Financial Statements and Supplemental Schedules

Utah Associated Municipal Power Systems
Years Ended March 31, 2005 and 2004

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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, 2005 and 2004.

Description of Business

UAMPS is a political subdivision of the state of Utah (the State). Its 48 members (the Members) include public power utilities in Utah, Arizona, California, Idaho, 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.

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, 2005 and 2004 of $1.6 million and $3.6 million, respectively. A portion of the 2005 excess of revenues over expenses could be refunded to the Members in early fiscal year 2006, depending on the Members' elections. A portion of the 2004 excess of revenues over expenses was refunded to Members in fiscal year 2005. The balance of the excess will be utilized to service the Market Stabilization Cost Recovery Charge (CRC) obligations in accordance with the Board's policy established in December 2001.

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.

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, 2005 and 2004 were $33.3 and $47.8 million, respectively. The $14.5 million decrease between March 31, 2004 and 2005 and the $55.5 million decrease between March 31, 2004 and 2003 resulted primarily from the use of bond proceeds to construct the Payson Power Project (the Payson Project).

The components of cash and investments at March 31 consisted of the following:

	2005	2004
Category 1	21.0%	18.0%
Utah Public Treasurer's Investment Fund	79.0	82.0
	100.0%	100.0%

At March 31, 2005 and 2004, accounts receivable totaled $16.6 million and $18.1 million, respectively. The decrease of $1.5 million between March 31, 2005 and 2004 and the $3.7 million decrease between March 31, 2004 and 2003 were due to normal timing fluctuations for cash receipts.

The table below summarizes UAMPS' total assets and total liabilities at March 31:

	2005	2004
	(In Thousands)	
Total current assets	$ 27,467	$ 26,684
Total long-term assets	241,212	271,774
Total assets	$ 268,679	$ 298,458
Total current liabilities	$ 28,099	$ 26,064
Total long-term liabilities	238,102	267,062
Total liabilities	266,201	293,126
Net assets:		
Invested in plant, net of debt	(24,186)	(57,689)
Restricted net assets	6,828	20,256
Unrestricted net assets	19,836	42,765
	2,478	5,332
Total liabilities and net assets	$ 268,679	$ 298,458

Financial Analysis of Operations

Operating revenue from power sales for the years ended March 31, 2005 and 2004 was $148.0 million and $150.9 million, respectively. The March 31, 2005 amount represents a decrease of $2.9 million from 2004. The decrease was primarily due to increases in billings to members for collection of debt service for the Payson project of $8.5 million, offset by reductions of billings to members for fixed cost revenue and production revenue of $11.9 million. Additionally, transmission revenue increased by $0.5 million as a result of a new contractual arrangement related to the Craig Mona project. Operating revenue decreased $5.5 million between March 31, 2003 and 2004 primarily due to reductions in off-system sales of $21.0 million, offset by increased operating revenues from the Members of $15.5 million.

Interest income for 2005 and 2004 was $732,000 and $260,000, respectively. The increase relates primarily to the Payson project, which was completed and placed in service in June 2004. As a result, the interest from the date of commercial operation forward was no longer capitalized, but was recognized on the income statement.

The table below summarizes UAMPS' total revenues and expenses for fiscal years 2005 and 2004.

	Year Ended March 31 2005	2004
	(In Thousands)	
Revenues:		
Power sales	$ 147,982	$ 150,910
Interest income	732	260
Other income	1,345	2,073
	150,059	153,243
Expenses:		
Cost of power	98,519	114,301
Other expenses	26,955	22,271
	125,474	136,572
Excess of revenues over expenses before net costs to be recovered from future billings to Members	24,585	16,671
Decrease in net costs to be recovered from future billings to Members	(22,945)	(13,025)
Excess of revenues over expenses	1,640	3,646
Net assets at beginning of year	5,332	3,717
Distributions	(4,494)	(2,031)
Net assets at end of year	$ 2,478	$ 5,332

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 increased from $239,000 in 2004 to $281,000 in 2005 primarily due to timing of the transfer from the revolving line of credit. At March 31, 2005 and 2004, the balance on the revolving line of credit (used for cash management) was $1,038,882 and $0, respectively, of the $3.0 million available.

In October 2004, UAMPS obtained an $8.0 million revolving line of credit at a variable rate in relation to LIBOR. In January 2005, UAMPS obtained an additional $3.0 million revolving line of credit from the same financial institution upon substantially the same terms and conditions as those contained in the initial $8.0 million revolving line of credit. The outstanding balance on the combined $11.0 million available revolving line of credit was $3.2 million at March 31, 2005.

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 fiscal year 2003, UAMPS committed to construct the Payson Project. The Payson Project is a 143 megawatt combined-cycle natural-gas-fired generating, transmission and natural gas delivery facility in central Utah. UAMPS issued $101.0 million Payson Power Project series 2003 revenue bonds in March 2003 to partially fund the commitment. To date, $113.1 million has been expended of the $114.1 million obligated. The project was completed and placed in service in June 2004.

UAMPS issued revenue refunding bonds in January 2004 to refund $18.4 million of its series 1994 Hunter Project Revenue Refunding Bonds callable on July 1, 2004.

Economic Factors

Due to drought and lower hydrological conditions, the amount of energy from Western Area Power Administration (WAPA) has been reduced by approximately 20% in the current year. In addition, UAMPS' contract rate of delivery from WAPA decreased 7% in October 2004 due to a reallocation process for new customers of WAPA. UAMPS has sufficient other resources to compensate for this reduced output, although at a different incremental rate than the current WAPA rate.

Pursuant to a unanimous decision by the UAMPS Board in fiscal year 2002, an innovative finance plan labeled the CRC was implemented. The success of the CRC continued in 2005, allowing UAMPS to return the Power Pool to market-based pricing by funding the cost of restructured energy contracts from fiscal year 2002 through the CRC. The CRC will fully recover the market impacts of fiscal year 2002 not covered in current energy rates by February 2007.

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.

Western Electric Energy Markets

The energy markets in the western United States have calmed from the dysfunctional condition they were in during the 2000-2001 period when energy prices increased from between $20-$50/megawatt hour (MWh) to regularly exceeding $300/MWh. A series of orders by the Federal Energy Regulatory Commission (FERC), including a West-wide power mitigation program, which imposed bid caps and numerous regulatory actions in California, have helped to stabilize the power markets since 2002. Price volatility remains, however, and the power supply liquidity in the market has disappeared as the number of active participants has dwindled. During fiscal year 2005, the market price for energy was slightly higher than during fiscal year 2004 as a result of normal market price fluctuations.

Since the electric energy market disruption of 2000-2001, interest in electric utility restructuring has waned. The states that allowed customer choice had higher electricity prices and shorter supplies than those that elected not to restructure the electric utilities due to market control by energy providers. Thus, the utility restructuring had the opposite effect restructuring was expected to accomplish. Therefore, it is unlikely Utah will consider electric restructuring in the foreseeable future.

Credit erosion impacting numerous electric industry participants, potential implementation of the FERC's standard market design and continued load growth are factors that create less certainty about market stability. To protect its Members from this market volatility, UAMPS has acquired sufficient resources to meet the Members' projected needs for the near term through its production facilities and fixed price power purchase contracts. The produced and purchased power is committed to the Members that have obligated themselves to the purchase of this power. Commencing in June 2004, the 143 MW Payson Project became operational, supplying power to assist in meeting the Members' needs.

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.

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Report of Independent Auditors

The Board of Directors
Utah Associated Municipal Power Systems

We have audited the accompanying balance sheets of Utah Associated Municipal Power Systems as of March 31, 2005 and 2004 and the related statements of revenues and expenses, 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 respective financial position of Utah Associated Municipal Power Systems as of March 31, 2005 and 2004, and the respective changes in financial position and cash flows, where applicable, thereof 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 June 24, 2005 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 audits.

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 audits were conducted for the purpose of forming opinions 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

June 24, 2005

Utah Associated Municipal Power Systems

Balance Sheets

	March 31	
	2005	2004
Assets		
Current assets:		
Receivables	$ 16,575,949	$ 18,064,474
Prepaid expenses and deposits	7,712,284	4,262,820
Investments	3,178,238	4,357,116
	27,466,471	26,684,410
Restricted assets:		
Interest receivable	–	187,480
Investments	30,102,208	43,434,086
	30,102,208	43,621,566
Utility plant and equipment:		
Generation	190,504,620	98,877,430
Transmission	60,970,642	51,259,530
Furniture and equipment	969,813	991,604
	252,445,075	151,128,564
Less accumulated depreciation	(79,169,276)	(71,733,293)
	173,275,799	79,395,271
Construction work-in-progress	150,000	87,665,427
	173,425,799	167,060,698
Other assets:		
Unamortized bond issuance costs (net of accumulated amortization of $2,005,000 in 2005 and $2,351,000 in 2004)	4,064,988	4,526,668
Net costs to be recovered from future billings to Members	33,619,244	56,564,457
	37,684,232	61,091,125
Total assets	$ 268,678,710	$ 298,457,799

	March 31	
	2005	2004
Liabilities and net assets		
Current liabilities:		
Outstanding checks in excess of transfers	$ 280,820	$ 238,812
Accounts payable	14,848,970	18,678,861
Accrued liabilities	6,498,318	3,424,947
Members' advance billings	657,496	2,157,263
Notes payable	4,238,882	–
Current portion of deferred revenue	1,574,275	1,563,801
	28,098,761	26,063,684
Liabilities payable from restricted assets:		
Accrued interest payable	3,791,830	3,883,337
Current portion of long-term debt	16,307,893	20,232,187
	20,099,723	24,115,524
Long-term debt:		
Bonds payable, less current portion	197,467,415	223,728,714
Unamortized bond discount	(1,324,537)	(2,418,566)
Unamortized bond premium	8,708,224	7,216,106
	204,851,102	228,526,254
Deferred revenue, less current portion	13,150,853	14,420,217
Net assets:		
Invested in plant, net of debt	(24,185,619)	(57,688,486)
Restricted net assets	6,827,789	20,255,640
Unrestricted net assets	19,836,101	42,764,966
	2,478,271	5,332,120
Total liabilities and net assets	$ 268,678,710	$ 298,457,799

See accompanying notes.

Utah Associated Municipal Power Systems

Statements of Revenues and Expenses

	Years Ended March 31 2005	2004
Operating revenues:		
Power sales	$ 147,982,089	$ 150,910,402
Other	1,345,234	2,072,652
	149,327,323	152,983,054
Operating expenses:		
Cost of power	98,519,211	114,300,940
In lieu of ad valorem taxes	554,124	607,569
Depreciation	9,531,498	6,027,986
General and administrative	6,065,013	6,918,341
	114,669,846	127,854,836
Operating income	34,657,477	25,128,218
Nonoperating revenues (expenses):		
Interest income	732,009	260,269
Interest expense	(10,421,687)	(8,293,885)
Amortization of bond issuance costs	(382,973)	(422,809)
	(10,072,651)	(8,456,425)
Excess of revenues over expenses before net costs to be recovered from future billings to Members	24,584,826	16,671,793
Decrease in net costs to be recovered from future to Members	(22,945,213)	(13,025,209)
Excess of revenues over expenses	$ 1,639,613	$ 3,646,584

See accompanying notes.

Utah Associated Municipal Power Systems

Statements of Changes in Net Assets

	Net Assets
Balance as of April 1, 2003	$ 3,716,625
Distribution	(2,031,089)
Excess of revenues over expenses	3,646,584
Balance as of March 31, 2004	5,332,120
Distribution	(4,493,462)
Excess of revenues over expenses	1,639,613
Balance as of March 31, 2005	$ 2,478,271

See accompanying notes.

Utah Associated Municipal Power Systems

Statements of Cash Flows

	Years Ended March 31	
	2005	2004
Operating activities		
Cash received from customers	$ 152,064,412	$ 155,475,504
Cash payments to suppliers for good and services	(106,420,407)	(116,035,285)
Cash payments to employees for services	(2,369,802)	(2,106,533)
Cash payments for ad valorem taxes	(554,124)	(595,468)
Net cash provided by operating activities	42,720,079	36,738,218
Capital and related financing activities		
Additions to utility plant and equipment	(16,991,411)	(65,227,376)
Proceeds from sale of asset	1,285,000	–
Proceeds from issuance of long-term debt	19,478,631	19,945,000
Payments for bond refunding	(18,355,000)	(18,830,000)
Principal payments on refunding revenue bonds	(10,232,889)	(10,710,161)
Interest payments on refunding revenue bonds	(8,758,664)	(2,735,202)
Bond issuance costs	(347,505)	(446,702)
Deferred revenue	–	(566,982)
Distribution	(4,493,462)	(2,031,089)
Net cash used in capital and related financing activities	(38,415,300)	(80,602,512)
Noncapital and related financing activities		
Proceeds from issuance of fixed line of credit	–	39,428,361
Payments for variable lines of credit refunding	(19,022,704)	(49,664,884)
Interest payments on special notes	(754,328)	(1,210,566)
Net cash used in noncapital and related financing activities	(19,777,032)	(11,447,089)
Investing activities		
Decrease (increase) in investments	1,178,878	(3,315,810)
Restricted assets:		
Net decrease in investments	13,331,878	58,868,281
Interest income received	919,489	72,789
Net cash provided by investing activities	15,430,245	55,625,260
Increase (decrease) in cash	(42,008)	313,877
Outstanding checks in excess of transfers at beginning of year	(238,812)	(552,689)
Outstanding checks in excess of transfers at end of year	$ (280,820)	$ (238,812)

Utah Associated Municipal Power Systems

Statements of Cash Flows (continued)

	Years Ended March 31 2005	2004
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 34,657,477	$ 25,128,218
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	9,531,498	6,027,986
Amortization of deferred revenue	(1,258,890)	(1,248,416)
Gain on sale of asset	(231,662)	–
Decrease in current receivables	1,488,525	3,740,867
Increase in prepaid expenses and deposits	(3,449,464)	(1,540,263)
Decrease in Members' advance billings	(1,499,767)	–
Increase (decrease) in notes payable	4,238,882	(942,366)
Increase (decrease) in accounts payable	(3,829,891)	3,885,575
Increase in accrued liabilities	3,073,371	1,686,617
Net cash provided by operating activities	$ 42,720,079	$ 36,738,218

See accompanying notes.

Utah Associated Municipal Power Systems

Notes to Financial Statements

March 31, 2005

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, three public utility districts, three water conservancy districts, one co-op and one non profit corporation (the Members). The Members are located in Utah, 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)

Investments

All investments, except for the Utah Public Treasurer's Investment Fund, are recorded at fair value. Investments' estimated fair values are obtained from the last reported sales price on the last business day of the year using market quotes from independent pricing agencies. The Utah Public Treasurer's Investment Fund is a "2a-7-like" pool and is recorded at amortized cost.

Receivables

Receivables consist primarily of current power billings to Members.

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 using the respective effective-interest rates over the terms of the bonds.

1. Summary of Significant Accounting Policies (continued)

Net Costs to Be Recovered from Future 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 accounting principles generally accepted in the United States (GAAP), which are not currently billable as "power costs," are deferred and classified as other assets in the accompanying balance sheets until those future periods in which they will become "power costs" and be recovered through billings to Members.

Income Taxes

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

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 Transmission Project, the Payson Power 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.

1. Summary of Significant Accounting Policies (continued)

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.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

1. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In June 2001, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 143, *Accounting for Asset Retirement Obligations.* This Statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made and that the associated asset retirement costs be capitalized as part of the carrying amount of the long-lived asset. The Statement is effective for financial statements issued for fiscal years beginning after June 15, 2002.

UAMPS adopted the provisions of SFAS No. 143 on April 1, 2003. The adoption of this standard did not have a material impact on UAMPS' financial position or results of operations.

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 2000 and 2003 Series Bonds have been paid.

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

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 1994, 1998 and 2003 Series Bonds have been paid.

UAMPS has contracted with 16 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 Series Bonds have been paid. The project was completed in June 2004.

The Contracts cannot be terminated nor 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 to Be Recovered from Future Billings to Members

Net costs to be recovered from future billings to Members for the years ended March 31, 2005 and 2004 and the accumulated totals as of March 31, 2005 and 2004, consisted of the following:

	For the Years Ended		Accumulated Totals as of	
	2005	2004	2005	2004
Items in accordance with GAAP not currently billable to Members				
Depreciation, accretion and amortization of bond issuance costs	$ 11,008,501	$ 7,831,053	$ 121,794,456	$ 110,785,955
Refunding charge on refunding/defeasance of revenue bonds	1,024,431	1,495,781	40,040,626	39,016,195
Principal collected from certain receivables	–	–	8,151,148	8,151,148
Excess bond proceeds	–	–	10,342,221	10,342,221
Principal amounts of notes	–	408,667	1,750,000	1,750,000
Cost recovery on off-system sales losses	(62,478)	2,305,800	41,279,824	41,342,302
Estimated future loss on contracts	384,038	–	10,384,038	10,000,000
Amortization of deferred revenue	(1,258,890)	(1,248,416)	(13,472,165)	(12,213,275)
Utility plant renewals and replacements	(1,364,152	(1,555,543)	(23,712,161)	(22,348,009)
Principal amounts of debt service	(29,234,164)	(20,834,280)	(157,454,743)	(128,220,579)
Amortization of bond premium	(520,040)	–	(520,040)	–
Debt reserve payments	(2,897,876)	(1,668,212)	(5,179,318)	(2,281,442)
Accrued personal leave	(24,583)	239,941	215,358	239,941
Net costs to be recovered from future billings to Members	$ (22,945,213)	$ (13,025,209)	$ 33,619,244	$ 56,564,457

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.

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. The 11 MW diesel fuel generators were sold for $1,285,000.

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 project began in 2002 and was completed in June 2004 at a total estimated cost of approximately $114.1 million. On March 31, 2005, the construction work-in-progress balance is $150,000. UAMPS' contractual commitments for future construction costs relating to the remaining Payson Project facilities amounted to approximately $716,000 at March 31, 2005.

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, 2004	$ 98,877,430	$ 51,259,530	$ 991,604	$ 87,665,427	$ 238,793,991
Capital additions	91,627,190	12,520,018	318,158	13,707,422	118,172,787
Sales, retirements	–	(2,808,905)	(339,949)	(101,222,849)	(104,371,703)
Balance, March 31, 2005	$ 190,504,620	$ 60,970,642	$ 969,813	$ 150,000	$ 252,595,075
Accumulated depreciation, April 1, 2004	$ (50,365,528)	$ (20,742,445)	$ (625,320)	n/a	$ (71,733,293)
Depreciation expense	(7,127,238)	(2,218,777)	(185,483)	n/a	(9,531,498)
Retirements	–	1,755,566	339,949	n/a	2,095,515
Accumulated depreciation, March 31, 2005	$ (57,492,766)	$ (21,205,656)	$ (470,854)	n/a	$ (79,169,276)
Average depreciation rate	4.9%	4.0%	18.9%	n/a	3.9%
Balance, April 1, 2003	$ 97,579,096	$ 49,824,589	$ 891,381	$ 25,564,728	$ 173,859,794
Capital additions	1,298,334	1,434,941	205,443	62,309,475	65,248,193
Sales, retirements	–	–	(105,220)	(208,776)	(313,996)
Balance, March 31, 2004	$ 98,877,430	$ 51,259,530	$ 991,604	$ 87,665,427	$ 238,793,991
Accumulated depreciation, April 1, 2003	$ (46,606,350)	$ (18,652,883)	$ (551,294)	n/a	$ (65,810,527)
Depreciation expense	(3,759,178)	(2,089,562)	(179,246)	n/a	(6,027,986)
Retirements	–	–	105,220	n/a	105,220
Accumulated depreciation, March 31, 2004	$ (50,365,528)	$ (20,742,445)	$ (625,320)	n/a	$ (71,733,293)
Average depreciation rate	3.8%	4.1%	19.0%	n/a	2.9%

5. Investments

UAMPS' investments at March 31, 2005 and 2004 are classified as Category 1, other than the funds held in the Utah Public Treasurer's Investment Fund for purposes of assessing the level of risk assumed. Category 1 includes investments that are insured or registered, or for which the securities are held by UAMPS or its agent in UAMPS' name.

5. Investments (continued)

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

	2005	2004
Restricted:		
U.S. government securities	$ 5,041,674	$ 5,123,811
Utah Public Treasurer's Investment Fund	25,060,534	38,310,275
Total	$ 30,102,208	$ 43,434,086
Current:		
Bank deposits	$ 1,869,084	$ 3,549,513
Utah Public Treasurer's Investment Fund	1,309,154	807,603
Total	$ 3,178,238	$ 4,357,116

The fair value of the debt securities at March 31, 2005, 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 $900 and $800, at March 31, 2005 and 2004, respectively. Outstanding checks in excess of transfers balances were $280,820 and $238,812 at March 31, 2005 and 2004, 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 (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 2005	2004
Hunter II 1992					
Capital appreciation	$ 24,786,129	5.50%–6.45%	1998–2007	$ 17,690,000	$ 23,585,000
Hunter II 1994					
Serial	27,660,000	2.70%–5.00%	1994–2010	–	18,490,000
Hunter II 1998					
Serial	6,455,000	4.00%–5.00%	2000–2012	4,190,000	4,605,000
Hunter II 2004					
Serial	17,425,000	1.50–5.00%	2004–2010	17,350,000	–
San Juan 1994					
Serial	11,480,000	3.80%–6.15%	1995–2009	–	825,000
San Juan 1998					
Serial	15,750,000	4.00%–5.25%	2000–2015	14,890,000	15,050,000
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				
San Juan 2003					
Note	1,796,262	Variable	Quarterly	611,213	1,209,103
Craig-Mona 1993					
Serial	8,315,000	2.80%–5.25%	1994–2009	4,600,000	5,395,000

7. Debt (continued)

Series	Original Issue	Interest Rate	Original Maturity Date	Principal Outstanding – March 31 2005	Principal Outstanding – March 31 2004
Central-St. George					
1997 B Serial	$ 2,315,000	3.95%–5.15%	1998–2012	**$ 1,440,000**	$ 1,585,000
Term	1,840,000	5.375%	2019	**1,840,000**	1,840,000
	4,155,000				
Central-St. George					
2000 Serial	7,025,000	4.40%–5.40%	2001–2019	**5,930,000**	6,195,000
Central-St. George					
2003 Serial	19,945,000	3.00%–4.75%	2003–2019	**18,745,000**	19,670,000
Payson 2003					
Serial	100,850,000	3.00%–5.25%	2006–2026	**100,850,000**	100,850,000
Market Stabilization					
Note	39,428,361	3.48%	2007	**10,774,095**	29,796,798
				213,775,308	243,960,901
		Less unamortized bond discount		**1,324,537**	2,418,566
		Plus unamortized bond premium		**8,708,224**	7,216,106
		Less current portion		**16,307,893**	20,232,187
				$ 204,851,102	$ 228,526,254

The Hunter II Project 1992 Series Bonds (totaling $32,011,129) are not subject to redemption prior to maturity. The discount associated with these bonds has an effective interest rate of 6.14%.

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.

7. Debt (continued)

In April 2004 UAMPS issued the 2004 Series Hunter II Project Revenue Refunding Bonds. The proceeds from the sale of these bonds were issued to defease the 1994 Series Serial Bonds maturing on or after July 1, 2004. UAMPS deposited U.S. government securities worth $19,146,507 into an escrow account, the principal and interest from which was sufficient to fund the remaining principal and interest payments on the defeased bonds. All amounts related to the defeased bonds have been removed from the balance sheets and UAMPS included the $598,219 early payment penalty and the $426,212 write-off of unamortized issuance costs (total $1,024,431) as a loss on the early retirement of debt. The 2004 Hunter II Series Bonds (totaling $17,425,000) are not subject to redemption prior to maturity.

The San Juan 1994 Series Bonds (totaling $34,495,000) were redeemed on June 1, 2004 with escrow funds provided for this purpose by the San Juan 1998 Project Refunding Revenue Bonds.

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 San Juan Project Revenue Bonds, Series 2003 (totaling $1,796,262) are subject to redemption any time prior to maturity.

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.

7. Debt (continued)

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 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.

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.

During fiscal year 2003, the Board adopted resolutions authorizing borrowings to support the operations of the Power Pool and to provide necessary working capital for its operations. In order to secure such borrowings, the Board established the Market Stabilization CRC as a separate charge and component of the administrative and general expenses of UAMPS, payable under the Pooling Agreements by the Members.

Pursuant to the authority contained in the Resolutions, on April 9, 2003, UAMPS consolidated three lines of credit ($14.0 million; $26.0 million and $10.0 million) with unpaid balances ($11,512,463; $18,878,849 and $9,642,011, respectively) at March 31, 2003 with variable rates of interest into one line of credit with a beginning principal balance of $39,428,361. The credit instrument has a fixed interest rate of 3.48%. The maturity date for this instrument is February 15, 2007. All amounts that may be owed to the financial institution associated with this line of credit have been secured by a pledge of the CRC.

7. Debt (continued)

The scheduled maturities and related interest, based on scheduled rates for fixed rate bonds and the existing rates at March 31, 2005 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
2006	$ 15,722,915	$ 7,986,574	$ 23,709,489
2007	17,867,393	7,307,854	25,175,247
2008	12,885,000	6,654,962	19,539,962
2009	12,820,000	6,323,625	19,143,625
2010	15,220,000	6,107,529	21,327,529
2011-2015	41,405,000	26,170,232	67,575,232
2016-2020	45,180,000	15,011,883	60,191,883
2021-2025	38,005,000	6,165,492	44,170,492
2026	14,670,000	350,967	15,020,967
Total	$ 213,775,308	$ 82,079,118	$ 295,854,426

UAMPS has net capitalized interest of $1,050,028 for the year ended March 31, 2005 related to the construction of the Payson Project.

The table below shows the changes in net long-term debt balances that occurred during the years ended March 31, 2005 and 2004.

	March 31, 2004	Additions	Reductions	March 31, 2005	Amount Due Within One Year
Hunter II 1992	$ 23,585,000	$ –	$ 5,895,000	**$ 17,690,000**	$ 5,900,000
Hunter II 1994	18,490,000	–	18,490,000	**–**	–
Hunter II 1998	4,605,000	–	415,000	**4,190,000**	435,000
Hunter II 2004	–	17,425,000	75,000	**17,350,000**	–
San Juan 1994	825,000	–	825,000	**–**	–
San Juan 1998–Serial	15,050,000	–	160,000	**14,890,000**	1,030,000
San Juan 1998–Term	5,740,000	–	–	**5,740,000**	–
San Juan 1998–Term	9,125,000	–	–	**9,125,000**	–
San Juan 2003	1,209,103	–	597,890	**611,213**	611,213
Craig Mona 1993	5,395,000	–	795,000	**4,600,000**	835,000
Central-St. George 1997B–Serial	1,585,000	–	145,000	**1,440,000**	155,000
Central-St. George 1997B–Term	1,840,000	–	–	**1,840,000**	–
Central-St. George 2000	6,195,000	–	265,000	**5,930,000**	275,000
Central-St. George 2003	19,670,000	–	925,000	**18,745,000**	950,000
Payson 2003	100,850,000	–	–	**100,850,000**	–
Market Stabilization–Fixed Rate	29,796,798	–	19,022,703	**10,774,095**	5,531,702
	243,960,901	17,425,000	47,610,593	**213,775,308**	15,722,915
Less unamortized discount	2,418,566	–	1,094,029	**1,324,537**	–
Plus unamortized premium	7,216,106	2,053,631	561,513	**8,708,224**	584,978
	$ 248,758,441	$ 19,478,631	$ 47,078,077	**$ 221,158,995**	$ 16,307,893

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. This line of credit had an unpaid balance of $1,038,882 and $0 as of March 31, 2005 and 2004, respectively. In October 2004, UAMPS obtained an $8.0 million revolving line of credit at a variable rate in relation to LIBOR. In January 2005, UAMPS obtained an additional $3.0 million revolving line of credit from the same financial institution upon substantially the same terms and conditions as those contained in the initial $8.0 million line of credit. The outstanding balance on the combined $11.0 million available line of credit was $3.2 million at March 31, 2005. 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:	
2006	$ 273,557
2007	280,782
2008	288,007
2009	295,232
2010	302,456
Thereafter	231,358
	$ 1,671,392

Rent expense for the years ended March 31, 2005 and 2004 was $273,046 and $190,713, 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, 2005 Price per Ton	UAMPS' Estimated Portion of the Commitment
2006	5,600,000	$ 217,392,000	$ 4,714,000
2007	5,600,000	217,392,000	4,714,000
2008	5,600,000	217,392,000	4,714,000
2009	5,600,000	217,392,000	4,714,000
2010	5,600,000	217,392,000	4,714,000

During fiscal years 2005 and 2004, UAMPS incurred minimum coal costs of $4,875,000 and $4,579,000, respectively, and incremental coal costs of $415,000 and $185,000, 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.

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 $1,670,000 and $1,520,000 in 2005 and 2004, respectively. Contributions, which are approximately 25% of total payroll, totaled approximately $417,500 and $380,000 in 2005 and 2004, 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 Event

Subsequent to year-end, UAMPS borrowed an additional \$3.1 million on the combined \$11.0 million available line of credit, resulting in a total outstanding balance of \$6.3 million.

Supplemental Schedules

Utah Associated Municipal Power Systems

Schedules of Changes in Funds Required
by the Revenue Bond Resolutions

Year Ended March 31, 2005

				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, 2003	$ 1,040,147	$ (551,529)	$ 77,938,542	$ 13,984,906	$ 10,099,300	$ 279,619	$ 102,790,985
Additions:							
Investment earnings receipts	17,875	(1,180,357)	771,984	187,410	237,843	38,034	72,789
Debt proceeds	–	37,154,224	450,356	19,494,644	–	2,879,100	59,978,324
Power sales receipts	156,723,921	–	–	–	–	–	156,723,921
Transfers from irrevocable trust	–	–	–	1,754,664	–	–	1,754,664
Transfers (to) from other funds	(153,426,004)	140,816,551	(85,061)	11,449,174	(237,391)	1,482,731	–
	3,315,792	176,790,418	1,137,279	32,885,892	452	4,399,865	218,529,698
Deductions:							
Purchase of capital additions	–	6,039,082	59,188,294	–	–	–	65,227,376
Payments on debt	–	50,269,848	–	30,241,461	–	–	80,511,309
Interest payments	–	46,604	–	4,952,527	–	–	4,999,131
Cost of issuance	–	41,764	404,938	–	–	–	446,702
Operating expenses	–	120,079,223	–	198,750	–	2,305,800	122,583,775
	–	176,476,521	59,593,232	35,392,738	–	2,305,800	273,768,293
Balance at March 31, 2004	4,355,939	(237,632)	19,482,589	11,478,060	10,099,752	2,373,684	47,552,390
Additions:							
Investment earnings receipts	88,654	(146,327)	123,758	131,826	617,782	103,989	919,682
Debt proceeds	–	–	332,124	19,146,508	–	–	19,478,632
Sale of fixed asset proceeds	–	–	1,285,000	–	–	–	1,285,000
Power sales receipts	152,064,413	–	–	–	–	–	152,064,413
Transfers from irrevocable trust	–	–	–	19,180,871	–	–	19,180,871
Transfers (to) from other funds	(153,330,768)	151,848,498	(104,378)	(2,659,312)	(240,987)	4,486,947	–
	(1,177,701)	151,702,171	1,636,504	35,799,893	376,795	4,590,936	192,928,598
Deductions:							
Purchase of capital additions	–	(462,522)	17,453,933	–	–	–	16,991,411
Payments on debt	–	19,022,704	–	28,587,889	–	–	47,610,593
Interest payments	–	754,328	–	8,758,664	–	–	9,512,992
Cost of issuance	–	28,752	318,753	–	–	–	347,505
Operating expenses	–	132,402,097	65	4,300	–	612,401	133,018,863
	–	151,745,359	17,772,751	37,350,853	–	612,401	207,481,364
Balance at March 31, 2005	$ 3,178,238	$ (280,820)	$ 3,346,342	$ 9,927,100	$ 10,476,547	$ 6,352,219	$ 32,999,624

Utah Associated Municipal Power Systems

Schedules of Project Financial Statements

Balance Sheet

March 31, 2005

	CRSP	Hunter II	San Juan Unit 4	IPP	Firm Power	Craig-Mona	Member Generation	Central-St. George	UAMPS Pool	Payson	Resource	Government and Public Affairs	Member Services	Total
Assets														
Current assets:														
Receivables	$ 1,720,782	$ 2,495,804	$ 1,543,401	$ 584,542	$ 2,438,436	$ 394,965	$ 3,780	$ 308,613	$ 5,088,909	$ 1,759,872	$ 135,051	$ 100,687	$ 1,107	$ 16,575,949
Prepaid expenses and deposits	–	3,000,090	3,370,640	510,515	–	12,876	8,739	–	–	809,424	–	–	–	7,712,284
Investments	221,371	403,554	205,969	58,502	16,142	62,777	27,040	162,262	1,988,785	–	–	29,414	2,422	3,178,238
	1,942,153	5,899,448	5,120,010	1,153,559	2,454,578	470,618	39,559	470,875	7,077,694	2,569,296	135,051	130,101	3,529	27,466,471
Restricted assets:														
Investments	–	10,339,130	2,694,499	–	–	1,781,489	6,703	4,823,210	291	10,456,886	–	–	–	30,102,208
Utility plant and equipment:														
Generation	–	54,843,312	44,274,558	–	–	–	499,677	–	–	90,887,073	–	–	–	190,504,620
Transmission	–	–	–	–	–	17,492,388	–	33,095,209	–	10,383,045	–	–	–	60,970,642
Furniture and equipment	109,138	113,757	78,080	61,931	98,571	38,066	23,806	47,733	113,348	93,203	79,753	100,911	11,516	969,813
	109,138	54,957,069	44,352,638	61,931	98,571	17,530,454	523,483	33,142,942	113,348	101,363,321	79,753	100,911	11,516	252,445,075
Less accumulated depreciation	(51,418)	(37,082,610)	(16,655,760)	(27,061)	(52,745)	(8,629,896)	(497,371)	(12,228,856)	(130,340)	(3,714,618)	(36,862)	(50,223)	(11,516)	(79,169,276)
	57,720	17,874,459	27,696,878	34,870	45,826	8,900,558	26,112	20,914,086	(16,992)	97,648,703	42,891	50,688	–	173,275,799
Construction work-in-progress	–	–	–	–	–	–	–	–	–	150,000	–	–	–	150,000
	57,720	17,874,459	27,696,878	34,870	45,826	8,900,558	26,112	20,914,086	(16,992)	97,798,703	42,891	50,688	–	173,425,799
Other assets:														
Unamortized bond issuance costs	–	1,574,976	823,588	–	–	238,493	–	771,009	–	2,662,326	–	–	–	6,070,392
Accumulated amortization of bond issuance costs	–	(1,028,886)	(436,152)	–	–	(169,650)	–	(134,814)	–	(235,902)	–	–	–	(2,005,404)
Net bond issuance costs	–	546,090	387,436	–	–	68,843	–	636,195	–	2,426,424	–	–	–	4,064,988
Net costs to be recovered from (refunded to) Members in future billings	(21,737)	8,032,762	4,492,991	(18,877)	(12,562)	(4,780,860)	15,864	5,406,767	17,790,893	2,770,108	(40,302)	(15,117)	(686)	33,619,244
	(21,737)	8,578,852	4,880,427	(18,877)	(12,562)	(4,712,017)	15,864	6,042,962	17,790,893	5,196,532	(40,302)	(15,117)	(686)	37,684,232
Total assets	$ 1,978,136	$ 42,691,889	$ 40,391,814	$ 1,169,552	$ 2,487,842	$ 6,440,648	$ 88,238	$ 32,251,133	$ 24,851,886	$ 116,021,417	$ 137,640	$ 165,672	$ 2,843	$ 268,678,710

Utah Associated Municipal Power Systems

Schedules of Project Financial Statements

Balance Sheet (continued)

	CRSP	Hunter II	San Juan Unit 4	IPP	Firm Power	Craig-Mona	Member Generation	Central-St. George	UAMPS Pool	Payson	Resource	Government and Public Affairs	Member Services	Total
Membership capital and liabilities														
Current liabilities:														
Outstanding checks in excess of transfers	$ (740,320)	$ (2,702,615)	$ (879,494)	$ (402,888)	$ (2,391,267)	$ (480,303)	$ (125,932)	$ 1,823,697	$ 8,040,715	$ (969,941)	$ (602,583)	$ (287,680)	$ (569)	$ 280,820
Accounts payable	2,136,890	1,094,426	1,220,489	593,632	2,842,020	286,077	253	352,802	5,101,090	1,077,994	79,905	63,392	–	14,848,970
Accrued liabilities	41,277	2,687,884	2,794,928	531,114	35,724	52,556	8,739	27,480	40,609	165,890	56,333	55,784	–	6,498,318
Members' advance billings	45,796	83,485	42,610	12,103	3,339	12,987	5,593	33,568	411,429	–	–	6,085	501	657,496
Notes payable	306,616	442,469	333,143	12,634	621,193	43,605	672	71,005	1,324,655	1,055,842	8,906	17,410	732	4,238,882
Current portion of deferred revenue	–	20,801	350,409	–	–	530,326	–	116,445	315,385	240,909	–	–	–	1,574,275
	1,790,259	1,626,450	3,862,085	746,595	1,111,009	445,248	(110,675)	2,424,997	15,233,883	1,570,694	(457,439)	(145,009)	664	28,098,761
Liabilities payable from restricted assets:														
Accrued interest payable	–	269,250	510,320	–	–	78,616	–	411,155	17,521	2,504,968	–	–	–	3,791,830
Current portion of long-term debt	–	6,714,353	1,641,213	–	–	835,000	–	1,380,000	5,531,702	205,625	–	–	–	16,307,893
	–	6,983,603	2,151,533	–	–	913,616	–	1,791,155	5,549,223	2,710,593	–	–	–	20,099,723
Long-term debt:														
Bonds payable, less current portion	–	32,515,648	28,725,000	–	–	3,765,000	–	26,575,000	5,242,392	100,644,375	–	–	–	197,467,415
Less: unamortized bond discount	–	(1,324,537)	–	–	–	–	–	–	–	–	–	–	–	(1,324,537)
Plus: unamortized bond premium	–	1,688,711	–	–	–	–	–	–	–	7,019,513	–	–	–	8,708,224
	–	32,879,822	28,725,000	–	–	3,765,000	–	26,575,000	5,242,392	107,663,888	–	–	–	204,851,102
Deferred revenue, less current portion	–	268,676	9,458,833	–	–	9,015,537	–	2,800,269	–	5,059,091	–	–	–	26,602,406
Accumulated amortization of deferred revenue	–	(138,673)	(3,793,886)	–	–	(7,822,308)	–	(1,215,758)	–	(480,928)	–	–	–	(13,451,553)
Net deferred revenue	–	130,003	5,664,947	–	–	1,193,229	–	1,584,511	–	4,578,163	–	–	–	13,150,853
Unrestricted net assets	187,877	1,072,011	(11,751)	422,957	1,376,833	123,555	198,913	(124,530)	(1,173,612)	(501,921)	595,079	310,681	2,179	2,478,271
	$ 1,978,136	$ 42,691,889	$ 40,391,814	$ 1,169,552	$ 2,487,842	$ 6,440,648	$ 88,238	$ 32,251,133	$ 24,851,886	$ 116,021,417	$ 137,640	$ 165,672	$ 2,843	$ 268,678,710

Utah Associated Municipal Power Systems

Schedules of Project Financial Statements

Statement of Revenues and Expenses

Year Ended March 31, 2005

	CRSP	Hunter II	San Juan Unit 4	IPP	Firm Power	Craig-Mona	Member Generation	Central-St. George	UAMPS Pool	Payson	Resource	Government and Public Affairs	Member Services	Total
Operating revenues:														
Power sales to Members	$ 11,531,150	$ 18,327,260	$ 13,821,895	$ 1,679,121	$ 25,389,499	$ 2,557,461	$ 26,802	$ 3,074,377	$ 56,354,506	$ 14,280,839	$ 178,015	$ 722,019	$ 39,145	$ 147,982,089
Other	750	153,105	524	27,624	945	20,798	–	231,827	255,566	44,530	609,371	194	–	1,345,234
	11,531,900	18,480,365	13,822,419	1,706,745	25,390,444	2,578,259	26,802	3,306,204	56,610,072	14,325,369	787,386	722,213	39,145	149,327,323
Operating expenses:														
Cost of power	11,037,188	8,117,257	7,897,843	1,585,260	24,411,635	572,068	1,273	83,579	35,783,789	8,813,697	–	182,198	33,424	98,519,211
In lieu of ad valorem taxes	–	234,650	231,316	15,350	–	72,808	–	–	–	–	–	–	–	554,124
Depreciation	19,660	2,214,318	1,636,253	13,729	19,476	598,992	5,772	1,258,294	31,025	3,699,672	14,937	18,574	796	9,531,498
General and administrative	407,676	449,610	506,205	138,451	502,083	201,261	9,301	331,994	1,182,583	1,024,064	883,425	423,629	4,731	6,065,013
	11,464,524	11,015,835	10,271,617	1,752,790	24,933,194	1,445,129	16,346	1,673,867	36,997,397	13,537,433	898,362	624,401	38,951	114,669,846
Operating income	67,376	7,464,530	3,550,802	(46,045)	457,250	1,133,130	10,456	1,632,337	19,612,675	787,936	(110,976)	97,812	194	34,657,477
Nonoperating revenues (expenses):														
Interest income	2,069	164,289	40,625	6,710	151	37,797	124	95,476	31,277	353,193	–	275	23	732,009
Interest expense	–	(2,823,036)	(1,539,360)	–	–	(261,553)	–	(1,264,305)	(728,643)	(3,804,790)	–	–	–	(10,421,687)
Amortization of bond issuance costs	–	(170,810)	(38,540)	–	–	(14,752)	–	(43,327)	–	(115,544)	–	–	–	(382,973)
	2,069	(2,829,557)	(1,537,275)	6,710	151	(238,508)	124	(1,212,156)	(697,366)	(3,567,141)	–	275	23	(10,072,651)
Excess (deficiency) of revenues over expenses before net costs to be recovered from future billings to Members	69,445	4,634,973	2,013,527	(39,335)	457,401	894,622	10,580	420,181	18,915,309	(2,779,205)	(110,976)	98,087	217	24,584,826
Increase (decrease) in net costs to be recovered from future billings to Members	(6,230)	(4,290,208)	(1,987,545)	(3,454)	(10,307)	(746,222)	2,694	(419,395)	(18,311,818)	2,886,441	(32,030)	(27,935)	796	(22,945,213)
Excess (deficiency) of revenues over expenses	$ 63,215	$ 344,765	$ 25,982	$ (42,789)	$ 447,094	$ 148,400	$ 13,274	$ 786	$ 603,491	$ 107,236	$ (143,006)	$ 70,152	$ 1,013	$ 1,639,613

Other Reports

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Report of Independent Auditors on State of Utah Legal Compliance

The Board of Directors
Utah Associated Municipal Power Systems

We have audited the financial statements of Utah Associated Municipal Power Systems (UAMPS) for the year ended March 31, 2005, and have issued our report thereon dated June 24, 2005. Our audit included testwork on UAMPS' 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

UAMPS did not receive any major or nonmajor state grants during the year ended March 31, 2005.

The management of UAMPS is responsible for its 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 UAMPS' compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

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, 2005.

Ernst & Young LLP

June 24, 2005

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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
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, 2005, and have issued our report thereon dated June 24, 2005. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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. However, this report is a matter of public record and its distribution is not limited.

Ernst & Young LLP

June 24, 2005