Financial Statements and Supplemental Schedules

Utah Associated Municipal Power Systems
Years Ended March 31, 2008 and 2007
With Report of Independent Auditors

Utah Associated Municipal Power Systems

Financial Statements and Supplemental Schedules

Years Ended March 31, 2008 and 2007

Contents

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Report of 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, 2008 and 2007, 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 audit 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 audit 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, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2008 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 the 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 9, 2008

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, 2008, 2007, and 2006.

Description of Business

UAMPS is a political subdivision of the state of Utah (the State). Its 53 members (the Members) include public power utilities in Utah, Arizona, California, Idaho, Oregon, Nevada and New Mexico. 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 13 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, 2008, 2007, and 2006 of $1.8 million, $1.8 million and $11.5 million, respectively. For the year ended March 31, 2006, there was a $10 million sale of sulfur dioxide allowances associated with the San Juan and Hunter plants, which sale did not occur in the years ended March 31, 2008 and 2007. The Members may elect to issue a refund of the 2008 excess of revenues over expenses during fiscal year 2009.

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 four 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, 2008, 2007, and 2006 were $42.9 million, $45.3 million and $38.2 million, respectively. The $2.4 million decrease between March 31, 2007 and 2008 resulted from two main factors. First, the build up in the major maintenance overhaul reserve account balances increased the invested assets by $1.9 million. Second, the cash decreased $4.3 million as a result of the timing of the cash payments. The $7.1 million increase between March 31, 2006 and 2007 resulted from two main factors. First, the build up in major maintenance overhaul reserve account balances increased the invested assets by $1.2 million. Additionally, cash increased $5.9 million as a result of timing of payments. UAMPS' operating sweep account and checking account balances fluctuate from year to year namely due to the timing of cash receipts and payments.

The components of cash and investments at March 31, 2008, 2007, and 2006 consisted of the following:

	2008	**2007**	**2006**
U.S. government securities and deposits	**13.0%**	21.0%	16.0%
Utah Public Treasurer's Investment Fund	**87.0**	79.0	84.0
	100.0%	100.0%	100.0%

At March 31, 2008, 2007 and 2006, accounts receivable totaled $24.8 million, $21.6 million and $19.4 million, respectively. The increase of $3.2 million between March 31, 2007 and 2008 is due in part to the increase of $1.1 million in the volume of business with one counterparty, the remaining increase is due to normal timing fluctuations for cash receipts. The increase of $2.2 million between March 31, 2006 and 2007 were due to normal timing of fluctuations for cash receipts.

Financial Analysis (continued)

The table below summarizes UAMPS' total assets and total liabilities at March 31, 2008, 2007, and 2006:

	2008	2007	2006
	(In Thousands)		
Total current assets	**$ 33,562**	$ 34,716	$ 25,654
Total long-term assets	**206,327**	207,695	219,893
Total assets	**$ 239,889**	$ 242,411	$ 245,547
Total current liabilities	**$ 34,294**	$ 34,401	$ 23,593
Total long-term liabilities	**202,043**	203,130	217,591
Total liabilities	**236,337**	237,531	241,184
Net assets:			
Invested in plant, net of debt	**(528)**	(7,190)	(17,628)
Restricted net assets	**21,253**	21,234	21,476
Unrestricted net assets	**(17,173)**	(9,164)	515
	3,552	4,880	4,363
Total liabilities and net assets	**$ 239,889**	$ 242,411	$ 245,547

Financial Analysis of Operations

Operating revenue from power sales for the years ended March 31, 2008, 2007, and 2006 was $182.5 million, $163.5 million, and $172.8 million respectively. The increase in revenue of $19.0 million from fiscal year 2007 to fiscal year 2008 is largely due to the increased callback from the IPP Project to serve the Members' load requirements.

The operating revenue at March 31, 2007 represents a decrease of $9.3 million from March 31, 2006. The main reason for the decrease in revenue was the $10 million sale of sulfur dioxide allowances associated with the San Juan and Hunter plants. This sale occurred in fiscal year 2006, and did not reoccur in fiscal year 2007.

Interest income for 2008, 2007, and 2006 was $1.7 million, $1.6 million, and $1.3 million respectively. The increase from 2007 to 2008, as well as the increase from 2006 to 2007 relates primarily to higher balances in the major maintenance overhaul reserve accounts for the respective years.

Financial Analysis of Operations (continued)

The table below summarizes UAMPS' total revenues and expenses for fiscal years 2008, 2007 and 2006.

	Year Ended March 31		
	2008	**2007**	**2006**
	(In Thousands)		
Revenues:			
Power sales	**$ 182,413**	$ 163,500	$ 172,810
Interest income	**1,693**	1,607	1,287
Other income	**134**	16	213
	184,240	165,123	174,310
Expenses:			
Cost of power	**144,166**	124,849	114,047
Other expenses	**28,239**	27,611	27,053
	172,405	152,460	141,100
Excess of revenues over expenses before net costs to be recovered from future billings to members	**11,835**	12,663	33,210
Decrease in net costs to be recovered from future billings to members	**(10,063)**	(10,815)	(21,710)
Excess of revenues over expenses	**1,772**	1,848	11,500
Net assets at beginning of year	**4,880**	4,363	2,478
Distributions	**(3,100)**	(1,331)	(9,615)
Net assets at end of year	**$ 3,552**	$ 4,880	$ 4,363

Cash Flow and Liquidity

UAMPS' sources of cash include power sales, services, issuance of debt and investment income. Outstanding checks in excess of transfers at year-end decreased from $818,896 in 2007 to $200,364 in 2008 and increased from $214,886 in 2006 to $818,896 in 2007 primarily due to the timing of payments.

Cash Flow and Liquidity (continued)

In order to manage cash flow requirements, UAMPS has revolving lines of credit with two financial institutions with total available cash lines of $22 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 million available on the revolving lines of credit, the outstanding balance was $15.3 million, $14.0 million, and $10.5 million at March 31, 2008, 2007, and 2006, 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

In order to meet the Members' growing load needs, UAMPS, PacifiCorp Energy and Southern Nevada Water Authority (collectively, the "Development Participants"), continue with the development of IPP Unit 3. IPP Unit 3 will be located adjacent to Units 1 and 2 at the Intermountain Power Project site near Delta, Utah.

On March 31, 2008, UAMPS had no construction work-in-progress. On March 31, 2007, the construction work-in-progress balance was $3,381,629, which related to prepaid materials costs associated with environmental upgrades to the San Juan plant during a planned fall 2007 outage. The balance at March 31, 2006 was $1,743,132 relating to planned outage repairs at the Hunter plant in the spring of 2006.

On November 30, 2007, UAMPS issued The Payson Power Project Special Obligation Revenue Bonds, Series 2007, (totaling $2,751,000) maturing April 19, 2018 at 3.90%-4.49% interest. The bonds 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 bonds were issued to provide financing to certain UAMPS members to fund a debt service requirement and pay costs related to the issuance of the Bonds.

Significant Capital Assets and Long-Term Debt Activity (continued)

On May 3, 2007 UAMPS issued the Hurricane-Washington Generating Project Revenue Bonds, Series 2007A & B, (totaling $3,725,000) maturing May 1, 2027 at 4.15%-5.00% interest. The bonds were issued to provide funds for the purchase of three generators for the cities of Hurricane and Washington and pay the costs of issuance of the related bonds.

Subsequent to year end, UAMPS issued bonds for two projects. First, the San Juan Project Revenue Bonds, Series 2008A (totaling $2,345,000) maturing June 1, 2022 at 3.50%-4.50% interest. The bonds were issued to provide funds for project costs and plant upgrades.

UAMPS also issued the Santa Clara-Washington Generating Project Revenue Bonds, Series 2008, (totaling $2,698,000) maturing July 1, 2028 at 5.16% interest. The bonds were issued to provide funds for the purchase of two generators for the cities of Santa Clara and Washington and pay the costs of issuance of the related bonds.

Western Electric Energy Markets

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

The amount of energy from Western Area Power Administration and the contract rate of delivery have remained stable from fiscal 2007 into fiscal 2008.

Load growth is the most serious issue facing many utilities, including UAMPS. This presents challenges in both acquiring new generation resources and also in working with the various transmission providers to UAMPS in order to see that the needed transmission infrastructure is built in a timely fashion.

The concerns that are being raised over greenhouse gas emissions and other environmental issues concerned with operating an electric utility are 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 to ensure that UAMPS will be in compliance.

The Energy Policy Act of 2005 has produced many mandatory rules applicable to all users of the bulk electric system. Many of the rules became effective on June 18, 2007 and UAMPS and its Members have implemented the new processes and documentation needed for compliance.

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

	March 31, 2008	March 31, 2007
Assets		
Current assets:		
Investments	**$ 5,156,520**	$ 9,504,388
Receivables	**24,839,741**	21,554,045
Prepaid expenses and deposits	**3,565,907**	3,657,351
	33,562,168	34,715,784
Restricted assets:		
Investments	**37,702,409**	35,788,683
Interest receivable	**2,767**	–
	37,705,176	35,788,683
Utility plant and equipment:		
Generation	**212,290,518**	199,310,075
Transmission	**64,689,181**	64,651,483
Furniture and equipment	**1,265,742**	1,231,352
	278,245,441	265,192,910
Less accumulated depreciation	**(113,021,887)**	(101,192,643)
	165,223,554	164,000,267
Construction work in progress	**–**	3,381,629
	165,223,554	167,381,896
Other assets:		
Unamortized bond issuance costs (net of accumulated amortization of $2,401,000 in 2007 and $2,086,000 in 2006)	**3,397,959**	3,430,631
Net costs to be recovered through billings to members	**–**	1,094,166
	3,397,959	4,524,797
Total assets	**$ 239,888,857**	$ 242,411,160

	March 31,	
	2008	2007
Liabilities and net assets		
Current liabilities:		
Outstanding checks in excess of transfers	**$ 200,364**	$ 818,896
Accounts payable	**11,591,381**	12,828,944
Accrued liabilities	**6,072,634**	4,768,223
Members' advance billings	**–**	657,496
Note payable	**15,300,000**	14,000,000
Current portion of deferred revenue	**1,129,329**	1,327,176
	34,293,708	34,400,735
Liabilities payable from restricted assets:		
Accrued interest payable	**3,680,206**	3,694,274
Current portion of long-term debt	**13,481,382**	13,509,008
	17,161,588	17,203,282
Long-term debt:		
Bonds payable, less current portion	**162,088,000**	167,925,992
Unamortized bond discount	**–**	(92,109)
Unamortized bond premium	**6,352,244**	7,519,634
	168,440,244	175,353,517
Other liabilities:		
Deferred revenue, less current portion	**7,472,303**	10,573,420
Net costs advanced through billings to members	**8,968,838**	–
	16,441,141	10,573,420
Net assets:		
Invested in plant, net of debt	**(528,583)**	(7,189,392)
Restricted net assets	**21,253,440**	21,233,803
Unrestricted net assets	**(17,172,681)**	(9,164,205)
	3,552,176	4,880,206
Total liabilities and net assets	**$ 239,888,857**	$ 242,411,160

See accompanying notes.

Utah Associated Municipal Power Systems

Statements of Revenues and Expenses and Changes in Net Assets

	Year Ended March 31	
	2008	**2007**
Operating revenues:		
Power sales	**$ 182,412,470**	$ 163,499,516
Other	**134,476**	16,146
	182,546,946	163,515,662
Operating expenses:		
Cost of power	**144,165,576**	124,848,933
In lieu of ad valorem taxes	**857,066**	590,097
Depreciation	**12,029,540**	11,392,733
General and administrative	**6,482,526**	6,306,824
	163,534,708	143,138,587
Operating income	**19,012,238**	20,377,075
Nonoperating revenues (expenses):		
Interest income	**1,692,699**	1,607,404
Interest expense	**(8,587,288)**	(8,970,185)
Amortization of bond issuance costs	**(283,032)**	(351,208)
	(7,177,621)	(7,713,989)
Excess of revenues over expenses before net costs advanced or to be recovered through billings to members	**11,834,617**	12,663,086
Decrease in net costs to be recovered through billings to members	**(10,063,004)**	(10,815,042)
Excess of revenues over expenses	**1,771,613**	1,848,044
Net assets at beginning of year	**4,880,206**	4,363,156
Distributions to members	**(3,099,643)**	(1,330,994)
Net assets at end of year	**$ 3,552,176**	$ 4,880,206

See accompanying notes.

Utah Associated Municipal Power Systems

Statements of Cash Flows

	Year Ended March 31	
	2008	**2007**
Operating activities		
Cash received from customers	**$ 177,764,308**	$ 160,090,552
Cash payments to suppliers for goods and services	**(147,474,497)**	(123,501,997)
Cash payments to employees for services	**(3,006,480)**	(2,663,567)
Cash payments for ad valorem taxes	**(865,899)**	(697,861)
Deferred revenue	**(2,459,518)**	(271,190)
Net cash provided by operating activities	**23,957,914**	32,955,937
Capital and related financing activities		
Additions to utility plant and equipment	**(9,871,198)**	(9,140,478)
Proceeds from issuance of long-term debt	**6,476,000**	1,250,000
Principal payments on refunding revenue bonds	**(12,885,000)**	(12,625,000)
Interest payments on refunding revenue bonds	**(9,133,255)**	(9,175,041)
Bond issuance costs	**(250,360)**	(57,437)
Distribution	**(3,099,643)**	(1,330,994)
Net cash used in capital and related financing activities	**(28,763,456)**	(31,078,950)
Noncapital and related financing activities		
Proceeds from increase in notes payable	**1,300,000**	3,036,748
Net cash provided by noncapital and related financing activities	**1,300,000**	3,036,748
Investing activities		
(Increase) decrease in current investments	**4,347,868**	(5,962,224)
Restricted assets:		
Net increase in investments	**(1,913,726)**	(1,162,925)
Interest income received	**1,689,932**	1,607,404
Net cash provided by (used in) investing activities	**4,124,074**	(5,517,745)
Increase (decrease) in cash	**618,532**	(604,010)
Outstanding checks in excess of transfers at beginning of year	**(818,896)**	(214,886)
Outstanding checks in excess of transfers at end of year	**$ (200,364)**	$ (818,896)

Utah Associated Municipal Power Systems

Statements of Cash Flows (continued)

		Year Ended March 31		
		2008		2007
Reconciliation of operating income to net cash provided by operating activities				
Operating income	**$**	**19,012,238**	$	20,377,075
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation		**12,029,540**		11,392,733
Amortization of deferred revenue		**(839,446)**		(1,282,980)
Decrease in deferred revenue		**(2,459,518)**		(271,190)
Increase in current receivables		**(3,285,696)**		(2,142,130)
(Increase) decrease in prepaid expenses and deposits		**91,444**		(957,643)
Decrease in members' advance billings		**(657,496)**		–
Increase (decrease) in accounts payable		**(1,237,563)**		4,016,063
Increase in accrued liabilities		**1,304,411**		1,824,009
Net cash provided by operating activities	**$**	**23,957,914**	$	32,955,937

See accompanying notes.

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 38 municipalities, one joint action agency, one electric service district, four 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, and California.

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 Statement No. 14, *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 Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, 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 with GASB pronouncements.

1. Summary of Significant Accounting Policies (continued)

Recent Accounting Developments

SFAS 157 "Fair Value Measures"

The FASB issued Statement of Financial Accounting Standards 157 *Fair Value Measures* in September 2006. SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measures required by other accounting rules. It does not change existing guidance as to whether or not an instrument is carried at fair value. SFAS No. 157 will be effective for UAMPS beginning April 1, 2008. UAMPS has reviewed the requirements of SFAS No. 157 and does not expect its adoption to significantly impact financial position or results of operations or cash flows.

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.

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 No. 31; 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.

1. Summary of Significant Accounting Policies (continued)

Utility Plant and Equipment

Generation assets, transmission assets, furniture, and equipment 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.

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. 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.

Income Taxes

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

1. Summary of Significant Accounting Policies (continued)

Members' Advance Billings

The power sales contracts between UAMPS and its participants require UAMPS to bill Members in advance based upon estimates of power cost and usage. Members' advance billings at year-end are recorded as a liability.

Deferred Revenue

Certain participants of the Craig-Mona Project, the Payson Project, and the San Juan Project elected to prepay their share of certain future fees for the projects. The participants of the Hunter II Project and the Central-St. George Project have elected to prepay certain costs of acquisition and debt service during refinancing and/or construction of the projects. These payments have been treated as deferred revenue and will be amortized to revenue over the life of the respective bond issues.

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.

- 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."

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.

1. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain reclassifications were made to prior year financial statements to conform with the fiscal year 2008 presentation.

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 1992, 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 2006 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.

- 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 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.

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

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.

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, 2008 and 2007 and the accumulated totals as of March 31, 2008 and 2007, consisted of the following:

	For the Years Ended		**Accumulated Totals as of**	
	2008	**2007**	**2008**	**2007**
Items in accordance with GAAP not currently billable to Members				
Depreciation, accretion, and amortization of bond issuance costs	**$ 12,404,681**	$ 12,192,905	**$ 158,402,472**	$ 145,997,791
Refunding charge on refunding/ defeasance of revenue bonds	**–**	–	**40,040,626**	40,040,626
Principal collected from certain receivables	**–**	–	**8,151,148**	8,151,148
Excess bond proceeds (used to pay interest/CWIP)	**–**	275,782	**10,679,153**	10,679,153
Principal amounts of notes	**–**	–	**1,750,000**	1,750,000
Cost recovery on off-system sales losses	**303,479**	238,223	**40,681,483**	40,378,004
Estimated future loss on contracts	**–**	–	**10,384,038**	10,384,038
Amortization of deferred revenue	**(839,446)**	(1,282,980)	**(16,864,953)**	(16,025,507)
Utility plant renewals and replacements	**(6,287,639)**	(7,266,018)	**(42,559,014)**	(36,271,375)
Principal amounts of debt service	**(12,931,917)**	(12,806,251)	**(206,997,391)**	(194,065,474)
Amortization of bond premium	**(624,008)**	(603,613)	**(2,332,638)**	(1,708,630)
Major overhaul reserve payments	**(2,131,841)**	(1,558,299)	**(10,599,363)**	(8,467,522)
Accrued personal leave	**43,687**	(4,791)	**295,601**	251,914
Net costs advanced or to be recovered through billings to Members	**$ (10,063,004)**	$ (10,815,042)	**$ (8,968,838)**	$ 1,094,166

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.

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.

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.

4. Utility Plant and Equipment (continued)

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, 2007	$ 199,310,075	$ 64,651,483	$ 1,231,352	$ 3,381,629	$ 268,574,539
Capital additions	**12,980,443**	**37,698**	**234,686**	**6,056,249**	**19,309,076**
Sales, retirements	**–**	**–**	**(200,296)**	**(9,437,878)**	**(9,638,174)**
Balance, March 31, 2008	**$ 212,290,518**	**$ 64,689,181**	**$ 1,265,742**	**$ –**	**$ 278,245,441**
Accumulated depreciation, April 1, 2007	$ (75,026,441)	$ (25,426,281)	$ (739,921)	$ –	$ (101,192,643)
Depreciation expense	**(9,525,167)**	**(2,238,482)**	**(265,891)**	**–**	**(12,029,540)**
Retirements	**–**	**–**	**200,296**	**–**	**200,296**
Accumulated depreciation, March 31, 2008	**$ (84,551,608)**	**$ (27,664,763)**	**$ (805,516)**	**$ –**	**$ (113,021,887)**
Average depreciation rate	**4.6%**	**3.5%**	**21.3%**	**–**	**4.4%**
Balance, April 1, 2006	$ 193,771,254	$ 62,903,172	$ 1,155,450	$ 1,743,132	**$ 259,573,008**
Capital additions	5,538,821	1,748,311	214,849	8,925,628	**16,427,609**
Sales, retirements	–	–	(138,947)	(7,287,131)	**(7,426,078)**
Balance, March 31, 2007	$ 199,310,075	$ 64,651,483	$ 1,231,352	$ 3,381,629	**$ 268,574,539**
Accumulated depreciation, April 1, 2006	$ (66,105,461)	$ (23,252,711)	$ (580,685)	$ –	**$ (89,938,857)**
Depreciation expense	(8,920,980)	(2,173,570)	(298,183)	–	**(11,392,733)**
Retirements	–	–	138,947	–	**138,947**
Accumulated depreciation, March 31, 2007	$ (75,026,441)	$ (25,426,281)	$ (739,921)	$ –	**$ (101,192,643)**
Average depreciation rate	4.5%	3.4%	25.0%	–	4.3%

5. Investments

The fair value of investments at March 31, are as follows:

	2008	2007
Restricted:		
U.S. government securities	**$ 4,768,819**	$ 5,064,501
Utah Public Treasurer's Investment Fund	**32,933,590**	30,724,182
Total	**$ 37,702,409**	$ 35,788,683
Current:		
Bank deposits	**$ 839,872**	$ 4,556,302
Utah Public Treasurer's Investment Fund	**4,316,648**	4,948,086
Total	**$ 5,156,520**	$ 9,504,388

The debt securities at March 31, 2008, by contractual maturity, are due in one year or less. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Bond covenants allow UAMPS to invest in U.S. government securities, obligations of any state including the state treasurer's investment fund, certificates of deposit and banker's acceptances of banks meeting certain minimum requirements and repurchase agreements.

6. Outstanding Checks in Excess of Transfers

Cash consists of deposits with banks. Outstanding checks in excess of transfers consist of outstanding checks and deposits in transit in excess of bank balances of $1,500 and $1,000, at March 31, 2008 and 2007, respectively. Outstanding checks in excess of transfers balances were $200,364 and $818,896 at March 31, 2008 and 2007, respectively. The entire bank account balances are covered by federal depository insurance, which insures bank balances up to $100,000. State statutes do not require such accounts to be collateralized.

7. 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, and the Payson Power Project 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 2008	Principal Outstanding – March 31 2007
Hunter II 1992					
Capital appreciation	$ 24,786,129	5.50%–6.45%	1998–2007	**$ –**	$ 5,895,000
Hunter II 1998					
Serial	6,455,000	4.00%–5.00%	2000–2012	**2,810,000**	3,295,000
Hunter II 2004					
Serial	17,425,000	1.50%–5.00%	2004–2010	**17,350,000**	17,350,000
San Juan 1998					
Serial	15,750,000	4.00%–5.25%	2000–2015	**11,635,000**	12,775,000
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				
Craig-Mona 1993					
Serial	8,315,000	2.80%–5.25%	1994–2009	**1,975,000**	2,890,000
Central-St. George 1997 B					
Serial	2,315,000	3.95%–5.15%	1998–2012	**960,000**	1,125,000
Term	1,840,000	5.38%	2019	**1,840,000**	1,840,000
	4,155,000				

7. Debt (continued)

Series	Original Issue	Interest Rate	Original Maturity Date	Principal Outstanding – March 31 2008	2007
Central-St. George 2000					
Serial	$ 7,025,000	4.40%–5.40%	2001–2019	**$ 5,060,000**	$ 5,365,000
Central-St. George 2003					
Serial	19,945,000	3.00%–4.75%	2003–2019	**15,800,000**	16,815,000
Central-St. George 2006					
BAN	1,250,000	3.85%	2009	**1,250,000**	1,250,000
Payson 2003					
Serial	100,850,000	3.00%–5.25%	2006–2026	**95,005,000**	97,970,000
Payson 2007					
Serial	2,751,000	3.90%–4.49%	2009-2018	**2,751,000**	–
Hurricane-Washington 2007A					
Term	430,000	4.15%	2012	**430,000**	–
Term	533,000	4.40%	2017	**533,000**	–
Term	671,000	4.75%	2022	**671,000**	–
Term	857,000	5.00%	2027	**857,000**	–
	2,491,000				
Hurricane-Washington 2007B					
Term	213,000	4.15%	2012	**213,000**	–
Term	264,000	4.40%	2017	**264,000**	–
Term	332,000	4.75%	2022	**332,000**	–
Term	425,000	5.00%	2027	**425,000**	–
	1,234,000				
				175,026,000	**181,435,000**
Less unamortized bond discount				**–**	**92,109**
Plus unamortized bond premium				**6,352,244**	**6,895,626**
Less current portion (excluding current portion of unamortized bond premium)				**12,938,000**	**12,855,000**
				$168,440,244	**$ 175,353,517**

The Hunter II Project 1992 Series Bonds (totaling $32,011,129) fully matured during this fiscal year.

7. Debt (continued)

The Hunter 1998 Series Bonds (totaling $6,455,000) 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 $17,425,000) are not subject to redemption prior to maturity.

The San Juan 1998 Series Bonds (totaling $30,615,000) 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 Craig-Mona 1993 Series Bonds (totaling $8,315,000) are not subject to redemption prior to maturity.

The Central-St. George 1997B Series Bonds (totaling $4,155,000), maturing after December 1, 2008, 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, 2007, at a redemption price equal to 100%, plus accrued interest to the date of redemption.

The Central-St. George 2000 Series Bonds (totaling $7,025,000), 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 $19,945,000), 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.

The Central-St. George Revenue Bond Anticipation Notes Series 2006, (totaling $1,250,000) at 3.85% interest, mature April 19, 2009 at 3.85% interest.

7. Debt (continued)

The Payson Project Revenue 2003 Series Bonds (totaling $100,850,000), were issued on March 18, 2003 at a premium of $7,417,478, 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.

On November 30, 2007, UAMPS issued the Payson Power Project Special Obligation Revenue Bonds, Series 2007, (totaling $2,751,000) maturing April 19, 2018 at 3.90%-4.49% interest. The bonds 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 bonds were issued to provide financing to certain UAMPS members to fund a debt service requirement and pay costs related to the issuance of the Bonds.

On May 3, 2007, UAMPS issued the Hurricane-Washington Generating Project Revenue Bonds, Series 2007 A & B, (totaling $3,725,000) maturing May 1, 2027 at 4.15%-5.00% interest. The bonds were issued to provide funds for the purchase of three generators for the cities of Hurricane and Washington and pay costs related to the issuance 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.

7. Debt (continued)

The scheduled maturities and related interest, based on scheduled rates for fixed rate bonds and the existing rates at March 31, 2008 for variable rate bonds, of long-term debt are as follows:

Year Ending March 31	Revenue and Refunding Revenue Bonds	Interest	Total Debt Service Requirements
2009	$ 12,938,000	$ 8,189,085	$ 21,127,085
2010	13,802,000	7,472,723	21,274,723
2011	14,646,000	6,794,360	21,440,360
2012	7,686,000	6,354,215	14,040,215
2013	8,061,000	5,968,628	14,029,628
2014–2018	43,189,000	22,650,550	65,839,550
2019–2023	45,447,000	10,612,356	56,059,356
2024–2028	29,257,000	2,323,492	31,580,492
Total	$ 175,026,000	$ 70,365,409	$ 245,391,409

UAMPS recorded interest expense of $8,587,288 and $8,970,185 for the years ended March 31, 2008 and 2007, respectively.

7. Debt (continued)

The table below shows the changes in net long-term debt balances that occurred during the years ended March 31, 2008 and 2007.

	March 31, 2007	Additions	Reductions	March 31, 2008	Amount Due Within One Year
Hunter II 1992	$ 5,895,000	$ –	$ 5,895,000	**$ –**	**$ –**
Hunter II 1998	3,295,000	–	485,000	**2,810,000**	**505,000**
Hunter II 2004	17,350,000	–	–	**17,350,000**	**5,510,000**
San Juan 1998–Serial	12,775,000	–	1,140,000	**11,635,000**	**1,205,000**
San Juan 1998–Term	5,740,000	–	–	**5,740,000**	**–**
San Juan 1998–Term	9,125,000	–	–	**9,125,000**	**–**
Craig Mona 1993	2,890,000	–	915,000	**1,975,000**	**965,000**
Central-St. George 1997B–Serial	1,125,000	–	165,000	**960,000**	**175,000**
Central-St. George 1997B–Term	1,840,000	–	–	**1,840,000**	**–**
Central-St. George 2000	5,365,000	–	305,000	**5,060,000**	**320,000**
Central-St. George 2003	16,815,000	–	1,015,000	**15,800,000**	**1,055,000**
Central-St. George 2006	1,250,000	–	–	**1,250,000**	**–**
Payson 2003	97,970,000	–	2,965,000	**95,005,000**	**3,085,000**
Payson 2007	–	2,751,000	–	**2,751,000**	–
Hurricane-Washington – 2007A	–	2,491,000	–	**2,491,000**	**79,000**
Hurricane-Washington – 2007B	–	1,234,000	–	**1,234,000**	**39,000**
	181,435,000	6,476,000	12,885,000	**175,026,000**	**12,938,000**
Less unamortized discount	92,109	–	92,109	–	**–**
Plus unamortized premium	7,519,634	–	624,008	**6,895,626**	**543,382**
	$ 188,862,525	$ 6,476,000	$ 13,416,899	**$ 181,921,626**	**$ 13,481,382**

8. Notes Payable

In August 2001, UAMPS obtained a $3.0 million revolving line of credit at a rate of 75% of the financial institution’s prime lending rate for cash flow purposes. As of March 31, 2006, UAMPS had obtained a revolving line of credit totaling $11.0 million at a variable rate in relation to LIBOR. 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 $15.3 million and $14.0 million at March 31, 2008 and 2007, respectively. The additional revolving lines of credit were obtained to assist UAMPS with working capital requirements.

9. Commitments and Contingencies

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

Fiscal Year:	
2009	$ 295,232
2010	302,456
2011	231,358
	$ 829,046

Rent expense for the years ended March 31, 2008 and 2007 was $305,731 and $297,039, respectively.

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.

10. Take or Pay Contracts

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:

Year	Tons	Total Commitment at the March 31, 2008 Price per Ton	UAMPS' Estimated Portion of the Commitment
2009	5,600,000	$ 284,704,000	$ 6,174,000
2010	5,600,000	284,704,000	6,174,000
2011	5,600,000	284,704,000	6,174,000
2012	5,600,000	284,704,000	6,174,000
2013	5,600,000	284,704,000	6,174,000

10. Take or Pay Contracts (continued)

During fiscal years 2008 and 2007, UAMPS incurred minimum coal costs of $4,914,460 and $5,448,374, respectively, and incremental coal costs of $(358,866) and $186,696, 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.

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 $2,140,000 and $1,960,000 in 2008 and 2007, respectively. Contributions, which are approximately 25% of total payroll, totaled approximately $535,000 and $490,000 in 2008 and 2007, 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 May 15, 2008, UAMPS issued the San Juan Project Revenue Bonds, Series 2008A, (totaling $2,345,000) maturing June 1, 2022 at 3.50%-4.50% interest. The bonds were issued to provide funds for the project costs and plant upgrades.

On July 1, 2008, UAMPS issued the Santa Clara-Washington Generating Project Revenue Bonds, Series 2008, (totaling $2,698,000) maturing July 1, 2028 at 5.16% 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.

Supplemental Schedules

Utah Associated Municipal Power Systems

Schedules of Changes in Funds Required by the Revenue Bond Resolutions

Year Ended March 31, 2008

				Debt Service Fund			
	Revenue Fund	Operations and Maintenance Fund	Construction Fund	Debt Service Account	Debt Service Reserve Account	Reserve and Contingency Fund	Total
Balance at March 31, 2006	$ 3,542,164	$ (214,886)	$ 1,859,242	$ 12,709,967	$ 10,305,499	$ 9,751,050	$ 37,953,036
Additions:							
Investment earnings receipts	180,819	–	88,508	387,127	461,760	489,190	1,607,404
Debt proceeds	3,036,748	–	1,250,000	–	–	–	4,286,748
Power sales receipts	160,090,552	–	–	–	–	–	160,090,552
Transfers (to) from other funds	(157,345,895)	133,510,485	(465,942)	21,571,739	(488,134)	3,217,747	–
	5,962,224	133,510,485	872,566	21,958,866	(26,374)	3,706,937	165,984,704
Deductions:							
Purchase of capital additions	–	5,298,572	2,254,239	–	–	1,587,667	9,140,478
Payments on debt	–	–	–	12,625,000	–	–	12,625,000
Interest payments	–	353,913	–	8,821,128	–	–	9,175,041
Cost of issuance	–	–	57,437	–	–	–	57,437
Distribution	–	1,330,994	–	–	–	–	1,330,994
Operating expenses	–	127,131,016	–	3,599	–	–	127,134,615
	–	134,114,495	2,311,676	21,449,727	–	1,587,667	159,463,565
Balance at March 31, 2007	9,504,388	(818,896)	420,132	13,219,106	10,279,125	11,870,320	44,474,175
Additions:							
Investment earnings receipts	**182,686**	**–**	**5,769**	**356,932**	**503,197**	**641,348**	**1,689,932**
Debt proceeds	**1,300,000**	**–**	**6,303,832**	**–**	**172,168**	**–**	**7,776,000**
Power sales receipts	**177,764,308**	**–**	**–**	**–**	**–**	**–**	**177,764,308**
Transfers from irrevocable trust	**–**	**–**	**–**	**391,775**	**–**	**–**	**391,775**
Transfers (to) from other funds	**(183,594,862)**	**155,996,272**	**(2,535,610)**	**21,328,863**	**(858,642)**	**9,663,979**	**–**
	(4,347,868)	**155,996,272**	**3,773,991**	**22,077,570**	**(183,277)**	**10,305,327**	**187,622,015**
Deductions:							
Purchase of capital additions	**–**	**(1,652,986)**	**3,943,729**	**–**	**–**	**7,580,455**	**9,871,198**
Payments on debt	**–**	**–**	**–**	**12,885,000**	**–**	**–**	**12,885,000**
Interest payments	**–**	**464,280**	**–**	**8,668,975**	**–**	**–**	**9,133,255**
Cost of issuance	**–**	**–**	**250,360**	**–**	**–**	**–**	**250,360**
Distribution	**–**	**3,099,643**	**–**	**–**	**–**	**–**	**3,099,643**
Operating expenses	**–**	**153,466,803**	**–**	**6,751**	**–**	**724,615**	**154,198,169**
	–	**155,377,740**	**4,194,089**	**21,560,726**	**–**	**8,305,070**	**189,437,625**
Balance at March 31, 2008	**$ 5,156,520**	**$ (200,364)**	**$ 34**	**$ 13,735,950**	**$ 10,095,848**	**$ 13,870,577**	**$ 42,658,565**

Utah Associated Municipal Power Systems

Schedules of Project Financial Statements

Balance Sheet

March 31, 2008

	CRSP	Hunter II	San Juan Unit 4	IPP	Firm Power	Craig-Mona	Central-St. George	UAMPS Pool	Payson	IPP #3	Resource	Government and Public Affairs	Member Services	Total
Assets														
Current assets:														
Receivables	$ 1,670,072	$ 2,808,535	$ 1,517,562	$ 6,790,510	$ 358,525	$ 225,557	$ 481,716	$ 4,581,438	$ 5,986,161	$ 314,722	$ 12,891	$ 66,845	$ 25,207	$ 24,839,741
Prepaid expenses and deposits	–	873,999	1,501,903	–	–	6,605	–	–	1,183,400	–	–	–	–	3,565,907
Investments	243,427	425,113	288,411	687,110	458,367	40,993	60,626	2,396,109	432,111	109,748	2,045	9,607	2,853	5,156,520
	1,913,499	4,107,647	3,307,876	7,477,620	816,892	273,155	542,342	6,977,547	7,601,672	424,470	14,936	76,452	28,060	33,562,168
Restricted assets:														
Investments	–	14,013,863	1,462,008	–	–	1,431,074	1,876,804	–	18,727,738	–	–	–	190,922	37,702,409
Interest receivable	–	39	–	–	–	–	–	(426)	3,154	–	–	–	–	2,767
	–	14,013,902	1,462,008	–	–	1,431,074	1,876,804	(426)	18,730,892	–	–	–	190,922	37,705,176
Utility plant and equipment:														
Generation	–	60,019,512	53,682,029	–	–	–	–	–	94,509,037	–	–	–	4,079,940	212,290,518
Transmission	–	–	–	–	–	17,492,388	36,675,056	–	10,521,737	–	–	–	–	64,689,181
Furniture and equipment	110,765	120,302	98,320	64,613	99,473	61,384	79,170	55,863	202,570	148,827	55,766	150,382	18,307	1,265,742
	110,765	60,139,814	53,780,349	64,613	99,473	17,553,772	36,754,226	55,863	105,233,344	148,827	55,766	150,382	4,098,247	278,245,441
Less accumulated depreciation	(69,108)	(44,379,587)	(21,961,227)	(37,300)	(74,565)	(10,432,823)	(16,943,121)	(74,695)	(18,240,354)	(70,673)	(52,263)	(100,892)	(585,279)	(113,021,887)
	41,657	15,760,227	31,819,122	27,313	24,908	7,120,949	19,811,105	(18,832)	86,992,990	78,154	3,503	49,490	3,512,968	165,223,554
Construction work-in-progress														–
	41,657	15,760,227	31,819,122	27,313	24,908	7,120,949	19,811,105	(18,832)	86,992,990	78,154	3,503	49,490	3,512,968	165,223,554
Other assets:														
Unamortized bond issuance costs	–	1,574,976	527,251	–	–	238,493	828,446	–	2,767,987	–	–	–	144,700	6,081,853
Accumulated amortization of bond issuance costs	–	(1,361,777)	(213,722)	–	–	(213,907)	(302,076)	–	(585,942)	–	–	–	(6,470)	(2,683,894)
Net bond issuance costs	–	213,199	313,529	–	–	24,586	526,370	–	2,182,045	–	–	–	138,230	3,397,959
Total assets	$ 1,955,156	$ 34,094,975	$ 36,902,535	$ 7,504,933	$ 841,800	$ 8,849,764	$ 22,756,621	$ 6,958,289	$ 115,507,599	$ 502,624	$ 18,439	$ 125,942	$ 3,870,180	$ 239,888,857

Utah Associated Municipal Power Systems

Schedules of Project Financial Statements (continued)

Balance Sheet (continued)

	CRSP	Hunter II	San Juan Unit 4	IPP	Firm Power	Craig-Mona	Central-St. George	UAMPS Pool	Payson	IPP #3	Resource	Government and Public Affairs	Member Services	Total
Membership capital and liabilities														
Current liabilities:														
Outstanding checks in excess of transfers	$ (817,798)	$ (5,013,165)	$ (379,657)	$ (1,792,867)	$ (3,002,973)	$ 32,339	$ 1,403,721	$ 10,390,526	$ 1,319,643	$ (969,608)	$ (514,325)	$ (340,735)	$ (114,737)	$ 200,364
Accounts payable	1,273,410	87,859	1,589,319	257,733	392,103	(404,180)	47,556	3,536,958	4,463,241	295,479	324	44,885	6,694	11,591,381
Accrued liabilities	52,051	111,511	893,751	4,372,951	32,094	52,333	42,443	130,435	118,783	177,233	1,072	87,977	–	6,072,634
Members' advance billings	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Notes payable	1,277,434	2,230,855	1,513,487	3,605,730	2,405,359	215,117	318,145	814,260	2,267,577	575,921	10,731	50,412	14,972	15,300,000
Current portion of deferred revenue	–	20,801	350,409	–	–	530,326	116,445	44,196	67,152	–	–	–	–	1,129,329
	1,785,097	(2,562,139)	3,967,309	6,443,547	(173,417)	425,935	1,928,310	14,916,375	8,236,396	79,025	(502,198)	(157,461)	(93,071)	34,293,708
Liabilities payable from restricted assets:														
Accrued interest payable	2,429	256,242	451,790	6,857	4,574	34,811	402,879	1,548	2,445,546	1,095	20	96	72,319	3,680,206
Current portion of long-term debt	–	6,323,096	1,205,000	–	–	965,000	1,550,000	–	3,320,286	–	–	–	118,000	13,481,382
	2,429	6,579,338	1,656,790	6,857	4,574	999,811	1,952,879	1,548	5,765,832	1,095	20	96	190,319	17,161,588
Long-term debt:														
Bonds payable, less current portion	–	14,145,000	25,295,000	–	–	1,010,000	23,360,000	–	94,671,000	–	–	–	3,607,000	162,088,000
Less: unamortized bond discount	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Plus: unamortized bond premium	–	213,665	–	–	–	–	–	–	6,138,579	–	–	–	–	6,352,244
	–	14,358,665	25,295,000	–	–	1,010,000	23,360,000	–	100,809,579	–	–	–	3,607,000	168,440,244
Deferred revenue, less current portion	–	268,676	9,458,833	–	–	9,015,537	2,800,269	–	2,073,329	–	–	–	–	23,616,644
Accumulated amortization of deferred revenue	–	(201,075)	(4,845,113)	–	–	(9,413,286)	(1,565,093)	–	(119,774)	–	–	–	–	(16,144,341) –
Net deferred revenue	–	67,601	4,613,720	–	–	(397,749)	1,235,176	–	1,953,555	–	–	–	–	7,472,303
Net costs advanced or to be recovered through billings to Members	4,177	12,883,789	768,517	6,635	(15,256)	6,935,472	(5,536,811)	(6,442,252)	278,047	85,054	1,040	4,548	(4,122)	8,968,838
Net assets	163,453	2,767,721	601,199	1,047,894	1,025,899	(123,705)	(182,933)	(1,517,382)	(1,535,813)	337,450	519,577	278,759	170,057	3,552,176
	$ 1,955,156	$ 34,094,975	$ 36,902,535	$ 7,504,933	$ 841,800	$ 8,849,764	$ 22,756,621	$ 6,958,289	$ 115,507,596	$ 502,624	$ 18,439	$ 125,942	$ 3,870,183	$ 239,888,857

Utah Associated Municipal Power Systems

Schedules of Project Financial Statements (continued)

Statement of Revenues and Expenses

Year Ended March 31, 2008

	CRSP	Hunter II	San Juan Unit 4	IPP	Firm Power	Craig-Mona	Central-St. George	UAMPS Pool	Payson	IPP #3	Resource	Government and Public Affairs	Member Services	Total
Operating revenues:														
Power sales to Members	$ 11,838,843	$ 20,729,190	$ 13,542,635	$ 37,180,787	$ 21,422,237	$ 2,080,032	$ 3,078,993	$ 24,317,175	$ 45,503,562	$ 1,860,478	$ 49	$ 472,570	$ 385,919	$ 182,412,470
Other	4,085	4,278	1,323	5,875	4,012	59	167	12,264	2,053	406	99,752	202	–	134,476
	11,842,928	20,733,468	13,543,958	37,186,662	21,426,249	2,080,091	3,079,160	24,329,439	45,505,615	1,860,884	99,801	472,772	385,919	182,546,946
Operating expenses:														
Cost of power	11,328,382	8,997,049	8,647,810	35,598,309	20,788,237	290,648	124,718	23,683,578	34,333,619	224,433	–	28,368	120,425	144,165,576
In lieu of ad valorem taxes	–	227,375	199,979	356,606	–	73,106	–	–	–	–	–	–	–	857,066
Depreciation	21,407	2,608,685	1,995,902	15,307	21,952	606,554	1,664,461	6,006	4,920,848	37,062	7,667	33,817	89,872	12,029,540
General and administrative	416,284	415,510	319,025	520,625	383,521	129,499	276,688	997,689	1,006,675	1,540,526	76,558	394,494	5,432	6,482,526
	11,766,073	12,248,619	11,162,716	36,490,847	21,193,710	1,099,807	2,065,867	24,687,273	40,261,142	1,802,021	84,225	456,679	215,729	163,534,708
Operating income	76,855	8,484,849	2,381,242	695,815	232,539	980,284	1,013,293	(357,834)	5,244,473	58,863	15,576	16,093	170,190	19,012,238
Nonoperating revenues (expenses):														
Interest income														–
Interest expense	–	475,665	140,236	15,930	–	76,928	100,410	167,294	709,582	–	–	–	6,654	1,692,699
Amortization of bond issuance	(38,417)	(774,206)	(1,401,754)	(108,437)	(72,337)	(141,089)	(1,161,934)	(24,488)	(4,686,945)	(17,320)	(323)	(1,516)	(158,522)	(8,587,288)
costs	–	(58,253)	(22,131)	–	–	(14,752)	(62,473)	–	(118,952)	–	–	–	(6,471)	(283,032)
	(38,417)	(356,794)	(1,283,649)	(92,507)	(72,337)	(78,913)	(1,123,997)	142,806	(4,096,315)	(17,320)	(323)	(1,516)	(158,339)	(7,177,621)
Excess of revenues over expenses before net costs to be recovered from future billings to Members	38,438	8,128,055	1,097,593	603,308	160,202	901,371	(110,704)	(215,028)	1,148,158	41,543	15,253	14,577	11,851	11,834,617
Increase (decrease) in net costs to be recovered from future billings to Members	8,688	(7,695,895)	(1,020,145)	6,098	12,192	(848,494)	53,217	309,448	(876,365)	(16,834)	7,341	7,063	(9,318)	(10,063,004)
Excess of revenues over expenses	$ 47,126	$ 432,160	$ 77,448	$ 609,406	$ 172,394	$ 52,877	$ (57,487)	$ 94,420	$ 271,793	$ 24,709	$ 22,594	$ 21,640	$ 2,533	$ 1,771,613

Other Reports

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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, 2008, and have issued our report thereon dated July 9, 2008. 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, 2008.

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.

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, 2008.

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

Ernst & Young LLP

July 9, 2008

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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, 2008, and have issued our report thereon dated July 9, 2008. 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 Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

July 9, 2008