Field Office	Cushing, OK
Transmission, Distribution Headquarters	Pryor, OK
Engineering and Technology Center	Tulsa, OK
Satellite Office	Oklahoma City, OK

Transmission Facilities

VOLTAGE - MILES OF LINE

69 kV - 573	115 kV - 13	138 kV - 119	161 kV - 371	345 kV - 110

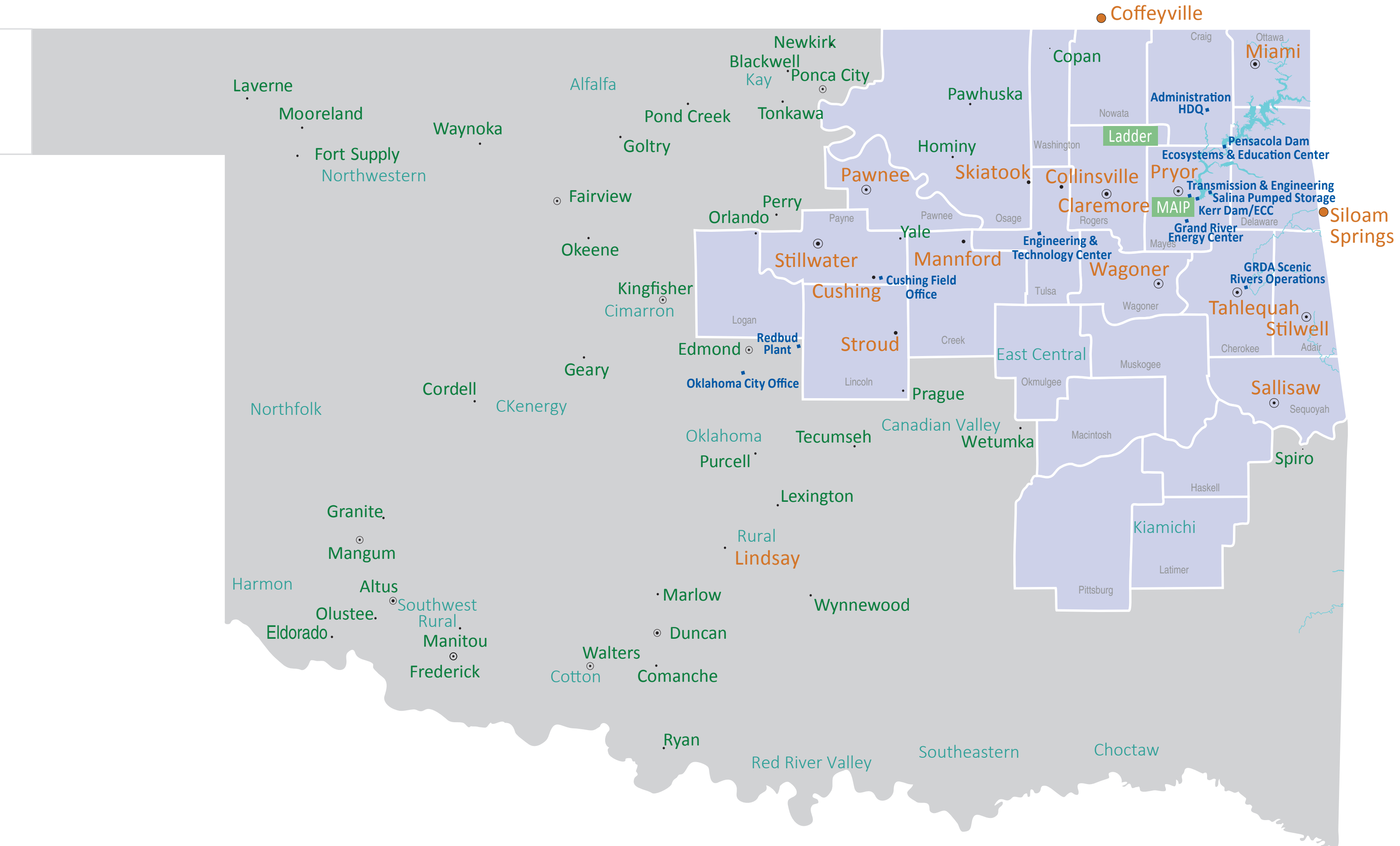
INTERCONNECTIONS

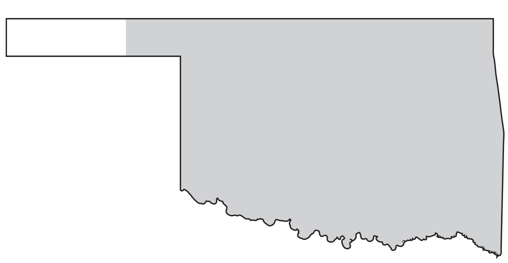
American Electric Power (AEP)
Associated Electric Cooperative Company (AECI)/KAMO Power (KAMO)
Empire District Electric (Empire)
Oklahoma Gas and Electric Company (OG&E)
Southwestern Power Administration (SWPA)
Western Farmers Electric Cooperative (WFEC)

REGIONAL TRANSMISSION ORGANIZATION

Southwest Power Pool (SPP)

MAP OF CUSTOMERS AND GRDA FACILITIES





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

- Municipal Customers - Served by GRDA, many since 1940s.
- Industrial Customers - Majority located in MidAmerica Industrial Park (MAIP.)
- Oklahoma Municipal Power Authority (OMPA)
- Western Farmers Electric Cooperative (WFEC)
- GRDA Facilities - Shown in BLUE lettering.
- GRDA Lakes and Rivers

Demographics and Economic Indicators

STATE OF OKLAHOMA DEMOGRAPHICS

Year	Population	Unemployment Rate	Per Capita Income	Total* Personal Income
2008	3,642,361	3.8%	$36,899	$134,399,865
2009	3,687,050	6.4%	$35,268	$132,132,000
2010	3,751,351	6.8%	$36,421	$136,627,222
2011	3,791,508	6.2%	$37,277	$141,334,880
2012	3,814,820	5.1%	$39,006	$148,798,993
2013	3,850,568	5.4%	$41,586	$160,128,477
2014	3,878,051	3.9%	$43,138	$167,291,805
2015	3,911,921	4.1%	$44,272	$173,186,712
2016	3,923,561	5.0%	$45,682	$179,237,997
2017	**3,930,864**	**4.1%**	**$43,449**	**$170,790,994**

*Source: www.bea.gov - U.S. Bureau of Economic Analysis, * In Thousands*

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

Non-Governmental Major Employers 2007	Non-Governmental Major Employers 2016	Employment 2016	Percentage of Total State Employment 2016
Wal-Mart Stores, Inc.	Wal-Mart Stores, Inc.	33,500	1.93%
Integris Health	Integris Health, Inc.	9,500	0.55%
AMR Corp.	Mercy Health	6,500	0.37%
YUM! Brands	Hobby Lobby Stores	6,000	0.35%
Saint Francis Hospital, Inc.	Saint Francis Hospital, Inc.	6,000	0.35%
Choctaw Nation of Oklahoma	American Airlines	5,500	0.32%
W.H. Braum, Inc.	Braum's, Inc.	5,500	0.32%
St. John's Medical Center, Inc.	St. John's Medical Center, Inc.	5,000	0.29%
Albertson's	Lowe's Home Centers, Inc.	4,500	0.26%
AT&T (formerly SBC)	Dolgencorp (Dollar General)	4,000	0.23%

Source: State of Oklahoma 2017 CAFR. Note: Employment information restricted only to utilities in Oklahoma served by GRDA is not available.

POPULATION CHANGE: 2008-2017

	State Rank by Growth Rate 2008-2017	Growth % 2008-2017	Population 2017	Population 2008
Logan County	2	22.8%	46,784	38,102
Wagoner County	7	14.1%	78,657	68,960
Lincoln County	13	9.3%	35,142	32,153
Tulsa County	14	9.2%	646,266	591,982
Rogers County	19	8.5%	91,444	84,300
Cherokee County	26	6.9%	48,888	45,733
Delaware County	28	5.4%	42,602	40,425
Haskell County	29	5.0%	12,763	12,152
Payne County	31	4.2%	81,575	78,280
Osage County	32	3.8%	47,233	45,489
Washington County	38	2.9%	51,932	50,452
Creek County	40	2.7%	71,704	69,822
Mayes County	41	2.5%	40,921	39,912
Pawnee County	45	1.0%	16,472	16,307
Sequoyah County	47	0.5%	41,252	41,034
Adair County	49	0.4%	21,909	21,811
McIntosh County	51	0.2%	19,742	19,698
Okmulgee County	58	-0.7%	38,930	39,219
Latimer County	61	-1.4%	10,411	10,561
Ottawa County	62	-1.7%	31,312	31,849
Pittsburg County	63	-2.1%	44,184	45,115
Muskogee County	67	-3.1%	69,086	71,278
Nowata County	68	-3.9%	10,306	10,729
Craig County	72	-5.3%	14,327	15,132
Total for GRDA 24 County District		6.1%	1,613,842	1,520,495
Total for all of Oklahoma's 77 Counties		7.9%	3,930,864	3,642,361

Source: census.gov

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