



FINANCIAL STATEMENTS AND  
SUPPLEMENTAL SCHEDULES

Utah Associated Municipal Power Systems  
Years Ended March 31, 2010 and 2009  
With Report of Independent Auditors

Ernst & Young LLP

 **ERNST & YOUNG**

Utah Associated Municipal Power Systems  
Financial Statements and Supplemental Schedules

Years Ended March 31, 2010 and 2009

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## Report of the Independent Auditors

The Board of Directors of  
Utah Associated Municipal Power Systems

We have audited the accompanying balance sheets of Utah Associated Municipal Power Systems as of March 31, 2010 and 2009, and the related statements of revenues and expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Utah Associated Municipal Power Systems' management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Organization's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Utah Associated Municipal Power Systems as of March 31, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2010 on our consideration of Utah Associated Municipal Power Systems' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedules of changes in funds required by the revenue bond resolutions and project financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Ernst + Young LLP*

July 23, 2010

# Utah Associated Municipal Power Systems

## Management's Discussion and Analysis

### **Introduction**

The following is a discussion and analysis of Utah Associated Municipal Power Systems' (UAMPS) financial performance and position, providing an overview of UAMPS' activities for the years ended March 31, 2010, 2009 and 2008.

### **Description of Business**

UAMPS is a political subdivision of the state of Utah (the State). Its 51 members (the Members) include public power utilities in Utah, Arizona, California, Idaho, Oregon, Nevada, New Mexico and Wyoming. UAMPS' purposes include the planning, financing, development, acquisition, construction, operation and maintenance of various projects for the generation, supply, transmission and management of electric energy for the benefit of the Members. UAMPS is governed by its Board of Directors (the Board). The Board consists of directors representing Members that have entitlement shares in the various projects undertaken by UAMPS. UAMPS is a project-based organization and presently operates 15 separate projects that provide a variety of power supply, transmission and other services to the Members that participate in them. The Members make their own elections to participate in UAMPS' projects and are not obligated to participate in any particular project. In general, UAMPS and its Members that elect to participate in a project enter into a contract that specifies the services or product to be provided by UAMPS from the project, the payments to be made by participating Members in respect of the costs of the project and other matters relating to the project.

Providing the Members with better methods to share resources and information about electric power issues is an important role for UAMPS. Through the Government and Public Affairs (GPA) project the Members are able to participate in the political process at the state and federal levels and to monitor current political issues that could directly impact the future of the electric industry.

UAMPS' Board has ultimate control of UAMPS, maintaining managerial, financial and operational responsibility. UAMPS functions as an autonomous company supported solely from its own revenues. All assets, debts and obligations of UAMPS are separate and distinct from the assets, debts and obligations of the State. Upon dissolution of UAMPS, any monies not needed to liquidate UAMPS' obligations would be returned to its Members.

### **Highlights**

UAMPS posted an excess of revenues over expenses for the years ended March 31, 2010, 2009 and 2008 of \$6.3 million, \$3.8 million and \$1.8 million, respectively. The Members may elect to issue a refund of the 2010 excess of revenues over expenses during fiscal year 2011.

# Utah Associated Municipal Power Systems

## Management's Discussion and Analysis (continued)

### Overview of the Financial Statements

This report includes UAMPS' audited financial statements presented in accordance with accounting principles generally accepted in the United States. The audited financial statements include five components: balance sheets, statements of revenues and expenses, statements of changes in net assets, statements of cash flows and notes to the financial statements. The balance sheets provide information at a particular point in time. The statements of revenues and expenses show the results of the organization for the fiscal period, providing information regarding future cash flows. The changes in net assets allow a look at the changes in equity over the period, including additions due to the excess of revenue over expenses and decreases due to distributions. The statements of cash flows illustrate the cash that is received from and expended on various activities over the period.

UAMPS' financial statements were audited in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards* issued by the Comptroller General of the United States.

All statements are prepared on the accrual basis of accounting. All revenues and expenses are recognized when earned or incurred regardless of when cash is received or spent.

Notes to the financial statements provide additional schedules and information that are essential to a complete understanding of the financial statements.

### Financial Analysis

Total cash and invested assets at March 31, 2010, 2009 and 2008 were \$51.1 million, \$46.5 million and \$42.9 million, respectively. The \$4.6 million increase in cash and invested assets between March 31, 2009 and 2010 consists of several factors. First, there was an increase to investments of \$3.2 million related to the margin on the IPP#3 settlement sale. Second, there was an increase to investments of \$4.5 million related to the new bond issue and remaining project funds for the Central-St. George project. These increases were offset by decreases to investments of \$1 million related to a net decrease in the project major maintenance accounts, a \$1.1 million decrease to a debt service reserve account that was used for a final year of debt service obligation and a \$1.0 million decrease related to timing of cash receipts and payments. The \$3.6 million increase between March 31, 2008 and 2009 consists primarily of two factors. First, the build up in the major maintenance overhaul reserve balances increased the invested assets by \$1.9 million. Additionally, UAMPS had a new bond issue for one project, and this project account also increased the invested assets by \$1.1 million. UAMPS operating sweep account and checking account balances fluctuate from year to year namely due to the timing of cash receipts and payments.

## Utah Associated Municipal Power Systems

### Management's Discussion and Analysis (continued)

#### Financial Analysis (continued)

The components of cash and investments at March 31, 2010, 2009 and 2008 consisted of the following:

	<b>2010</b>	<b>2009</b>	<b>2008</b>
Money market funds invested in U.S. government securities	<b>10.0%</b>	28.0%	30.0%
Investment in U.S. Treasury notes	<b>23.0</b>	–	–
Investment in Debenture issued by Government Sponsored Enterprise	<b>3.0</b>	–	–
Utah Public Treasurer's Investment Fund	<b>64.0</b>	70.0	68.0
Qualified institutions	<b>0.0</b>	2.0	2.0
	<b>100.0%</b>	100.0%	100.0%

At March 31, 2010, 2009 and 2008, accounts receivable totaled \$25.9 million, \$22.4 million and \$24.8 million, respectively. The increase of \$3.5 million between March 31, 2010 and 2009 was the result of an outstanding invoice to a counterparty, increasing the year-end receivable balance by \$1.6 million. Additionally, one member account had an additional outstanding monthly invoice at year-end, and finally, cumulative increases in billings to membership accounted for approximately \$1 million increase in receivables year over year. The decrease of \$2.4 million between March 31, 2009 and 2008 was due to a decrease in the volume of business with one counterparty at year-end.

## Utah Associated Municipal Power Systems

### Management's Discussion and Analysis (continued)

#### Financial Analysis (continued)

The table below summarizes UAMPS' total assets and total liabilities at March 31, 2010, 2009 and 2008:

	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<i>(In Thousands)</i>		
Total current assets	\$ <b>37,318</b>	\$ 30,898	\$ 32,765
Total long-term assets	<b>223,738</b>	206,475	206,326
Total assets	<b>\$ 261,056</b>	\$ 237,373	\$ 239,091
Total current liabilities	\$ <b>49,840</b>	\$ 45,563	\$ 50,658
Total long-term liabilities	<b>201,921</b>	186,054	184,881
Total liabilities	<b>251,761</b>	231,617	235,539
Net assets:			
Invested in plant, net of debt	(250)	(870)	(945)
Restricted net assets	<b>11,678</b>	11,235	12,701
Unrestricted net assets	<b>(2,133)</b>	(4,609)	(8,204)
	<b>9,295</b>	5,756	3,552
Total liabilities and net assets	<b>\$ 261,056</b>	\$ 237,373	\$ 239,091

#### Financial Analysis of Operations

Operating revenue from power sales for the years ended March 31, 2010, 2009 and 2008 was \$188.9 million, \$185.7 million and \$182.4 million, respectively. The increase in revenue of \$3.2 million from the fiscal year 2009 to the fiscal year 2010 was due to the increase in production revenue derived from the IPP#3 settlement sale. This increased revenue was offset by declines in other projects, namely the Power Pool, and the Payson Project, due to declining energy costs. The increase in revenue of \$3.3 million from the fiscal year 2008 to the fiscal year 2009 was largely due to the increased callback of energy from the IPP Project to serve the Members' load requirements.

Interest income for March 31, 2010, 2009 and 2008 was \$368,422, \$1.0 million and \$1.7 million, respectively. While the balances of UAMPS cash and investments increased from March 31, 2009 to 2010, and 2008 to 2009, interest income decreased. The decrease can be attributed to a significant decline in interest rates.



## Utah Associated Municipal Power Systems

### Management's Discussion and Analysis (continued)

#### Financial Analysis of Operations (continued)

The table below summarizes UAMPS' total revenues and expenses for fiscal years 2010, 2009 and 2008.

	<b>Year Ended March 31</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<i>(In Thousands)</i>		
Revenues:			
Power sales	\$ 188,877	\$ 185,695	\$ 182,413
Interest income	368	1,011	1,693
Other income	710	377	134
	<b>189,955</b>	187,083	184,240
Expenses:			
Cost of power	146,741	143,303	144,166
Other expenses	28,430	28,607	28,239
	<b>175,171</b>	171,910	172,405
Excess of revenues over expenses before net costs advanced through billings to members	<b>14,784</b>	15,173	11,835
Increase in net costs advanced through future billings to members	<b>(8,469)</b>	(11,397)	(10,063)
Excess of revenues over expenses	<b>6,315</b>	3,776	1,772
Net assets at beginning of year	<b>5,755</b>	3,552	4,880
Distributions to members	<b>(2,775)</b>	(1,573)	(3,100)
Net assets at end of year	<b>\$ 9,295</b>	\$ 5,755	\$ 3,552

#### Cash Flow and Liquidity

UAMPS' sources of cash include power sales, services, issuance of debt and investment income. Outstanding checks in excess of transfers as of March 31, 2010 decreased to \$0. The cash balance as of March 31, 2010 of \$801,213 is the result of a transfer made during the last few days of the fiscal year that was not disbursed prior to March 31, 2010. The balance in outstanding checks in excess of transfers increased from \$200,364 at March 31, 2008 to \$698,364 at March 31, 2009. The amount will fluctuate primarily due to timing of the transfer from the revolving line of credit, transfer of payments and cash transfers.

## Utah Associated Municipal Power Systems

### Management's Discussion and Analysis (continued)

#### **Cash Flow and Liquidity (continued)**

In order to manage cash flow requirements, UAMPS has a revolving line of credit with two financial institutions with total available cash lines of \$22.0 million. The rates from both financial institutions are variable with one being in relation to the prime rate and the other in relation to LIBOR. Of the combined \$22.0 million available on the revolving lines of credit, the outstanding balance was \$14.4 million, \$12.1 million and \$15.3 million at March 31, 2010, 2009 and 2008, respectively.

#### **Budgets and Billing**

The UAMPS Board is presented a budget for its approval prior to the start of each fiscal year and power billings are based on that budget. Monthly reports are presented to the Board describing the operating costs compared to the budget and the revenues derived from the billing process. Any deviations are explained and the budgets are amended as necessary.

#### **Significant Capital Assets and Long-Term Debt Activity**

On March 31, 2010, the construction work-in-progress balance was \$23.6 million, comprised of balances in Hunter (\$4.7 million) and Central-St. George (\$18.9 million). Hunter has an environmental project that was not complete at year-end. The Central-St. George Project placed the Phase 3 facilities in service subsequent to year-end. On March 31, 2009, the construction work-in-progress balance was \$4.3 million, comprised of balances in the Hunter Project (\$2.1 million, the Nebo Project (\$2.1 million) and the Central-St. George Project (\$39,965) for various maintenance and upgrades not completed at year-end. On March 31, 2008, the construction work-in-progress balance was \$0.

The IPP Unit 3 Project was investigating the acquisition of a third unit at IPP with several other public power utilities. The third unit was proposed as a 900-megawatt coal-fired generation station. As a result of several factors development of the third unit ceased. On June 5, 2009, arrangements were made and agreements reached that provide for UAMPS to recover its development and investigation costs. As part of the agreement, UAMPS will recover the costs through the purchase of energy at below market rates.

On June 24, 2009, UAMPS issued the Central-St. George Transmission Project Revenue and Refunding Bonds Series 2009, (totaling \$24.8 million) maturing on December 1, 2019 at 4.00%–5.25% interest. The bonds were issued to finance construction of the Phase 3 Facilities, to fund the Debt Service Reserve Account and the Series 2009 Project Capitalized Interest Subaccount, and to refund the Series 1997B Bonds maturing on and after December 1, 2010. A portion of the proceeds were also used to pay for the costs of issuance of the Series 2009 Bonds.

## Utah Associated Municipal Power Systems

### Management's Discussion and Analysis (continued)

#### **Western Electric Energy Markets**

The energy markets in the Western Interconnection have stabilized with the implementation of new rules implemented by the Federal Energy Regulatory Commission.

The amount of energy from Western Area Power Administration (WAPA) has remained stable from fiscal 2009 into fiscal 1010. Participants saw a rate increase of 10% in October of 2009.

While the current economic conditions have continued to limit our historically high load growth, it seems to be turning around for the members of UAMPS. UAMPS continues efforts to acquire new generation resources and also is working with the various transmission providers in order to see that the needed transmission infrastructure is built in a timely fashion.

New regulations governing greenhouse gas emissions and other environmental issues affecting all operating electric utilities as well as the new regulatory rules concerning reliability of the electric grid are significantly affecting UAMPS resource and transmission planning. UAMPS is complying with all of the current rules and statutes and is looking at all of the many proposed rules that may be implemented in its planning and decision-making process.

#### **Requests for Information**

This financial report is designed to provide a general overview of UAMPS' finances for all those with an interest in UAMPS' finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Controller, UAMPS, 2825 East Cottonwood Parkway, Suite 200, Salt Lake City, Utah 84121.

# Utah Associated Municipal Power Systems

## Balance Sheets

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
<b>Assets</b>		
Current assets:		
Cash	\$ 801,213	\$ -
Investments	6,552,853	5,170,578
Receivables	25,943,566	22,393,359
Prepaid expenses and deposits	4,020,258	3,334,426
	<u>37,317,890</u>	<u>30,898,363</u>
Restricted assets:		
Investments	43,731,520	41,312,448
Interest receivable	53,902	-
	<u>43,785,422</u>	<u>41,312,448</u>
Utility plant and equipment:		
Generation	225,214,906	217,004,957
Transmission	64,729,146	64,689,181
Furniture and equipment	1,091,214	1,281,885
	<u>291,035,266</u>	<u>282,976,023</u>
Less accumulated depreciation	<u>(138,049,855)</u>	<u>(125,439,239)</u>
	152,985,411	157,536,784
Construction work in progress	23,579,485	4,261,353
	<u>176,564,896</u>	<u>161,798,137</u>
Unamortized bond issuance costs (net of accumulated amortization of \$1,444,000 and \$2,059,000, respectively)	3,387,333	3,364,147
Total assets	<u><u>\$ 261,055,541</u></u>	<u><u>\$ 237,373,095</u></u>

	<b>March 31</b>	
	<b>2010</b>	<b>2009</b>
<b>Liabilities and net assets</b>		
Current liabilities:		
Outstanding checks in excess of transfers	\$ —	\$ 698,364
Accounts payable	10,344,977	8,428,532
Accrued liabilities	6,804,442	5,600,495
Lines of credit	14,400,000	12,100,000
Current portion of deferred revenue	769,629	817,463
	<u>32,319,048</u>	<u>27,644,854</u>
Liabilities payable from restricted assets:		
Accrued interest payable	3,648,097	3,486,019
Current portion of long-term debt	13,872,266	14,432,599
	<u>17,520,363</u>	<u>17,918,618</u>
Long-term debt:		
Bonds payable, less current portion	160,666,000	151,874,999
Unamortized bond discount	(365,355)	—
Unamortized bond premium	5,654,087	5,951,035
	<u>165,954,732</u>	<u>157,826,034</u>
Other liabilities:		
Deferred revenue, less current portion	7,132,037	7,862,667
Net costs advanced through billings to members	28,834,435	20,365,339
	<u>35,966,472</u>	<u>28,228,006</u>
Net assets:		
Invested in plant, net of debt	(249,837)	(870,375)
Restricted net assets	11,677,958	11,235,116
Unrestricted net assets	(2,133,195)	(4,609,158)
	<u>9,294,926</u>	<u>5,755,583</u>
Total liabilities and net assets	<u>\$ 261,055,541</u>	<u>\$ 237,373,095</u>

*See accompanying notes.*

## Utah Associated Municipal Power Systems

### Statements of Revenues and Expenses and Changes in Net Assets

	<b>Year Ended March 31</b>	
	<b>2010</b>	<b>2009</b>
Operating revenues:		
Power sales	\$ 188,876,598	\$ 185,695,134
Other	<b>709,997</b>	376,620
	<b>189,586,595</b>	186,071,754
Operating expenses:		
Cost of power	<b>146,741,356</b>	143,303,350
In lieu of ad valorem taxes	<b>984,054</b>	1,022,436
Depreciation	<b>12,971,594</b>	12,590,121
General and administrative	<b>6,641,948</b>	6,619,556
	<b>167,338,952</b>	163,535,463
Operating income	<b>22,247,643</b>	22,536,291
Nonoperating revenues (expenses):		
Interest income	<b>368,422</b>	1,011,243
Interest expense	<b>(7,517,113)</b>	(8,051,284)
Amortization of bond issuance costs	<b>(315,025)</b>	(323,430)
	<b>(7,463,716)</b>	(7,363,471)
Excess of revenues over expenses before net costs advanced or to be recovered through billings to members and extraordinary item	<b>14,783,927</b>	15,172,820
Increase in net costs to be recovered from future billings to members	<b>(8,469,096)</b>	(11,396,501)
Excess of revenues over expenses	<b>6,314,831</b>	3,776,319
Net assets at beginning of year	<b>5,755,583</b>	3,552,176
Distributions to members	<b>(2,775,488)</b>	(1,572,912)
Net assets at end of year	<b>\$ 9,294,926</b>	\$ 5,755,583

*See accompanying notes.*

# Utah Associated Municipal Power Systems

## Statements of Cash Flows

	<b>Year Ended March 31</b>	
	<b>2010</b>	<b>2009</b>
<b>Operating activities</b>		
Cash received from customers	\$ 185,257,924	\$ 187,718,355
Cash payments to suppliers for goods and services	(147,970,266)	(150,133,231)
Cash payments to employees for services	(2,988,478)	(3,196,515)
Cash payments for ad valorem taxes	(974,054)	(1,019,103)
Deferred revenue	–	878,279
Net cash provided by operating activities	<b>33,325,126</b>	<b>34,247,785</b>
<b>Capital and related financing activities</b>		
Additions to utility plant and equipment	(27,738,353)	(9,164,704)
Proceeds from issuance of long-term debt	24,418,929	5,071,401
Payments for bond refunding	(2,440,000)	–
Principal payments on refunding revenue bonds	(14,006,000)	(14,188,000)
Interest payments on refunding revenue bonds	(7,689,627)	(8,791,865)
Bond issuance costs	(408,183)	(289,618)
Distribution	(2,775,488)	(1,572,912)
Net cash used in capital and related financing activities	<b>(30,638,722)</b>	<b>(28,935,698)</b>
<b>Noncapital and related financing activities</b>		
Draws on lines of credit	141,795,249	144,071,169
Payment on lines of credit	(139,495,249)	(147,271,169)
Net cash provided by (used in) noncapital and related financing activities	<b>2,300,000</b>	<b>(3,200,000)</b>
<b>Investing activities</b>		
Net increase in investments	(1,382,275)	(14,058)
Restricted assets:		
Net increase in investments	(2,419,072)	(3,610,039)
Interest income received	314,520	1,014,010
Net cash used in investing activities	<b>(3,486,827)</b>	<b>(2,610,087)</b>
Increase (decrease) in cash	<b>1,499,577</b>	<b>(498,000)</b>
Outstanding checks in excess of transfers at beginning of year	<b>(698,364)</b>	<b>(200,364)</b>
Cash (outstanding checks in excess of transfers) at end of year	<b>\$ 801,213</b>	<b>\$ (698,364)</b>

Utah Associated Municipal Power Systems

Statements of Cash Flows (continued)

	<b>Year Ended March 31</b>	
	<b>2010</b>	<b>2009</b>
<b>Reconciliation of operating income to net cash</b>		
Operating income	\$ 22,247,643	\$ 22,536,291
Adjustments to reconcile operating income to net cash		
Depreciation	12,971,594	12,590,121
Amortization of deferred revenue	(778,465)	(799,781)
Increase in deferred revenue	-	878,279
Decrease (increase) in current receivables	(3,550,207)	2,446,382
Increase in prepaid expenses and deposits	(685,832)	(565,889)
Increase (decrease) in accounts payable	1,916,445	(2,365,479)
Increase (decrease) in accrued liabilities	1,203,948	(472,139)
Net cash provided by operating activities	<u>\$ 33,325,126</u>	<u>\$ 34,247,785</u>

*See accompanying notes.*



# Utah Associated Municipal Power Systems

## Notes to Financial Statements

Years Ended March 31, 2010 and 2009

### **1. Summary of Significant Accounting Policies**

#### **Organization and Purpose**

Utah Associated Municipal Power Systems (UAMPS), a separate political subdivision of the state of Utah, was established pursuant to the provisions of the Utah Interlocal Co-operation Act of November 1980 and was organized under the Amended and Restated Utah Associated Municipal Power Systems Agreement for Joint Cooperative Action. UAMPS' membership consists of 37 municipalities, one joint action agency, one electric service district, three public utility districts, two water conservancy districts, five co-ops, one municipal utility district, and one nonprofit corporation (collectively, the Members). The Members are located in Utah, Oregon, Arizona, Idaho, Nevada, New Mexico, California, and Wyoming.

UAMPS is a separate legal entity that possesses the ability to establish its own budget, incur debt, sue and be sued, and own and lease property. No other governmental units in Utah exercise significant control over UAMPS. As such, UAMPS is not a component unit as defined by the Governmental Accounting Standards Board (GASB) in its Section 2100, *Defining the Financial Reporting Entity*. Further, as defined in this Statement, UAMPS has no component units that should be included in the accompanying financial statements.

UAMPS' purposes include planning, financing, developing, acquiring, constructing, improving, bettering, operating, and maintaining projects or ownership interests or capacity rights therein for the generation, transmission, and distribution of electric energy for the benefit of its Members.

#### **Basis of Accounting**

The accompanying financial statements have been prepared using the accrual basis of accounting. The accounting and reporting policies of UAMPS conform with the accounting rules prescribed by the GASB. UAMPS has elected under GASB Section P80, *Proprietary Fund Accounting and Financial Reporting*, to apply all applicable GASB pronouncements, as well as all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### **1. Summary of Significant Accounting Policies (continued)**

#### **Recent Accounting Developments**

##### *FASB Codification Project*

In July 2009, the FASB completed a revision of non-governmental U.S. generally accepted accounting principles (GAAP) into a single authoritative source and issued a codification of accounting rules and references. Authoritative standards included in the codification are designated by their Accounting Standards Codification (ASC) topical reference, and revised standards are designated as Accounting Standards Updates (ASU), with a year and assigned sequence number. The codification effort, while not creating or change in accounting rules, changed how users would cite accounting regulations. Citations in financial statements must identify the sections within the new codification. The codification is effective for interim and annual periods ending after September 15, 2009. UAMPS is complying with the new codification standards.

##### *GASB Statement No. 53 "Accounting and Financial Reporting for Derivative Instruments"*

In June 2008, the GASB issued Statement No. 53, (codified in GASB Section D40, *Derivative Instruments*). The Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The requirements for this Statement are effective for financial statements for periods beginning after June 15, 2009. It is expected that adoption of this Statement will not impact UAMPS financial position or results of operations.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that could affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### Revenue

UAMPS distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations of the organization. The principal operating revenues and expenses of UAMPS are associated with the planning, financing, development, acquisition, construction, operation and maintenance, and administrative and general expenses of various projects for the generation, supply, transmission, and management of electric energy for the benefit of the Members. All other revenues and expenses, such as interest income, interest expense, and the amortization of bond issuance costs, are reported as nonoperating revenues and expenses.

#### Investments

All investments, except for the Utah Public Treasurer's Investment Fund, are recorded at fair value. Investments' fair values are obtained from the last reported sales price on the last business day of the year. The Utah Public Treasurer's Investment Fund is operated by the Utah State Treasurer's Office and is a "2a-7-like" pool in accordance with GASB Section I50, *Investments*; therefore, it is not presented at fair value but at its actual pooled share price, which approximates fair value. A 2a-7 pool is not registered with the SEC as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. The Investment Fund is administered by the Utah State Treasurer's Office, under the regulatory oversight of the State of Utah's Money Management Council.

#### Receivables

Receivables consist primarily of current power billings to Members.

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### **1. Summary of Significant Accounting Policies (continued)**

#### **Utility Plant and Equipment**

Generation assets, transmission assets, furniture, and equipment with an initial cost of more than \$500 are stated at cost, less accumulated depreciation. Interest incurred in the construction and implementation of fixed assets is capitalized into the cost of the fixed assets. Expenditures that increase values or extend useful lives are capitalized and routine maintenance and repairs are charged to expense in the period incurred. Leasehold improvements are capitalized and amortized over the lesser of the asset life or lease term. Depreciation is calculated using the straight-line method at rates that are designed to depreciate the cost of the assets over estimated useful lives ranging from three to 26 years.

#### **Unamortized Bond Issuance Costs**

Unamortized bond issuance costs related to the issuance of the Hunter II Project Revenue and Refunding Bonds, the Central-St. George Transmission Project Revenue and Refunding Bonds, the Craig-Mona Transmission Project Revenue and Refunding Bonds, the San Juan Project Revenue and Refunding Bonds, and the Payson Power Project Revenue Bonds are being amortized over the terms of the bonds using the straight-line method, the impact of which approximates the effective interest method.

#### **Net Costs Advanced or to Be Recovered through Billings to Members**

Billings to Members are designed to recover “power costs” as defined by the power sales contracts, which principally include current operating expenses, scheduled debt principal, and interest and deposits into certain funds. Pursuant to FASB ASC 980, *Regulated Operations*, expenses determined in accordance with GAAP, which are not currently billable as “power costs,” or amounts billed as “power costs” and recovered in advance of being recognized for GAAP are deferred in the accompanying balance sheets. For a company to report under ASC 980, a company’s rates must be designed to recover its costs of providing services, and the company must be able to collect those rates from customers. If it were determined, whether due to competition or regulatory action, that these standards no longer applied, UAMPS could be required to write off its regulatory assets and liabilities. Management believes that UAMPS currently meets the criteria for continued application of ASC 980, but will continue to evaluate significant changes in the regulatory and competitive environment to assess continuing applicability of the criteria.

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### Income Taxes

UAMPS is not subject to federal or state income taxes under provisions of Section 115 of the Internal Revenue Code.

#### Deferred Revenue

Certain participants of the Payson Project, the San Juan Project, the Hunter II Project and the Central-St. George Project have elected to prepay certain costs of acquisition and debt service during the refinancing and/or construction of their projects. These prepayments, which represent the portion of Debt Service Costs that would be applicable to the participant's entitlement share in each of the respective projects future power generation capability, have been treated as deferred revenue and will be amortized to revenue over the life of the respective bond issues.

#### Risk Management

UAMPS is exposed to various risks of loss related to theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters and insures against these losses. UAMPS purchases plant and machinery insurance from a commercial carrier. There have been no significant reductions in insurance coverage from that in the prior year, and settlements have not exceeded insurance coverage for the past three fiscal years. Additionally, UAMPS purchases the following categories of insurance: Property, which includes Earthquake and Flood, General Liability, and Commercial Auto; Difference in Conditions, which includes Earthquake and Flood, Umbrella, Workers Compensation, Directors & Officers/Employment Practices Liability and Crime; and Travel insurance.

#### Net Assets

Net assets are classified into three components:

- Invested in capital assets, net of related debt: This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other long-term 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 invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### **1. Summary of Significant Accounting Policies (continued)**

- **Restricted:** This component of net assets consists of net assets subject to external constraints on their use 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 assets:** This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.” As of March 31, 2010 and 2009, UAMPS reported a deficit in unrestricted net assets. The deficit is a result of long-term deferred revenue which represents the prepayment of future power sales.

The accounting policies and practices of UAMPS conform to the accounting principles generally accepted in the United States applicable to an enterprise fund of a government unit.

### **2. Power Sales and Transmission Service Contracts Relating to Bonds**

UAMPS has entered into power sales and/or transmission service contracts (the Contracts) with various participants (the Purchasers). The Contracts are as follows:

- UAMPS has contracted with 22 municipalities and one joint-action agency in the Hunter II Project to supply power from the generating unit. Each contract term extends at a minimum to the date all principal and interest on the 1998 and 2004 Series Bonds have been paid.
- UAMPS has contracted with five municipalities to provide transmission capabilities from the Central-St. George Project to deliver electric power to the participants. Each contract term extends, at a minimum, to the date all principal and interest on the 1997, 2000, 2003 and 2009 Series Bonds have been paid.
- UAMPS has contracted with nine municipalities and one joint-action agency to provide transmission capabilities from the Craig-Mona Transmission Project to secure electric transmission interconnections with eastern utilities for the participants. Each contract term extends, at a minimum, to the date all principal and interest on the 1993 Series Bonds have been paid. The 1993 Series fully matured during the year.

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### **2. Power Sales and Transmission Service Contracts Relating to Bonds (continued)**

- UAMPS has contracted with 15 municipalities and one electric service district in the San Juan Project to supply power from the generating unit. Each contract term extends, at a minimum, to the date all principal and interest on the 1998 and 2008 Series Bonds have been paid.
- UAMPS has contracted with 14 municipalities and one electric service district in the Payson Project to supply power from the generating unit. Each contract term extends, at a minimum, to the date all principal and interest on the 2003 and 2007 Series Bonds have been paid. The Payson Project was completed in June 2004.

The Contracts cannot be terminated or amended in any manner that will impair or adversely affect the rights of the bondholders.

Under the terms of the Contracts, the Purchasers are obligated to pay their proportionate share of all operation and maintenance expenses, debt service on the revenue bonds, and any other costs incurred by UAMPS. The Purchasers are obligated to pay whether or not these projects, or any parts thereof, are operating or operable or output is suspended, interrupted, curtailed, interfered with, reduced, or terminated.

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### 3. Net Costs Advanced or to Be Recovered Through Billings to Members

Net costs advanced or to be recovered through billings to Members for the years ended March 31, 2010 and 2009 and the accumulated totals as of March 31, 2010 and 2009, consisted of the following:

	For the Years Ended		Accumulated Totals as of	
	2010	2009	March 31 2010	2009
<b>Items in accordance with GAAP not currently billable to Members</b>				
Depreciation, accretion, and amortization of bond issuance costs	\$ 13,286,619	\$ 12,913,551	\$ 184,602,642	\$ 171,316,023
Refunding charge on refunding/ defeasance of revenue bonds	69,972	–	40,110,598	40,040,626
Principal collected from certain receivables	–	–	8,151,148	8,151,148
Excess bond proceeds (used to pay interest/CWIP)	727,945	354,342	11,761,440	11,033,495
Principal amounts of notes	–	–	1,750,000	1,750,000
Cost recovery on off-system sales losses	–	(41,339)	40,640,144	40,640,144
Estimated future loss on contracts	–	–	10,384,038	10,384,038
Amortization of deferred revenue	(778,464)	(799,781)	(18,443,198)	(17,664,734)
Utility plant renewals and replacements	(9,512,129)	(5,731,179)	(57,802,322)	(48,290,193)
Principal amounts of debt service	(14,134,684)	(15,053,333)	(236,185,408)	(222,050,724)
Amortization of bond premium	(404,564)	(546,394)	(3,283,595)	(2,879,031)
Major overhaul reserve payments	2,232,694	(2,556,606)	(10,923,275)	(13,155,969)
Accrued personal leave	43,515	64,238	403,353	359,838
<b>Net costs advanced through billings to Members</b>	<b>\$ (8,469,096)</b>	<b>\$ (11,396,501)</b>	<b>\$ (28,834,435)</b>	<b>\$ (20,365,339)</b>

#### 4. Utility Plant and Equipment

UAMPS' interest in two generating units represents a 14.582% and a 7.028% undivided interest in the PacifiCorp Hunter II and the Public Service Company of New Mexico San Juan Unit IV electric generating units (the Generating Units), respectively. The interest is recorded based on UAMPS' acquisition cost.



## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### **4. Utility Plant and Equipment (continued)**

UAMPS acquired a 15% entitlement share in the transmission capability of a 105-mile 345 kilovolts (kV) transmission line constructed between Craig, Colorado and the Bonanza Generation Station in Uintah County, Utah. UAMPS is responsible for a like percentage of the costs of acquisition, construction, operation, and maintenance of the line. UAMPS has also purchased an entitlement share of 54 megawatt (MW) of transmission capability on the Bonanza line, which extends from the Bonanza Generation Station to the Mona, Utah Substation.

The Central-St. George Project, located in Washington County, Utah, owned and operated by UAMPS, consists of 138 kV transmission facilities, including a 345/138 kV electric substation, approximately 25 miles of 138 kV transmission line, a 138 kV switching yard, a 138/69 kV electric substation, and approximately 16 miles of 69 kV transmission line to provide service to four of its members in Washington County. Pursuant to the terms of the Joint Operating Agreement, UAMPS and PacifiCorp have undertaken the Phase 3 upgrade to this system, which is the reconstruction of an existing line. The line will be removed, and replaced with twenty miles of new double circuit 345 kV line. The line will be constructed at 345 kV standards and initially operating at 138 kV. The project is currently still under construction.

The Payson Project is a combined cycle, natural-gas-fired, electric generating facility with a nominal generating capacity of 143 MW located in Payson City, Utah, owned and operated by UAMPS. The Payson Project also includes gas pipelines, electric transmission lines, and other properties, and facilities and equipment necessary for the operation of the generating facility. Engineering, equipment acquisition, and other pre-construction work on the Payson Project began in 2002 and was completed in June 2004 at a total cost of approximately \$114.1 million.

The Washington-Hurricane Generator Set consists of three generators. The generator set is rated 1,900 Kw Continuous, 3,000 foot altitude, 120 degree, 12,740 volt, 3 phase, 1,800 RPM. The capacity of these units is sold to the respective participants. The generator set was purchased and placed into service in May 2007.

The Washington-Santa Clara Generator Set consists of two generators. The generator set is rated 1,900 Kw Continuous, 3,000 foot altitude, 120 degree, 12,740 volt, 3 phase, 1,800 RPM. The capacity of these units is sold to the respective participants. The generator set was purchased and placed into service in June 2008.

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### 4. Utility Plant and Equipment (continued)

The Construction Work-In Progress balance was \$23.6 million at March 31, 2010 and \$4.3 million at March 31, 2009. The balance at March 31, 2010 consists of \$4.7 million for the Hunter Project for environmental upgrades, and \$18.9 million for the Central-St. George Project for Phase 3 upgrades. These projects were still in progress at the end of the current year.

A summary of utility, plant and equipment, changes in accumulated depreciation and related depreciation provisions expressed as an average depreciation rate follows:

	Generation	Transmission	Furniture and Equipment	Construction Work-in- Progress	Total
Balance, April 1, 2009	\$ 217,004,957	\$ 64,689,181	\$ 1,281,885	\$ 4,261,353	\$ 287,237,376
Capital additions	<b>8,227,601</b>	<b>39,965</b>	<b>152,656</b>	<b>21,447,902</b>	<b>29,868,124</b>
Sales, retirements	(17,652)	-	(343,327)	(2,129,770)	(2,490,749)
Balance, March 31, 2010	<b>\$ 225,214,906</b>	<b>\$ 64,729,146</b>	<b>\$ 1,091,214</b>	<b>\$ 23,579,485</b>	<b>\$ 314,614,751</b>
Accumulated depreciation, April 1, 2009	\$ (94,632,743)	\$ (29,904,753)	\$ (901,743)	\$ -	\$ (125,439,239)
Depreciation expense	(10,205,967)	(2,558,989)	(206,638)	-	(12,971,594)
Retirements	17,652	-	343,327	-	360,979
Accumulated depreciation, March 31, 2010	<b>\$ (104,821,058)</b>	<b>\$ (32,463,742)</b>	<b>\$ (765,055)</b>	<b>\$ -</b>	<b>\$ (138,049,855)</b>
Average depreciation rate	<b>4.6%</b>	<b>4.0%</b>	<b>17.4%</b>	-	<b>4.3%</b>
Balance, April 1, 2008	\$ 212,290,518	\$ 64,689,181	\$ 1,265,742	\$ -	\$ 278,245,441
Capital additions	<b>4,722,114</b>	-	<b>181,237</b>	<b>4,261,353</b>	<b>9,164,704</b>
Sales, retirements	(7,675)	-	(165,094)	-	(172,769)
Balance, March 31, 2009	<b>\$ 217,004,957</b>	<b>\$ 64,689,181</b>	<b>\$ 1,281,885</b>	<b>\$ 4,261,353</b>	<b>\$ 287,237,376</b>
Accumulated depreciation, April 1, 2008	\$ (84,551,608)	\$ (27,664,763)	\$ (805,516)	\$ -	\$ (113,021,887)
Depreciation expense	(10,088,810)	(2,239,990)	(261,321)	-	(12,590,121)
Retirements	7,675	-	165,094	-	172,769
Accumulated depreciation, March 31, 2009	<b>\$ (94,632,743)</b>	<b>\$ (29,904,753)</b>	<b>\$ (901,743)</b>	<b>\$ -</b>	<b>\$ (125,439,239)</b>
Average depreciation rate	<b>4.7%</b>	<b>3.5%</b>	<b>20.5%</b>	-	<b>4.5%</b>

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### 5. Investments

At March 31 UAMPS had the following total investments:

	<b>2010</b>	<b>2009</b>
Restricted:		
Money market funds invested in U.S. government securities	\$ <b>5,062,876</b>	\$ 13,120,793
Investment in U.S. Treasury Note	<b>11,665,519</b>	–
Investment in debentures issued by Government Sponsored Enterprise	<b>1,491,372</b>	–
Utah Public Treasurer’s Investment Fund	<b>25,511,653</b>	28,191,655
Total	<b>\$ 43,731,520</b>	\$ 41,312,448
Current:		
Money Market Funds invested in U.S. government securities	\$ <b>137,756</b>	\$ 645,596
Utah Public Treasurer’s Investment Fund	<b>6,415,097</b>	4,524,982
Total	<b>\$ 6,552,853</b>	\$ 5,170,578

#### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. UAMPS policy for reducing its exposure to credit risk is to comply with the bond covenants that allow UAMPS to invest in U.S. government securities, obligations of any state, including the Utah Public Treasurer’s Investment Fund (PTIF), certificates of deposit and banker’s acceptances of banks meeting certain minimum requirements and repurchase agreements.

The PTIF operates and reports to the participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participant’s average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. The PTIF was unrated at March 31, 2010.

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### 5. Investments (continued)

At March 31, 2010 UAMPS had the following investments and quality ratings:

	<b>2010</b>	<b>AAA</b>	<b>Unrated</b>
Money market funds invested in U.S. government securities	\$ 5,200,632	\$ 5,200,632	\$ –
Investment in U.S. Treasury Note	11,665,619	–	11,665,619
Investment in debentures issued by Government Sponsored Enterprise	1,491,372	1,491,372	–
Utah Public Treasurer’s Investment Fund	31,926,750	–	31,926,750
	\$ 50,284,373	\$ 6,692,004	\$ 43,592,369

#### Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance, and are not collateralized, are collateralized by the pledging financial institution, or is collateralized by the pledging financial institution’s trust department or agent, but not in the depositor governments name. UAMPS deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation. At March 31, 2010 UAMPS had \$551,213 exposed to custodial credit risk.

#### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. UAMPS uses the Specific Identification Method for identifying interest rate risk. UAMPS policy for reducing its exposure to interest rate risk is to comply with bond covenants as previously discussed.

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### 5. Investments (continued)

At March 31, 2010 UAMPS had the following debt investment balances by investment type and maturity:

	2010	Less than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Investments in U.S.					
Treasury Note	\$ 11,665,619	\$ -	\$ -	\$ 11,665,619	\$ -
Investment in debentures issued by Government Sponsored Enterprise	1,491,372	-	-	1,491,372	-
	<u>\$ 13,156,991</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,156,991</u>	<u>\$ -</u>

#### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entities investment in a single issuer. UAMPS investments are in Money Market Funds invested in U.S. Government Securites, Investment in U.S. Treasury Note, Debentures issued by Government Sponsored Enterprise, the Utah Public Treasurer’s Investment Fund, and qualified institutions, were 10%, 23%, 3%, 64%, and 0% respectively.

#### 6. Fair Value Measurements

UAMPS holds certain assets that are required to be measured at fair value in accordance with U.S. GAAP.

Certain deposits and investments outside of the Utah Public Treasurer’s Investment Fund require disclosure under this guidance. UAMPS’ utilized quoted prices in active markets for identical assets or liabilities.

The fair value of these assets is based upon the following three levels of inputs:

Level 1 – Quoted Prices in active markets for identical assets or liabilities.

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### 6. Fair Value Measurements (continued)

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities, therefore, require an entity to develop its own assumptions.

	<b>Fair Value Measurements as of March 31, 2010</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Money Market Funds	\$ 5,200,632	\$ 5,200,632	\$ –	\$ –
U.S. Treasury Notes	11,665,619	11,665,619	–	–
Debentures of Government Sponsored Enterprises	1,491,372	1,491,372	–	–
<b>Total Assets Measured at Fair Value</b>	<b>\$ 18,357,623</b>	<b>\$ 18,357,623</b>	<b>\$ –</b>	<b>\$ –</b>

#### 7. Cash and Outstanding Checks in Excess of Transfers

Cash of \$801,213 as of March 31, 2010 consists of deposits with banks. Outstanding checks in excess of transfer balance were \$698,364 at March 31, 2009. The entire bank account balances are covered by federal depository insurance, which insures bank balances up to \$250,000. State statutes do not require such accounts to be collateralized.

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### 8. Debt

Pursuant to the Hunter II Project Revenue Bond Resolution, the San Juan Project Revenue Bond Resolution, the Craig-Mona Transmission Project Revenue Bond Resolution, the Central-St. George Transmission Project Revenue Bond Resolution, the Payson Power Project Bond Resolution, and the Member Services Revenue Bond Resolution (collectively, the Resolutions), all supplemented from time to time, UAMPS has issued the following revenue and refunding revenue bonds and notes payable:

Series	Original Issue	Interest Rate	Original Maturity Date	Principal Outstanding – March 31	
				2010	2009
<b>Hunter II 1998</b>					
Serial	\$ 6,455,000	4.00%–5.00%	2000–2012	\$ 1,770,000	\$ 2,305,000
<b>Hunter II 2004</b>					
Serial	17,425,000	1.50%–5.00%	2004–2010	6,060,000	11,840,000
<b>San Juan 1998</b>					
Serial	15,750,000	4.00%–5.25%	2000–2015	9,165,000	10,430,000
Term	5,740,000	5.00%	2018	5,740,000	5,740,000
Term	9,125,000	5.00%	2022	9,125,000	9,125,000
	30,615,000				
<b>San Juan 2008A</b>					
Serial	2,345,000	3.50% – 4.50%	2009-2022	2,220,000	2,345,000
<b>Craig-Mona 1993</b>					
Serial	8,315,000	2.80%–5.25%	1994–2009	–	1,010,000
<b>Central-St. George 1997 B</b>					
Serial	2,315,000	3.95%–5.15%	1998–2012	–	785,000
Term	1,840,000	5.375%	2019	–	1,840,000
	4,155,000				
<b>Central-St. George 2000</b>					
Serial	7,025,000	4.40%–5.40%	2001–2019	4,405,000	4,740,000

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 8. Debt (continued)

Series	Original Issue	Interest Rate	Original Maturity Date	Principal Outstanding – March 31	
				2010	2009
<b>Central-St. George 2003</b>					
Serial	19,945,000	3.00%–4.75%	2003–2019	\$ 13,645,000	\$ 14,745,000
<b>Central-St. George 2009</b>					
Serial	2,350,000	4.00%–5.00%	2010-2019	<b>2,350,000</b>	–
Term	2,335,000	5.25%	2020	<b>2,335,000</b>	–
	2,455,000	5.25%	2021	<b>2,455,000</b>	–
	2,585,000	5.25%	2022	<b>2,585,000</b>	–
	2,720,000	5.25%	2023	<b>2,720,000</b>	–
	2,865,000	5.25%	2024	<b>2,865,000</b>	–
	3,015,000	5.25%	2025	<b>3,015,000</b>	–
	3,170,000	5.25%	2026	<b>3,170,000</b>	–
	3,340,000	5.25%	2027	<b>3,340,000</b>	–
	<u>22,485,000</u>				
<b>Payson 2003</b>					
Serial	100,850,000	3.00%–5.25%	2006–2026	<b>88,680,000</b>	91,920,000
<b>Payson 2007</b>					
Serial	2,751,000	3.90%–4.49%	2009-2018	<b>2,522,000</b>	2,751,000
<b>Hurricane-Washington 2007A</b>					
Term	430,000	4.15%	2012	<b>269,000</b>	351,000
Term	533,000	4.40%	2017	<b>533,000</b>	533,000
Term	671,000	4.75%	2022	<b>671,000</b>	671,000
Term	857,000	5.00%	2027	<b>857,000</b>	857,000
	<u>2,491,000</u>				
<b>Hurricane-Washington 2007B</b>					
Term	213,000	4.15%	2012	<b>133,000</b>	174,000
Term	264,000	4.40%	2017	<b>264,000</b>	264,000
Term	332,000	4.75%	2022	<b>332,000</b>	332,000
Term	425,000	5.00%	2027	<b>425,000</b>	425,000
	<u>1,234,000</u>				



# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 8. Debt (continued)

Series	Original Issue	Interest Rate	Original Maturity Date	Principal Outstanding – March 31	
				2010	2009
<b>Santa Clara – Washington</b>					
<b>2008</b>					
Serial	2,698,000	5.16%	2009-2028	<b>\$ 2,619,000</b>	\$ 2,698,000
				<b>174,270,000</b>	165,881,000
Less unamortized bond discount				<b>365,355</b>	–
Plus unamortized bond premium				<b>5,654,087</b>	5,951,034
Less current portion (excluding current portion of unamortized bond premium and discount)				<b>13,604,000</b>	14,006,000
				<b><u>\$165,954,732</u></b>	<b><u>\$157,826,034</u></b>

The Hunter 1998 Series Bonds (totaling \$6.5 million) maturing on or after July 1, 2009 are subject to redemption prior to maturity at the option of UAMPS, in whole or in part, at various times on or after July 1, 2008, at redemption prices ranging from 100% to 101%, plus accrued interest to the date of redemption.

The 2004 Hunter II Series Bonds (totaling \$17.4 million) are not subject to redemption prior to maturity.

The San Juan 1998 Series Bonds (totaling \$30.6 million) maturing on or after June 1, 2009 are subject to redemption prior to maturity at the option of UAMPS, in whole or in part, at various times on or after June 1, 2008, at redemption prices ranging from 100% to 101%, plus accrued interest to the date of redemption.

The San Juan Project Revenue Bonds, Series 2008A (totaling \$2.3 million) maturing on or after June 1, 2019 are subject to redemption prior to maturity on or after June 1, 2018, in whole or in part on any date, at a redemption price equal to 100% of the principal amount of each bond or portion thereof plus accrued interest.

The Craig-Mona 1993 Series Bonds (totaling \$8.3 million) fully matured on December 1, 2009.

The Central-St. George 1997B Series Bonds (totaling \$2.3 million), maturing on and after December 1, 2010, were redeemed at 100% of principal and accrued interest.

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### **8. Debt (continued)**

The Central-St. George 2000 Series Bonds (totaling \$7.0 million), maturing on or after December 1, 2011, are subject to redemption prior to maturity at the option of UAMPS, in whole or in part, at various times on or after December 1, 2010, at a redemption price equal to 100%, plus accrued interest to the date of redemption.

The Central-St. George 2003 Series Bonds (totaling \$19.9 million), maturing on or after December 1, 2012, are subject to redemption prior to maturity at the option of UAMPS on and after June 1, 2012, in whole or in part on any date, at a redemption price equal to 100% of the principal amount, plus accrued interest to the date of redemption.

On June 24, 2009 UAMPS issued the Central-St. George Transmission Project Revenue and Refunding Bonds, Series 2009, (totaling \$24.8 million) maturing December 1, 2027 at 4.00%–5.25% interest. The bonds maturing on and after December 1, 2020, are subject to maturity on or after December 1, 2019, in whole at any time or in part on any date, at redemption price equal to 100% of the principal amount plus accrued interest. The bonds were issued to finance the cost of construction of the Phase 3 Facilities, refund certain Central-St. George 1997B Series Bonds, fund deposits in the Debt Service Reserve Account and Bond Service Account, and to pay costs of issuance of the Series 2009 Bonds. As a result of the refunding of the Central-St. George 1997B Series Bonds, UAMPS in effect reduced its aggregate debt service payments by \$90,000 over the next nine years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$145,000.

The Payson Project Revenue 2003 Series Bonds (totaling \$100.9 million), were issued on March 18, 2003 at a premium of \$7.4 million, with effective interest rates of 2.48% to 4.73%. The 2003 Series Bonds maturing on or after April 1, 2014 are subject to redemption prior to maturity at the option of UAMPS, in whole or in part, at various times on or after April 1, 2013 at a redemption price equal to 100%, plus accrued interest to the date of redemption.

The Payson Power Project Special Obligation Revenue Bonds, Series 2007, (totaling \$2.8 million) maturing April 19, 2018 at 3.90%-4.49% interest, are subject to redemption, in whole or in part, on or after April 1, 2013, at a redemption price equal to 100% of the principal amount of the bonds redeemed, plus accrued interest to the date fixed for redemption.

The Hurricane-Washington Generating Project Revenue Bonds, Series 2007 A & B, (totaling \$3.7 million) maturing May 1, 2027 at 4.15%-5.00% interest, are subject to redemption prior to maturity on any date, in whole or in part, in inverse order of maturity, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed plus accrued interest.

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### 8. Debt (continued)

The Santa Clara-Washington Generating Project Revenue Bonds, Series 2008, (totaling \$2.7 million) maturing July 1, 2028 at 5.16% interest are subject to redemption price equal to 100% of the principal amount of the bonds plus accrued interest. The bonds were issued to provide funds for the purchase of two generators for the cities of Santa Clara and Washington, the costs of issuance, and the sale of the related bonds.

The Resolutions for bond issues with term bonds require mandatory sinking fund payments be made beginning in 2005 and beyond. Such sinking fund requirements have been scheduled so that UAMPS will have approximately the same debt service requirement each year over the life of the bonds.

The Resolutions provide that the Revenue and Refunding Revenue Bonds shall be direct and special obligations of UAMPS, payable solely from and solely secured by certain sources described in the Resolutions.

Restricted cash and investments are restricted only for the purposes stipulated in the Resolutions. When both restricted and unrestricted resources are available for use, UAMPS' Project Management Committee determines which resources are used first.

The scheduled maturities and related interest, based on scheduled rates for fixed rate bonds and the existing rates at March 31, 2010 for variable rate bonds, of long-term debt are as follows:

<b>Year Ending March 31</b>	<b>Revenue and Refunding Revenue Bonds</b>	<b>Interest</b>	<b>Total Debt Service Requirements</b>
2011	\$ 13,604,000	\$ 8,182,143	\$ 21,786,143
2012	7,904,000	7,733,877	15,637,877
2013	8,293,000	7,338,350	15,631,350
2014	8,060,000	6,934,760	14,994,760
2015	8,447,000	6,517,395	14,964,395
2016–2020	48,707,000	25,577,774	74,284,774
2021–2025	53,470,000	12,371,499	65,841,499
2026–2030	25,785,000	1,344,561	27,129,561
<b>Total</b>	<b>\$ 174,270,000</b>	<b>\$ 76,000,360</b>	<b>\$ 250,270,360</b>

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### 8. Debt (continued)

UAMPS incurred interest costs of \$8.4 million and \$8.1 million for the years ended March 31, 2010 and 2009, respectively. Of the total interest costs, UAMPS capitalized \$903,000 during the year ended March 31, 2010 as a result of interest incurred on the Central-St. George 2009 Series Bonds used for the construction of the Phase 3 facilities. No interest was capitalized during the year ended March 31, 2009.

The table below shows the changes in net long-term debt balances that occurred during the year ended March 31, 2010.

	March 31, 2009	Additions	Reductions	March 31, 2010	Amount Due Within One Year
Hunter II 1998	\$ 2,305,000	\$ —	\$ 535,000	\$ 1,770,000	\$ 560,000
Hunter II 2004	11,840,000	—	5,780,000	6,060,000	6,060,000
San Juan 1998–Serial	10,430,000	—	1,265,000	9,165,000	1,335,000
San Juan 1998–Term	5,740,000	—	—	5,740,000	—
San Juan 1998–Term	9,125,000	—	—	9,125,000	—
San Juan 2008A – Serial	2,345,000	—	125,000	2,220,000	130,000
Craig Mona 1993	1,010,000	—	1,010,000	—	—
Central-St. George 1997B–Serial	785,000	—	785,000	—	—
Central-St. George 1997B–Term	1,840,000	—	1,840,000	—	—
Central-St. George 2000	4,740,000	—	335,000	4,405,000	350,000
Central-St. George 2003	14,745,000	—	1,100,000	13,645,000	1,135,000
Central-St. George 2009 – Serial	—	2,350,000	—	2,350,000	185,000
Central-St. George 2009 – Term	—	2,335,000	—	2,335,000	—
Central-St. George 2009 – Term	—	2,455,000	—	2,455,000	—
Central-St. George 2009 – Term	—	2,585,000	—	2,585,000	—
Central-St. George 2009 – Term	—	2,720,000	—	2,720,000	—
Central-St. George 2009 – Term	—	2,865,000	—	2,865,000	—
Central-St. George 2009 – Term	—	3,015,000	—	3,015,000	—
Central-St. George 2009 – Term	—	3,170,000	—	3,170,000	—
Central-St. George 2009 – Term	—	3,340,000	—	3,340,000	—
Payson 2003	91,920,000	—	3,240,000	88,680,000	3,400,000
Payson 2007	2,751,000	—	229,000	2,522,000	237,000
Hurricane-Washington – 2007A – Term	351,000	—	82,000	269,000	86,000
Hurricane-Washington – 2007A – Term	533,000	—	—	533,000	—
Hurricane-Washington – 2007A – Term	671,000	—	—	671,000	—
Hurricane-Washington – 2007A – Term	857,000	—	—	857,000	—
Hurricane-Washington – 2007B – Term	174,000	—	41,000	133,000	43,000
Hurricane-Washington – 2007B – Term	264,000	—	—	264,000	—
Hurricane-Washington – 2007B – Term	332,000	—	—	332,000	—
Hurricane-Washington – 2007B – Term	425,000	—	—	425,000	—
Santa Clara – Washington 2008	2,698,000	—	79,000	2,619,000	83,000
	<u>165,881,000</u>	<u>24,835,000</u>	<u>16,446,000</u>	<u>174,270,000</u>	<u>13,604,000</u>
Less unamortized discount	—	416,072	22,035	394,037	28,682
Plus unamortized premium	6,377,633	—	426,598	5,951,035	296,948
	<u>\$ 172,258,633</u>	<u>\$ 24,418,928</u>	<u>\$ 16,850,563</u>	<u>\$ 179,826,998</u>	<u>\$ 13,872,266</u>

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 9. Lines of Credit

In August 2001, UAMPS obtained a \$3.0 million revolving line of credit for cash flow purposes at a rate of 75% of the financial institution's prime lending rate, which rate was 2.44% as of March 31, 2010. As of March 31, 2006, UAMPS had obtained an additional revolving line of credit totaling \$11.0 million at a variable rate in relation to LIBOR, which rate was 1.37% as of March 31, 2010. In September 2006, UAMPS obtained an additional \$8.0 million from the same financial institution upon substantially the same terms and conditions. The outstanding balance on the combined \$22.0 million available lines of credit was \$14.4 million and \$12.1 million at March 31, 2010 and 2009, respectively. The additional revolving lines of credit were obtained to assist UAMPS with working capital requirements.

### 10. Commitments and Contingencies

In the course of ordinary business activities, UAMPS enters into a variety of contractual obligations for future transactions for both energy and natural gas in order to meet Member's load and resource requirements.

UAMPS had the following Purchase Commitments at March 31, 2010:

	<u>Gas</u>	<u>Power</u>
Fiscal Year:		
2011	\$ 4,280,384	\$ 11,760,640
2012	7,777,624	-
2013	7,696,835	-
2014	5,691,750	-
2015	679,525	-
	<u>\$ 26,126,118</u>	<u>\$ 11,760,640</u>

Under similar agreements UAMPS purchased energy in the amount of \$19.2 million in fiscal year 2010 and \$12.5 million in fiscal year 2009. UAMPS purchased natural gas in the amount of \$8.4 in fiscal year 2010, and \$9.6 million in fiscal year 2009.

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

**10. Commitments and Contingencies (continued)**

UAMPS shares an ownership interest in the San Juan Generating Station, which has an agreement with the Public Service Company of New Mexico to purchase a minimum annual quantity of coal. Under the agreement currently in place, the San Juan Generating Station and UAMPS, as a part owner of generating unit number 4, have the following estimated commitments over the next five years:

<b>Year</b>	<b>Tons</b>	<b>Total Commitment at the March 31, 2010 Price per Ton</b>	<b>UAMPS' Portion of Commitment at March 31, 2010 Price Per Ton</b>
2011	5,600,000	\$ 240,184,000	\$ 5,208,000
2012	5,600,000	240,184,000	5,208,000
2013	5,600,000	240,184,000	5,208,000
2014	5,600,000	240,184,000	5,208,000
2015	5,600,000	240,184,000	5,208,000

During fiscal years 2010 and 2009, UAMPS incurred minimum coal costs of \$5.5 million and \$6.2 million, respectively, and incremental coal costs of \$373,312 and \$810,294, respectively, as its portion of the existing San Juan Operating Agreement. Incremental coal costs are comprised of variable costs for the purchase of coal in excess of the minimum purchase requirement and can be negative due to consumption being less than the base purchase requirement.

UAMPS leases office space under a seven-year operating lease expiring in fiscal year 2011. Future minimum lease payments under the operating lease obligation are:

Fiscal Year:	
2011	\$ 231,358
	<u>\$ 231,358</u>

Rent expense for the years ended March 31, 2010 and 2009 were \$331,208 and \$320,823, respectively.

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### **10. Commitments and Contingencies (continued)**

During the normal course of conducting its business, UAMPS becomes involved in litigation. It is not possible to determine the eventual outcome of presently unresolved litigation. However, management believes it will not have a material adverse effect on UAMPS' financial position or results of operations.

#### **11. Retirement Plan**

UAMPS has a noncontributory money purchase defined contribution pension plan, which covers all of its employees. Employees are eligible to participate from the date of employment. Contributions and earnings thereon are always fully vested upon participation in the plan. Contribution levels are established by the Board and are initially equal to 15.3%, increasing to a maximum of 25% of each covered employee's compensation. UAMPS' covered payroll amounted to approximately \$2.9 million and \$2.3 million in 2010 and 2009, respectively. Contributions, which are approximately 22.76% and 25% of total payroll, totaled approximately \$660,000 and \$565,000 for the years ended March 31, 2010 and 2009, respectively. All contributions are invested using an outside pension administrator, ICMA Retirement Corp. (ICMA). ICMA provides the participants with multiple options for their pension investments.

#### **12. Subsequent Events**

On April 1, three individual lines of credit from Wells Fargo Bank, totaling \$19 million, were consolidated into one \$19 million line of credit, and renewed through March 31, 2011.

On April 12, 2010, the Central-St. George Project Phase 3 facilities were placed in service.

# Supplemental Schedules



Utah Associated Municipal Power Systems

Schedules of Changes in Funds Required by the Revenue Bond Resolutions

Year Ended March 31, 2010

	Revenue Fund	Operations and Maintenance Fund	Construction Fund	Debt Service Fund		Reserve and Contingency Fund	Total
				Debt Service Account	Debt Service Reserve Account		
<b>Balance at March 31, 2008</b>	\$ 5,156,520	\$ (200,364)	\$ 34	\$ 13,735,950	\$ 10,095,848	\$ 13,870,577	\$ 42,658,565
Additions:							
Investment earnings receipts	39,523	—	36,649	160,126	373,924	403,788	1,014,010
Debt proceeds	(3,200,000)	—	4,929,351	—	142,050	—	1,871,401
Power sales receipts	187,718,355	—	—	—	—	—	187,718,355
Transfers from irrevocable trust	—	—	—	24,986	—	—	24,986
Transfers (to) from other funds	(184,543,820)	154,558,237	1,009,321	22,943,367	(66,540)	6,099,435	—
	14,058	154,558,237	5,975,321	23,128,479	449,434	6,503,223	190,628,752
Deductions:							
Purchase of capital additions	—	(251,891)	4,823,993	—	—	4,592,602	9,164,704
Payments on debt	—	—	—	14,188,000	—	—	14,188,000
Interest payments	—	244,466	—	8,547,399	—	—	8,791,865
Cost of issuance	—	—	289,618	—	—	—	289,618
Distribution	—	1,572,912	—	—	—	—	1,572,912
Operating expenses	—	153,490,750	—	4,700	—	106	153,495,556
	—	155,056,237	5,113,611	22,740,099	—	4,592,708	187,502,655
<b>Balance at March 31, 2009</b>	5,170,578	(698,364)	861,744	14,124,330	10,545,282	15,781,092	45,784,662
Additions:							
Investment earnings receipts	6,818	—	87,650	33,746	72,705	113,601	314,520
Debt proceeds	2,300,000	—	19,127,446	2,458,844	2,832,639	—	26,718,929
Sale of Fixed Asset Proceeds	—	—	—	—	—	—	—
Power sales receipts	185,257,924	—	—	—	—	—	185,257,924
Transfers from irrevocable trust	—	—	—	—	—	—	—
Transfers (to) from other funds	(184,382,875)	157,399,052	(27,961)	22,562,014	(1,470,639)	5,920,409	—
	3,181,867	157,399,052	19,187,135	25,054,604	1,434,705	6,034,010	212,291,373
Deductions:							
Purchase of capital additions	—	2,854,019	17,232,199	902,919	—	6,749,216	27,738,353
Payments on debt	—	—	—	16,446,000	—	—	16,446,000
Interest payments	—	142,462	—	7,547,165	—	—	7,689,627
Cost of issuance	—	—	408,183	—	—	—	408,183
Distribution	—	2,775,488	—	—	—	—	2,775,488
Operating expenses	—	151,927,099	—	5,700	—	—	151,932,799
	—	157,699,068	17,640,382	24,901,784	—	6,749,216	206,990,450
<b>Balance at March 31, 2010</b>	\$ 8,352,445	\$ (998,380)	\$ 2,408,497	\$ 14,277,150	\$ 11,979,987	\$ 15,065,886	\$ 51,085,585

Utah Associated Municipal Power Systems

Schedules of Project Financial Statements

Balance Sheet

March 31, 2010

	CRSP	Hunter II	San Juan Unit 4	IPP	Firm Power	Wind	Craig-Mona	Central- St. George	UAMPS Pool	Payson	IPP #3	Resource	Gas Project	Government and Public Affairs	Member Services	Total
<b>Assets</b>																
<b>Current assets:</b>																
Cash	\$ 1,095,437	\$ 2,591,845	\$ 683,612	\$ 4,425,213	\$1,002,952	\$ (36,524)	\$ 871,739	\$ (1,540,422)	\$ (10,305,387)	\$ 336,778	\$ 918,490	\$ 569,949	\$ (220,253)	\$ 306,536	\$ 101,248	\$ 801,213
Investments	11,766	20,143	12,936	53,389	1,612	105	(377)	2,622	3,219,084	25,680	3,204,566	331	116	239	641	6,552,853
Receivables	2,247,117	2,893,213	1,340,543	6,799,130	213,571	154,791	86,502	655,633	5,421,863	4,002,171	1,564,204	136,879	260,659	53,140	114,150	25,943,566
Prepaid expenses and deposits	-	2,263,000	721,325	-	-	-	6,374	-	10,000	1,019,559	-	-	-	-	-	4,020,258
	3,354,320	7,768,201	2,758,416	11,277,732	1,218,135	118,372	964,238	(882,167)	(1,654,440)	5,384,188	5,687,260	707,159	40,522	359,915	216,039	37,317,890
<b>Restricted assets:</b>																
Investments	-	14,449,527	5,355,177	-	-	-	-	6,840,067	-	16,708,395	-	-	-	-	378,354	43,731,520
Interest receivable	-	-	-	-	-	-	(825)	14,737	-	39,990	-	-	-	-	-	53,902
	-	14,449,527	5,355,177	-	-	-	(825)	6,854,804	-	16,748,385	-	-	-	-	378,354	43,785,422
<b>Utility plant and equipment:</b>																
Generation	-	62,559,707	56,666,287	-	-	-	-	-	-	99,309,929	-	-	-	-	6,678,983	225,214,906
Transmission	-	-	-	-	-	-	17,492,388	36,715,021	-	10,521,737	-	-	-	-	-	64,729,146
Furniture and equipment	79,181	87,088	70,885	41,539	59,382	8,012	44,042	62,815	17,992	274,763	131,257	71,482	4,792	123,669	14,315	1,091,214
	79,181	62,646,795	56,737,172	41,539	59,382	8,012	17,536,430	36,777,836	17,992	110,106,429	131,257	71,482	4,792	123,669	6,693,298	291,035,266
Less accumulated depreciation	(55,799)	(49,761,923)	(26,698,688)	(27,404)	(54,708)	(1,174)	(11,611,656)	(20,240,953)	(39,632)	(28,144,297)	(111,448)	(52,410)	(702)	(101,983)	(1,147,078)	(138,049,855)
	23,382	12,884,872	30,038,484	14,135	4,674	6,838	5,924,774	16,536,883	(21,640)	81,962,132	19,809	19,072	4,090	21,686	5,546,220	152,985,411
Construction work-in-progress	-	4,654,236	-	-	-	-	-	18,925,249	-	-	-	-	-	-	-	23,579,485
	23,382	17,539,108	30,038,484	14,135	4,674	6,838	5,924,774	35,462,132	(21,640)	81,962,132	19,809	19,072	4,090	21,686	5,546,220	176,564,896
<b>Other assets:</b>																
Unamortized bond issuance costs	-	626,230	719,619	-	-	-	-	1,025,996	-	2,767,987	-	-	-	-	241,951	5,381,783
Accumulated amortization of bond issuance costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net bond issuance costs	-	(561,167)	(284,165)	-	-	-	-	(282,541)	-	(837,480)	-	-	-	-	(29,097)	(1,994,450)
	-	65,063	435,454	-	-	-	-	743,455	-	1,930,507	-	-	-	-	212,854	3,387,333
<b>Total assets</b>	<b>\$ 3,377,702</b>	<b>\$ 39,821,899</b>	<b>\$38,587,531</b>	<b>\$11,291,867</b>	<b>\$1,222,809</b>	<b>\$ 125,210</b>	<b>\$ 6,888,187</b>	<b>\$ 42,178,224</b>	<b>\$ (1,676,080)</b>	<b>\$106,025,212</b>	<b>\$ 5,707,069</b>	<b>\$ 726,231</b>	<b>\$ 44,612</b>	<b>\$ 381,601</b>	<b>\$ 6,353,467</b>	<b>\$ 261,055,541</b>

Utah Associated Municipal Power Systems

Schedules of Project Financial Statements (continued)

Balance Sheet (continued)

	CRSP	Hunter II	San Juan Unit 4	IPP	Firm Power	Wind	Craig-Mona	Central- St. George	UAMPS Pool	Payson	IPP #3	Resource	Gas Project	Government and Public Affairs	Member Services	Total
<b>Membership capital and liabilities</b>																
Current liabilities:																
Accounts payable	\$ 1,910,788	\$ (1,557,108)	\$ 912,422	\$ 703,377	\$ 136,634	\$ 58,883	\$ 439,036	\$ 1,073,871	\$ 3,510,365	\$ 2,003,596	\$ 1,078,100	\$ 46,496	\$ 3,775	\$ 20,830	\$ 3,912	\$ 10,344,977
Accrued liabilities	101,722	164,995	1,355,866	3,942,968	22,597	42,668	41,719	20,561	363,074	579,777	4,833	97,939	25,521	40,168	34	6,804,442
Members' advance billings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lines of credit	1,214,546	2,079,250	1,335,336	5,511,125	166,380	10,801	(38,924)	270,656	1,062,967	2,650,833	-	34,162	11,976	24,721	66,171	14,400,000
Current portion of deferred revenue	-	20,800	412,772	-	-	-	-	116,445	44,196	175,416	-	-	-	-	-	769,629
	<u>3,227,056</u>	<u>707,937</u>	<u>4,016,396</u>	<u>10,157,470</u>	<u>325,611</u>	<u>112,352</u>	<u>441,831</u>	<u>1,481,533</u>	<u>4,980,602</u>	<u>5,409,622</u>	<u>1,082,933</u>	<u>178,597</u>	<u>41,272</u>	<u>85,719</u>	<u>70,117</u>	<u>32,319,048</u>
Liabilities payable from restricted assets:																
Accrued interest payable	1,015	99,612	438,578	4,604	139	9	(33)	701,501	888	2,299,761	-	29	10	21	101,963	3,648,097
Current portion of long-term debt	-	6,656,448	1,468,100	-	-	-	-	1,641,318	-	3,894,400	-	-	-	-	212,000	13,872,266
	<u>1,015</u>	<u>6,756,060</u>	<u>1,906,678</u>	<u>4,604</u>	<u>139</u>	<u>9</u>	<u>(33)</u>	<u>2,342,819</u>	<u>888</u>	<u>6,194,161</u>	<u>-</u>	<u>29</u>	<u>10</u>	<u>21</u>	<u>313,963</u>	<u>17,520,363</u>
Long-term debt:																
Bonds payable, less current portion	-	1,210,000	24,785,000	-	-	-	-	41,215,000	-	87,565,000	-	-	-	-	5,891,000	160,666,000
Less: unamortized bond discount	-	-	-	-	-	-	-	(365,355)	-	-	-	-	-	-	-	(365,355)
Plus: unamortized bond premium	-	-	19,002	-	-	-	-	-	-	5,635,085	-	-	-	-	-	5,654,087
	<u>-</u>	<u>1,210,000</u>	<u>24,804,002</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,849,645</u>	<u>-</u>	<u>93,200,085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,891,000</u>	<u>165,954,732</u>
Deferred revenue, less current portion																
Accumulated amortization of deferred revenue	-	268,676	10,274,749	-	-	-	-	2,800,268	-	1,965,067	-	-	-	-	-	15,308,760
	<u>-</u>	<u>(242,676)</u>	<u>(5,665,460)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,797,983)</u>	<u>-</u>	<u>(470,604)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,176,723)</u>
Net deferred revenue	<u>-</u>	<u>26,000</u>	<u>4,609,289</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,002,285</u>	<u>-</u>	<u>1,494,463</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,132,037</u>
Net costs advanced or to be recovered through billings to Members	(4,526)	28,906,285	2,356,519	246	(29,077)	(12,790)	6,442,626	(3,456,361)	(6,403,663)	1,062,495	109,641	(28,148)	(7,650)	(781)	(100,381)	28,834,435
Net assets	154,157	2,215,617	894,647	1,129,547	926,136	25,639	3,763	(41,697)	(253,907)	(1,335,614)	4,514,495	575,753	10,980	296,642	178,768	9,294,926
	<u>\$ 3,377,702</u>	<u>\$ 39,821,899</u>	<u>\$ 38,587,531</u>	<u>\$ 11,291,867</u>	<u>\$ 1,222,809</u>	<u>\$ 125,210</u>	<u>\$ 6,888,187</u>	<u>\$ 42,178,224</u>	<u>\$ (1,676,080)</u>	<u>\$ 106,025,212</u>	<u>\$ 5,707,069</u>	<u>\$ 726,231</u>	<u>\$ 44,612</u>	<u>\$ 381,601</u>	<u>\$ 6,353,467</u>	<u>\$ 261,055,541</u>

Utah Associated Municipal Power Systems

Schedules of Project Financial Statements (continued)

Statement of Revenues and Expenses

Year Ended March 31, 2010

	CRSP	Hunter II	San Juan Unit 4	IPP	Firm Power	Wind	Craig-Mona	Central- St. George	UAMPS Pool	Payson	IPP #3	Resource	Gas Project	Government and Public Affairs	Member Services	Total
Operating revenues:																
Power sales to Members	\$13,220,966	\$21,895,457	\$14,928,080	\$53,159,991	\$1,693,897	\$678,854	\$549,438	\$3,983,998	\$28,494,861	\$35,183,336	\$13,939,893	\$ (37,292)	\$111,140	\$325,229	\$748,750	\$188,876,598
Other	205	174	107	359	42	71	25	104	753	990	12	707,047	42	66	-	709,997
	13,221,171	21,895,631	14,928,187	53,160,350	1,693,939	678,925	549,463	3,984,102	28,495,614	35,184,326	13,939,905	669,755	111,182	325,295	748,750	189,586,595
Operating expenses:																
Cost of power	12,789,254	10,081,049	10,706,653	51,617,731	1,606,887	-	221,538	131,310	26,213,965	23,834,005	9,382,525	-	-	29,621	126,818	146,741,356
In lieu of ad valorem taxes	-	268,035	226,129	420,515	-	-	69,375	-	-	-	-	-	-	-	-	984,054
Depreciation	13,441	2,768,304	2,444,720	9,452	11,304	1,174	600,744	1,662,877	425	5,068,995	39,094	7,137	702	26,127	317,098	12,971,594
General and administrative	370,495	391,219	371,324	701,664	63,834	664,794	98,969	184,455	1,141,319	1,389,373	302,988	620,188	107,030	226,368	7,928	6,641,948
	13,173,190	13,508,607	13,748,826	52,749,362	1,682,025	665,968	990,626	1,978,642	27,355,709	30,292,373	9,724,607	627,325	107,732	282,116	451,844	167,338,952
Operating income	47,981	8,387,024	1,179,361	410,988	11,914	12,957	(441,163)	2,005,460	1,139,905	4,891,953	4,215,298	42,430	3,450	43,179	296,906	22,247,643
Nonoperating revenues (expenses):																
Interest income	-	79,890	33,800	742	-	-	5,491	121,512	-	121,462	3,911	-	-	-	1,614	368,422
Interest expense	(12,168)	(314,052)	(1,334,277)	(55,215)	(1,667)	(108)	(34,960)	(1,077,009)	(10,650)	(4,375,557)	-	(342)	(120)	(248)	(300,740)	(7,517,113)
Amortization of bond issuance costs	-	(74,069)	(35,791)	-	-	-	(9,834)	(57,641)	-	(125,769)	-	-	-	-	(11,921)	(315,025)
	(12,168)	(308,231)	(1,336,268)	(54,473)	(1,667)	(108)	(39,303)	(1,013,138)	(10,650)	(4,379,864)	3,911	(342)	(120)	(248)	(311,047)	(7,463,716)
Excess of revenues over expenses before net costs to be recovered from future billings to Members	35,813	8,078,793	(156,907)	356,515	10,247	12,849	(480,466)	992,322	1,129,255	512,089	4,219,209	42,088	3,330	42,931	(14,141)	14,783,927
Increase (decrease) in net costs to be recovered from future billings to Members	(3,880)	(8,166,753)	452,944	(3,043)	(1,569)	12,790	652,762	(893,109)	354	(510,853)	(60,546)	34,010	7,650	(11,556)	21,703	(8,469,096)
Excess of revenues over expenses	\$31,933	\$(87,960)	\$296,037	\$353,472	\$8,678	\$25,639	\$172,296	\$99,213	\$1,129,609	\$1,236	\$4,158,663	\$76,098	\$10,980	\$31,375	\$7,562	\$6,314,831

# Other Reports

## Report of Independent Auditors on State of Utah Legal Compliance

The Board of Directors of  
Utah Associated Municipal Power Systems

We have audited the financial statements of Utah Associated Municipal Power Systems for the year ended March 31, 2010, and have issued our report thereon dated July 23, 2010. Our audit included testwork on Utah Associated Municipal Power Systems' compliance with the following applicable general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Other General Issues

Utah Associated Municipal Power Systems did not receive any major or nonmajor state grants during the year ended March 31, 2010.

The management of Utah Associated Municipal Power Systems is responsible for compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

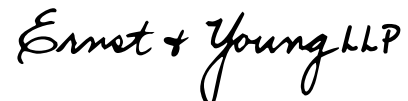
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Utah Associated Municipal Power Systems' compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Our audit does not provide a legal determination on UAMPS' compliance with these requirements.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Utah Associated Municipal Power Systems complied, in all material respects, with the general compliance requirements identified above for the year ended March 31, 2010.

This report is intended solely for the information and use of the Board, management and the State of Utah, Office of the State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.



July 23, 2010

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

The Board of Directors of  
Utah Associated Municipal Power Systems

We have audited the financial statements of Utah Associated Municipal Power Systems as of and for the year ended March 31, 2010, and have issued our report thereon dated July 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal control over financial reporting**

In planning and performing our audit, we considered Utah Associated Municipal Power Systems' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Utah Associated Municipal Power Systems' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Utah Associated Municipal Power Systems' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

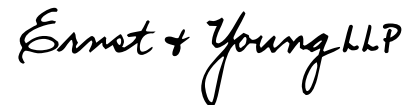
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and other matters**

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

This report is intended solely for the information and use of the Board, management and the State of Utah, Office of the State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

The signature of Ernst & Young LLP is written in a cursive, handwritten style in black ink.

July 23, 2010



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