



FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULES

Utah Associated Municipal Power Systems
Years Ended March 31, 2012 and 2011
With Report of Independent Auditors

Ernst & Young LLP

 **ERNST & YOUNG**

Utah Associated Municipal Power Systems
Financial Statements and Supplemental Schedules

Years Ended March 31, 2012 and 2011

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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, 2012 and 2011, 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 the Utah Associated Municipal Power Systems' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Organization's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Utah Associated Municipal Power Systems as of March 31, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with US generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2012 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.

Accounting principles generally accepted in the United States require that management's discussion and analysis on pages 3 through 10 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying project financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the project financial statements are fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst + Young LLP

July 18, 2012

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, 2012, 2011 and 2010.

Description of Business

UAMPS is a political subdivision of the state of Utah (the State). Its 45 members (the Members) include public power utilities in Utah, Oregon, Arizona, Idaho, Nevada, New Mexico, California, and Wyoming. UAMPS' purposes include the 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. UAMPS is governed by its Board of Directors (the Board). The Board consists of directors representing Members that have entitlement shares in the various projects undertaken by UAMPS. UAMPS is a project-based organization and presently operates 15 separate projects that provide a variety of power supply, transmission and other services to the Members that participate in them. The Members make their own elections to participate in UAMPS' projects and are not obligated to participate in any particular project. In general, UAMPS and its Members that elect to participate in a project enter into a contract that specifies the services or product to be provided to 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.

The 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, 2012, 2011, and 2010 of \$3.6 million, \$3.9 million, and \$6.3 million, respectively. The Members may elect to issue a refund of the 2012 excess of revenues over expenses during fiscal year 2013.

Utah Associated Municipal Power Systems

Management's Discussion and Analysis (continued)

Overview of the Financial Statements

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

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

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

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

Financial Analysis

Total cash and invested assets at March 31, 2012, 2011, and 2010 were \$42.5 million, \$42.6 million, and \$51.1 million, respectively. The slight decrease from March 31, 2011 to March 31, 2012, is due to activity in major maintenance reserve accounts. The \$8.5 million decrease between March 31, 2010 and March 31, 2011, is due to a few key items. First, major maintenance reserve accounts and project accounts based upon bond funds for capital projects decreased by \$6.9 million due to the completion of projects, and current environmental upgrades for the Hunter project. Second, there was a decrease of \$4.6 million in the Hunter debt service accounts, as the Hunter Series 2004 Bonds matured in July 2010. These decreases were offset by \$1.0 million net increase to the member funds retained at their request for future use.

Utah Associated Municipal Power Systems

Management's Discussion and Analysis (continued)

Financial Analysis (continued)

The components of investments at March 31, 2012, 2011, and 2010, consisted of the following:

	2012	2011	2010
Money market funds invested in U.S. government securities	0.0%	1.0%	10.0%
Investment in U.S. Treasury notes	28.0	31.0	24.0
Investment in Debenture issued by Government Sponsored Enterprise	1.0	8.0	3.0
Utah Public Treasurer's Investment Fund	71.0	60.0	63.0
	100.0%	100.0%	100.0%

At March 31, 2012, 2011, and 2010, accounts receivable totaled \$20.6 million, \$24.3 million, and \$25.9 million, respectively. The \$3.7 million decrease between March 31, 2011 and March 31, 2012, is due to cumulative decreases in billings to membership and smaller outstanding balances at March 31, 2012, due to lower electricity and gas prices, and the expiration of a contractual arrangement, which reduced callback from the IPP project. The decrease of \$1.6 million between March 31, 2010 and March 31, 2011, is due to the expiration of an energy contract, resulting in an outstanding balance at the end of the fiscal year in 2010, which was not present at the end of the fiscal year in 2011.

Utah Associated Municipal Power Systems

Management's Discussion and Analysis (continued)

Financial Analysis (continued)

The table below summarizes UAMPS' total assets and total liabilities at March 31, 2012, 2011, and 2010:

	2012	2011	2010
	<i>(In Thousands)</i>		
Current assets	\$ 34,621	\$ 39,754	\$ 37,318
Capital assets, net	176,791	181,332	176,565
Other assets	36,707	35,044	47,173
Total assets	\$ 248,119	\$ 256,130	\$ 261,056
Current liabilities	\$ 25,628	\$ 35,104	\$ 32,319
Long-term debt	149,776	157,807	165,955
Other liabilities	64,256	55,907	53,487
Total liabilities	239,660	248,818	251,761
Net assets:			
Invested in capital assets, net of related debt	691	866	(250)
Restricted net assets	4,472	8,202	11,678
Unrestricted net assets	3,296	(1,756)	(2,133)
	8,459	7,312	9,295
Total liabilities and net assets	\$ 248,119	\$ 256,130	\$ 261,056

Financial Analysis of Operations

Operating revenue from power sales for the years ended March 31, 2012, 2011, and 2010 was \$167.9 million, \$192.2 million, and \$188.9 million, respectively. The decrease of \$24.3 million from fiscal year 2011 to fiscal year 2012 is due to several factors. IPP project revenue decreased \$4.5 million due to a reduction in megawatt (MW) hours scheduled, and a forced outage on one of the units. Pool project revenue decreased \$9.3 million due to reduced forecasts and off-system sales. Nebo project revenue decreased by approximately \$4.0 million due to lower gas prices. IPP#3 settlement revenue was not present in fiscal year 2012, as the settlement concluded in fiscal year 2011, which resulted in a reduction in revenue of \$9.5 million. Resource project saw a decline of \$0.8 million, as one subproject concluded. These decreases were offset by increases in the CRSP project of \$2.3 million due to high water volume, and Hunter project for \$1.6 million, as the unit was online after a major outage coupled with environmental upgrades. The increase in revenue of \$3.3 million from fiscal year 2010 to fiscal year 2011 was a result of the increase in

Utah Associated Municipal Power Systems

Management's Discussion and Analysis (continued)

Financial Analysis of Operations (continued)

revenue in the Pool project of \$9.5 million due to increased volume. This increase is offset by the decrease in revenue from the conclusion of the IPP#3 settlement, and subsequent disbursement of proceeds, resulting in a decrease of \$4.4 million from the prior year. There was also a decrease in revenue from the IPP Project of \$2.5 million that resulted from reduced callback. In addition, there were other minor cumulative fluctuations.

Investment income for March 31, 2012, 2011, and 2010 was \$1.7 million, \$0.9 million, and \$0.4 million, respectively. The increase of \$0.8 million from fiscal year 2011 to fiscal year 2012 is largely due to unrealized gain on investments UAMPS held at March 31, 2012 of \$1.2 million, offset by other minor fluctuations. While the balances of UAMPS cash and investments decreased from March 31, 2010 to 2011, the increase in income can primarily be attributed to unrealized gain on investments for investments that UAMPS held at March 31, 2011 of \$0.3 million.

The table below summarizes UAMPS' total revenues and expenses for fiscal years 2012, 2011, and 2010.

	Year Ended March 31		
	2012	2011	2010
	<i>(In Thousands)</i>		
Revenues:			
Power sales	\$ 167,933	\$ 192,225	\$ 188,877
Investment income	1,669	850	368
Other income	805	1,606	710
	170,407	194,681	189,955
Expenses:			
Cost of power	128,098	151,823	146,741
Other expenses	29,405	29,898	28,430
	157,503	181,721	175,171
Excess of revenues over expenses before net costs advanced through billings to Members	12,904	12,960	14,784
Decrease in net costs to be recovered from billings to Members	(9,278)	(9,093)	(8,469)
Excess of revenues over expenses	3,626	3,867	6,315
Net assets at beginning of year	7,312	9,295	5,755
Distributions	(2,479)	(5,850)	(2,775)
Net assets at end of year	\$ 8,459	\$ 7,312	\$ 9,295

Utah Associated Municipal Power Systems

Management's Discussion and Analysis (continued)

Cash Flow and Liquidity

UAMPS' sources of cash include power sales, services, issuance of debt and investment income. There was no cash balance at March 31, 2012. The cash balance decreased to \$0.7 million at March 31, 2011 from \$0.8 million at March 31, 2010. The amount will fluctuate primarily due to timing of the transfer from the revolving line of credit and cash transfers.

In order to manage cash flow requirements, UAMPS has a revolving line of credit with two financial institutions with total available cash lines of \$25.0 million. The rates from both financial institutions are variable with one being in relation to the prime rate and the other in relation to LIBOR. Of the combined \$25.0 million available on the revolving lines of credit, the outstanding balance was \$7.6 million, \$14.8 million, and \$14.4 million, at March 31, 2012, 2011, and 2010, respectively.

Budgets and Billing

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

Significant Capital Assets and Long-Term Debt Activity

On March 31, 2012, the construction work-in-progress balance was \$0. The balance outstanding on March 31, 2011 of \$20.1 million related to outage and environmental upgrades for the Hunter project was completed and placed in service during fiscal year 2012. On March 31, 2010, the construction work-in-progress balance was \$23.6 million, comprised of balances in Hunter (\$4.7 million), due to the environmental project, and Central-St. George (\$18.9 million).

UAMPS had significant long-term debt activity associated with the refinancing of several bond series due to the low interest rate environment.

On April 26, 2011, UAMPS issued the San Juan Project Refunding Revenue Bonds, Series 2011, totaling \$22.2 million. The bonds were issued to refund all current outstanding San Juan Project Refunding Revenue Bonds, Series 1998, provide for a deposit into the Debt Service Reserve Account, and pay for the cost of issuance.

Utah Associated Municipal Power Systems

Management's Discussion and Analysis (continued)

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

On July 22, 2011, UAMPS entered into a short term financing for the Hunter Project, totaling \$6.0 million. The financing was used to fund capital projects consisting of environmental upgrades at the plant, refunding of the Hunter II Bonds, Series 1998, maturing on July 1, 2012, and pay cost of issuance.

On September 30, 2011, UAMPS issued The Central-St. George Transmission Project Revenue and Refunding Bond, Series 2011, totaling \$3.8 million. The bond was issued to refund all current outstanding Central-St.George Transmission Bonds, Series 2000, provide for a deposit into the Debt Service Reserve Account, and pay cost of issuance.

On March 5, 2012, UAMPS issued The Central-St. George Transmission Project Revenue and Refunding Bond, Series 2012, totaling \$11.2 million. The bond was issued to refund all current outstanding Central-St.George Transmission Bonds, Series 2003, provide for a deposit into the Debt Service Reserve Account, and pay for the cost of issuance.

On April 12, 2012, UAMPS issued The Payson Power Project Refunding Revenue Bonds, Series 2012, (totaling \$74.9 million) maturing April 1, 2026 2.00%-5.00% interest. The bonds maturing on or after April 1, 2022 are subject to redemption on or after October 1, 2021 in whole or in part on any date, at a redemption price of 100% of the principal amount of each Series 2012 Bond or portion thereof to be redeemed, plus accrued interest to the redemption date. The bonds were issued to refund all of the outstanding principal amount of Series 2003A Bonds and repurchase and refinance all of the outstanding principal amount of the Series 2007 Bonds. Proceeds from the Series 2012 Bonds will also be used to pay certain costs related to the issuance of the Bonds.

On April 1, 2012, the consolidated line of credit with Wells Fargo Bank, totaling \$19.0 million, was renewed through March 31, 2013.

Western Electric Energy Markets

The energy markets in the Western Interconnection have remained fairly stable due to the general economic conditions which have kept load grown flat, moderate summer temperatures, low natural gas prices and good hydro conditions for generation.

The rate for participants from Western Area Power Administration (WAPA) remained stable from fiscal year 2011 into fiscal year 2012. However, due to a high water year, there was almost 50% more energy received for fiscal year 2012.

Utah Associated Municipal Power Systems

Management's Discussion and Analysis (continued)

Western Electric Energy Markets (continued)

While the current economic conditions continue to moderate our historically high load growth, there are signs that this situation may be slowly turning around for some members of UAMPS. UAMPS continues efforts to acquire new generation resources and also in working with the various regional transmission providers in order to see that the needed transmission infrastructure is built in a timely fashion.

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

Requests for Information

This financial report is designed to provide a general overview of UAMPS' finances for all those with an interest in UAMPS' finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Controller, UAMPS, 155 North 400 West, Suite #480, Salt Lake City, Utah 84103.

Utah Associated Municipal Power Systems

Balance Sheets

	March 31	
	2012	2011
Assets		
Current assets:		
Cash	\$ —	\$ 689,418
Receivables	20,624,782	24,261,713
Prepaid expenses and deposits	5,278,569	4,722,538
Investments	8,717,804	10,079,988
	34,621,155	39,753,657
Restricted assets:		
Cash	—	5,729,344
Interest receivable	53,858	69,330
Investments	33,828,558	26,132,373
	33,882,416	31,931,047
Capital assets:		
Generation	255,686,727	226,012,106
Transmission	84,669,469	84,669,469
Furniture and equipment	1,089,876	1,227,499
	341,446,072	311,909,074
Less accumulated depreciation	(164,655,364)	(150,690,840)
	176,790,708	161,218,234
Construction work-in-progress	—	20,114,283
	176,790,708	181,332,517
Unamortized bond issuance costs (net of accumulated amortization of \$1,323,000 and \$1,892,000, respectively)	2,825,201	3,112,619
Total assets	\$ 248,119,480	\$ 256,129,840

	March 31	
	2012	2011
Liabilities and net assets		
Current liabilities:		
Outstanding checks in excess of transfers	\$ 887,662	\$ –
Accounts payable	9,770,134	10,290,006
Accrued liabilities	6,666,377	9,244,123
Lines of credit	7,550,000	14,800,000
Current portion of deferred revenue	754,028	769,629
	25,628,201	35,103,758
Liabilities payable from restricted assets:		
Accrued interest payable	3,106,527	3,425,511
Current portion of long-term debt	8,246,561	8,147,567
	11,353,088	11,573,078
Long-term debt:		
Bonds payable, less current portion	144,879,000	152,762,000
Unamortized bond discount	(308,487)	(336,782)
Unamortized bond premium	5,896,690	5,381,947
Deferred refunding charges	(690,943)	–
	149,776,260	157,807,165
Other liabilities:		
Deferred revenue, less current portion	5,696,773	6,406,604
Net costs advanced through billings to Members	47,205,781	37,927,596
	52,902,554	44,334,200
Net assets:		
Invested in capital assets, net of debt	690,718	866,234
Restricted net assets	4,472,478	8,202,110
Unrestricted net assets	3,296,181	(1,756,705)
	8,459,377	7,311,639
Total liabilities and net assets	\$ 248,119,480	\$ 256,129,840

See accompanying notes.

Utah Associated Municipal Power Systems

Statements of Revenues and Expenses and Changes in Net Assets

	Year Ended March 31	
	2012	2011
Operating revenues:		
Power sales	\$ 167,932,886	\$ 192,224,695
Other	805,422	1,605,830
	168,738,308	193,830,525
Operating expenses:		
Cost of power	128,097,625	151,822,685
Payments in lieu of ad valorem taxes	915,068	953,575
Depreciation	14,454,925	13,039,009
General and administrative	6,230,536	7,623,956
	149,698,154	173,439,225
Operating income	19,040,154	20,391,300
Nonoperating revenues (expenses):		
Investment income	1,668,639	850,499
Interest expense	(7,527,250)	(8,007,206)
Amortization of bond issuance costs	(276,902)	(274,714)
	(6,135,513)	(7,431,421)
Excess of revenues over expenses before net costs advanced through billings to Members	12,904,641	12,959,879
Increase in net costs advanced through billings to Members	(9,278,185)	(9,093,161)
Excess of revenues over expenses	3,626,456	3,866,718
Net assets at beginning of year	7,311,639	9,294,926
Distributions to Members	(2,478,718)	(5,850,005)
Net assets at end of year	\$ 8,459,377	\$ 7,311,639

See accompanying notes.

Utah Associated Municipal Power Systems

Statements of Cash Flows

	Year Ended March 31	
	2012	2011
Operating activities		
Cash received from customers	\$ 171,649,807	\$ 194,786,945
Cash payments to suppliers for goods and services	(134,316,747)	(153,990,066)
Cash payments to employees for services	(3,661,730)	(3,779,145)
Cash payments for ad valorem taxes	(918,401)	(948,575)
Net cash provided by operating activities	32,752,929	36,069,159
Capital and related financing activities		
Additions to utility plant and equipment	(9,913,116)	(17,806,630)
Proceeds from issuance of long-term debt	44,296,722	-
Payments for bond refunding	(39,492,035)	-
Principal payments on refunding revenue bonds	(11,889,000)	(13,604,000)
Interest payments on refunding revenue bonds	(8,145,804)	(8,498,057)
Bond issuance costs	(537,511)	-
Distribution	(2,478,718)	(5,850,005)
Net cash used in capital and related financing activities	(28,159,462)	(45,758,692)
Noncapital and related financing activities		
Draws on lines of credit	152,434,284	153,873,584
Payment on lines of credit	(159,684,284)	(153,473,584)
Outstanding checks in excess of transfers	887,662	-
Net cash (used in) provided by noncapital and related financing activities	(6,362,338)	400,000
Investing activities		
Net decrease (increase) in investments	1,362,184	(3,527,135)
Restricted assets:		
Net decrease (increase) in restricted cash	5,729,344	(5,071,953)
Net decrease (increase) in investments	(6,534,240)	17,238,578
Investment income received	522,165	538,248
Net cash provided by investing activities	1,079,453	9,177,738
Decrease in cash	(689,418)	(111,795)
Cash at beginning of year	689,418	801,213
Cash at end of year	\$ -	\$ 689,418

Utah Associated Municipal Power Systems

Statements of Cash Flows (continued)

	Year Ended March 31	
	2012	2011
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 19,040,154	\$ 20,391,300
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	14,454,925	13,039,009
Amortization of deferred revenue	(725,432)	(725,433)
Decrease in current receivables	3,636,931	1,681,853
Increase in prepaid expenses and deposits	(556,031)	(702,280)
Decrease in accounts payable	(519,872)	(54,971)
Increase (decrease) in accrued liabilities	(2,577,746)	2,439,681
Net cash provided by operating activities	<u>\$ 32,752,929</u>	<u>\$ 36,069,159</u>

See accompanying notes.

Utah Associated Municipal Power Systems

Notes to Financial Statements

March 31, 2012

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 35 municipalities, one joint action agency, one electric service district, two public utility districts, two water conservancy districts, two co-ops, one municipal utility district, and one nonprofit corporation (collectively, the Members). The Members are located in Utah, Oregon, Arizona, Idaho, Nevada, New Mexico, California, and Wyoming.

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

UAMPS' purposes include the 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.

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Recent Accounting Developments

GASB Statement No. 61

In December 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. The Statement is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those statements were issued. The Statement amends the criteria for including component units within the primary governments' financial statements by ensuring that the financial reporting entity includes only organizations for which they are financially accountable or that the entity determines would be misleading to exclude. The Statement amends the criteria for blending so that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government and will clarify which component units have that characteristic and will require condensed combining information to be included in the notes to the financial statements. The Statement is effective for financial statements prepared by state and local governments for periods beginning after June 15, 2012, with earlier application encouraged. The Company has reviewed the requirements of GASB 61 and does not expect its adoption to impact financial position, results of operations or cash flows.

GASB Statement No. 62

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Statement supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. The Statement allows those who prepare or audit financial statements to access applicable guidance with greater ease and certainty by consolidating the accounting and financial reporting provisions that apply to state and local governments into a single publication. Statement 62 is effective for financial statements prepared for periods beginning after December 15, 2011, with earlier application encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The Company made the election to early adopt the provisions of GASB 62. The Company is complying with the new codification standards.

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

GASB Statement No. 63

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Statement is effective for financial statements prepared for periods beginning after December 15, 2011, with earlier application encouraged. The Company has reviewed the requirements of GASB 63 and does not expect its adoption to impact financial position, results of operations or cash flows.

GASB Statement No. 65

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reporting by a transferor government in a qualifying services concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. The Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The Statement is effective for financial statements prepared for periods beginning after December 15, 2012, with earlier application encouraged. The Company is currently evaluating the effects the adoption of this statement will have on the financial statements.

GASB Statement No. 66

In March 2012, the GASB issued Statement No. 66, *Technical Corrections—2012—an amendment of FASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. The Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchase loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively. The Statement is effective for financial

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

statements prepared for periods beginning after December 15, 2012, with earlier application encouraged. The Company has reviewed the requirements of GASB 66 and does not expect its adoption to impact financial position, results of operations or cash flows.

Revenue

UAMPS distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations of the organization. The principal operating revenues and expenses of UAMPS are associated with the planning, financing, 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. All other revenues and expenses, such as interest income, interest expense, and the amortization of bond issuance costs, are reported as nonoperating revenues and expenses.

Investments

All investments are recorded at fair value. UAMPS' investment in the Utah Public Treasurer's Investment Fund (PTIF) has a fair value equivalent to the value of the pool shares. This pool is administered by the State of Utah and is regulated by the Money Management Council under provisions of the Utah State Money Management Act.

Receivables

Receivables consist primarily of current power billings to Members.

Capital Assets

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

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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 San Juan Project Revenue and Refunding Bonds, and the Payson Power Project Revenue Bonds are being amortized over the terms of the bonds using the straight-line method, the impact of which approximates the effective interest method.

Net Costs Advanced or to Be Recovered through Billings to Members

Billings to Members are designed to recover power costs as defined by the power sales contracts, which principally include current operating expenses, scheduled debt principal, and interest and deposits into certain funds. Pursuant to GASB Re10, *Regulated Operations*, expenses determined in accordance with GAAP, which are not currently billable as power costs, or amounts billed as power costs and recovered in advance of being recognized for GAAP are deferred in the accompanying balance sheets. For a company to report under GASB Re10, a company's rates must be designed to recover its costs of providing services, and the company must be able to collect those rates from customers. If it were determined, whether due to competition or regulatory action, that these standards no longer applied, UAMPS could be required to write off its regulatory assets and liabilities. Management believes that UAMPS currently meets the criteria for continued application of GASB Re10, but will continue to evaluate significant changes in the regulatory and competitive environment to assess continuing applicability of the criteria.

Income Taxes

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

Unearned Revenue

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

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Risk Management

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

Net Assets

Net assets are classified into three components:

- Invested in capital assets, net of related debt: This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- Restricted net assets: This component of net assets consists of net assets subject to external constraints on their use imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets: This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.” As of March 31, 2012, UAMPS reported a positive balance in unrestricted net assets. At March 31, 2011, UAMPS reported a deficit in unrestricted net assets. The deficit is a result of long-term deferred revenue which represents the prepayment of future power sales.

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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

2. Power Sales and Transmission Service Contracts Relating to Bonds

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

- UAMPS has contracted with 22 municipalities and one joint-action agency in the Hunter II Project to supply power from the generating unit. Each contract term extends at a minimum to the date all principal and interest on the Series 2011 Bonds have been paid. The Series 2011 Bonds matured during the year.
- UAMPS has contracted with five municipalities to provide transmission capabilities from the Central-St. George Project to deliver electric power to the purchasers. Each contract term extends, at a minimum, to the date all principal and interest on the Series 2009, 2011 and 2012 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 Series 2008 and 2011 Bonds have been paid.
- UAMPS has contracted with 14 municipalities and two electric service districts 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 Series 2003 and 2007 Bonds have been paid.

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 costs on the revenue bonds, and any other costs incurred by UAMPS. The Purchasers are obligated to pay whether or not these projects, or any parts thereof, are operating or operable or output is suspended, interrupted, curtailed, interfered with, reduced, or terminated.

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

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

Details of the change in the net costs advanced or to be recovered through billings to Members for the years ended March 31, 2012 and 2011, are provided in the following tables:

	Years Ended March 31	
	2012	2011
Balance at beginning of year	\$ (37,927,596)	\$ (28,834,435)
Depreciation, accretion, and amortization of bond issuance costs	14,731,827	13,313,723
Amortization of deferred revenue	(725,432)	(725,433)
Capital asset renewals and replacements	(4,601,320)	(16,854,797)
Principal amounts of debt service	(13,771,289)	(9,354,001)
Amortization of bond premium	(388,687)	(268,266)
Major overhaul reserve payments	(3,464,446)	5,048,538
Unrealized gain on investment	(1,161,945)	(296,822)
Amortization of deferred refunding charges	89,118	-
Accrued personal leave	13,989	43,897
Balance at end of year	<u>\$ (47,205,781)</u>	<u>\$ (37,927,596)</u>

4. Capital Assets

UAMPS' interest in two generating units represents a 14.6% and a 7.0% 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 has a 15.0% 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 MW of transmission capability on the Bonanza line, which extends from the Bonanza Generation Station to the Mona, Utah Substation.

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

4. Capital Assets (continued)

The Central-St. George Project, located in Washington County, Utah, owned and operated by UAMPS, consists of 138 kV transmission facilities, including a 345/138 kV electric substation, approximately 25 miles of 138 kV transmission line, a 138 kV switching yard, a 138/69 kV electric substation, and approximately 16 miles of 69 kV transmission line to provide service to four of its Members in Washington County. Pursuant to the terms of the Joint Operating Agreement, UAMPS and PacifiCorp have undertaken the Phase 3 upgrade to this system, which is the reconstruction of an existing line. The line has been removed, and replaced with twenty miles of new double circuit 345 kV transmission line. The line has been constructed at 345 kV standards and initially operating at 138 kV. The project was placed into service in April 2010.

The Payson Project is a combined cycle, natural-gas-fired, electric generating facility with a nominal generating capacity of 143 MW located in Payson, 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 kilowatts (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 purchasers. The generator set was purchased and placed into service in May 2007.

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

The construction work-in-progress balance was \$0 at March 31, 2012, and \$20.1 million at March 31, 2011. The balance at March 31, 2011, was comprised entirely of costs for the Hunter Project planned outage and environmental upgrades that were completed during fiscal year 2012.

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

4. Capital Assets (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, 2011	\$ 226,012,106	\$ 84,669,469	\$ 1,227,499	\$ 20,114,283	\$ 332,023,357
Capital additions	29,898,372	-	129,027	9,757,314	39,784,713
Transfers, sales, and retirements	(223,751)	-	(266,650)	(29,871,597)	(30,361,998)
Balance, March 31, 2012	\$ 255,686,727	\$ 84,669,469	\$ 1,089,876	\$ -	\$ 341,446,072
Accumulated depreciation, April 1, 2011	\$(114,463,734)	\$(35,607,308)	\$(619,798)	\$ -	\$(150,690,840)
Depreciation expense	(10,943,424)	(3,288,597)	(222,904)	-	(14,454,925)
Retirements	223,751	-	266,650	-	490,401
Accumulated depreciation, March 31, 2012	\$(125,183,407)	\$(38,895,905)	\$(576,052)	\$ -	\$(164,655,364)
Average depreciation rate	4.5%	3.9%	19.2%	-	4.3%

	Generation	Transmission	Furniture and Equipment	Construction Work-in- Progress	Total
Balance, April 1, 2010	\$ 225,214,906	\$ 64,729,146	\$ 1,091,214	\$ 23,579,485	\$ 314,614,751
Capital additions	840,560	19,940,323	490,950	16,475,121	37,746,954
Transfers, sales, and retirements	(43,360)	-	(354,665)	(19,940,323)	(20,338,348)
Balance, March 31, 2011	\$ 226,012,106	\$ 84,669,469	\$ 1,227,499	\$ 20,114,283	\$ 332,023,357
Accumulated depreciation, April 1, 2010	\$(104,821,058)	\$(32,463,742)	\$(765,055)	\$ -	\$(138,049,855)
Depreciation expense	(9,686,035)	(3,143,566)	(209,408)	-	(13,039,009)
Retirements	43,359	-	354,665	-	398,024
Accumulated depreciation, March 31, 2011	\$(114,463,734)	\$(35,607,308)	\$(619,798)	\$ -	\$(150,690,840)
Average depreciation rate	4.3%	4.2%	18.1%	-	4.0%

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

5. Investments

At March 31, UAMPS had the following total investments:

	2012	2011
Restricted:		
Money market funds invested in U.S. government securities	\$ —	\$ 457,629
Investment in U.S. Treasury Note	11,894,012	11,019,281
Investment in debentures issued by Government Sponsored Enterprise	533,635	3,002,419
Utah Public Treasurer's Investment Fund	21,400,911	11,653,044
	\$ 33,828,558	\$ 26,132,373
Current:		
Money market funds invested in U.S. government securities	\$ —	\$ 23,186
Utah Public Treasurer's Investment Fund	8,717,804	10,056,802
	\$ 8,717,804	\$ 10,079,988

Credit Risk

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

The PTIF operates and reports to the participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. The PTIF was unrated at March 31, 2012.

At March 31, 2012, one investment held by UAMPS had a split rating (AAA: Moody's and AA+: S&P).

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

5. Investments (continued)

At March 31, 2012, UAMPS had the following investments and quality ratings:

	2012	AAA/AA+	Unrated
Investment in U.S. Treasury Note	\$ 11,894,012	\$ –	\$ 11,894,012
Investment in debentures issued by Government Sponsored Enterprise	533,635	533,635	–
Utah Public Treasurer's Investment Fund	30,118,715	–	30,118,715
	\$ 42,546,362	\$ 533,635	\$ 42,012,727

During the year ended March 31, 2012 and March 31, 2011, UAMPS recorded unrealized gains on investments of \$1.2 million and \$0.3 million respectively.

Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance, and are not collateralized, are collateralized by the pledging financial institution, or is collateralized by the pledging financial institution's trust department or agent, but not in the depositor government's name. UAMPS deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation. At March 31, 2012, UAMPS did not have any deposits exposed to custodial credit risk. At March 31, 2011, UAMPS had approximately \$0.4 million of bank balances that were uninsured and uncollateralized. State statutes do not require that such amounts be collateralized.

Interest Rate Risk

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

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

5. Investments (continued)

At March 31, 2012, UAMPS had the following debt investment balances by investment type and maturity:

	2012	Less than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Investment in U.S. Treasury Notes	\$ 11,894,012	\$ -	\$ -	\$ 11,894,012	\$ -
Investment in debentures issued by Government Sponsored Enterprise	533,635	-	-	533,635	-
	<u>\$ 12,427,647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,427,647</u>	<u>\$ -</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entities investment in a single issuer. UAMPS investments in U.S. Treasury Notes, Debentures issued by Government Sponsored Enterprise, and the PTIF, were 28%, 1%, and 71%, respectively.

6. Cash

As of March 31, 2012, there was no cash balance. The cash balance of \$0.7 million at March 31, 2011 consisted of deposits with banks.

As of March 31, 2012, there was no restricted cash. Restricted cash of \$5.7 million as of March 31, 2011 consisted of debt principal and interest payments for the Payson Project that were due on April 1, 2011.

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

7. Debt

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

Series	Original Issue	Interest Rate	Original Maturity Date	Principal Outstanding – March 31	
				2012	2011
Hunter II 1998					
Serial	\$ 6,455,000	4.00%–5.00%	2000–2012	\$ –	\$ 1,210,000
Hunter II 2011					
Term	6,000,000	1.375%	2012	–	–
San Juan 1998					
Serial	15,750,000	4.00%–5.25%	2000–2015	–	7,830,000
Term	5,740,000	5.00%	2018	–	5,740,000
Term	9,125,000	5.00%	2022	–	9,125,000
	30,615,000				
San Juan 2008A					
Serial	2,345,000	3.50% – 4.50%	2009-2022	1,955,000	2,090,000
San Juan 2011					
Serial	22,165,000	2.00% – 5.50%	2011-2023	21,855,000	–
Central-St. George 2000					
Serial	7,025,000	4.40%–5.40%	2001–2019	–	4,055,000
Central-St. George 2003					
Serial	\$ 19,945,000	3.00%–4.75%	2003–2019	–	12,510,000

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

7. Debt (continued)

Series	Original Issue	Interest Rate	Original Maturity Date	Principal Outstanding – March 31	
				2012	2011
Central-St. George 2009					
Serial	2,350,000	4.00%–5.00%	2010–2019	\$ 1,970,000	\$ 2,165,000
Term	2,335,000	5.25%	2020	2,335,000	2,335,000
	2,455,000	5.25%	2021	2,455,000	2,455,000
	2,585,000	5.25%	2022	2,585,000	2,585,000
	2,720,000	5.25%	2023	2,720,000	2,720,000
	2,865,000	5.25%	2024	2,865,000	2,865,000
	3,015,000	5.25%	2025	3,015,000	3,015,000
	3,170,000	5.25%	2026	3,170,000	3,170,000
	3,340,000	5.25%	2027	3,340,000	3,340,000
	<u>22,485,000</u>				
Central-St. George 2011					
Term	3,800,000	2.65%	2011–2019	3,800,000	–
Central-St. George 2012					
Serial	11,240,000	2.32%	2012–2019	11,240,000	–
Payson 2003					
Serial	100,850,000	3.00%–5.25%	2006–2026	81,710,000	85,280,000
Payson 2007					
Serial	2,751,000	3.90%–4.49%	2009–2018	2,038,000	2,285,000
Hurricane-Washington 2007A					
Term	430,000	4.15%	2012	93,000	183,000
Term	533,000	4.40%	2017	533,000	533,000
Term	671,000	4.75%	2022	671,000	671,000
Term	857,000	5.00%	2027	857,000	857,000
	<u>2,491,000</u>				

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

7. Debt (continued)

Series	Original Issue	Interest Rate	Original Maturity Date	Principal Outstanding – March 31	
				2012	2011
Hurricane-Washington 2007B					
Term	\$ 213,000	4.15%	2012	\$ 46,000	\$ 90,000
Term	264,000	4.40%	2017	264,000	264,000
Term	332,000	4.75%	2022	332,000	332,000
Term	425,000	5.00%	2027	425,000	425,000
	<u>1,234,000</u>				
Santa Clara – Washington 2008					
Serial	2,698,000	5.16%	2009-2028	2,448,000	2,536,000
				152,722,000	160,666,000
Less unamortized bond discount				308,487	336,782
Plus unamortized bond premium				5,896,690	5,381,947
Less deferred refunding charges				690,943	–
Less current portion (excluding current portion of unamortized bond premium and discount)				7,843,000	7,904,000
				<u>\$149,776,260</u>	<u>\$157,807,165</u>

The Hunter Bonds, Series 1998, (totaling \$6.5 million) maturing on or after July 1, 2012, were redeemed at 100% of principal and accrued interest.

On July 22, 2011, UAMPS entered into a short term financing for the Hunter Project, (totaling \$6.0 million), at a fixed interest rate of 69% of 3 month Libor plus 1.20% for a term of nine months. The financing was used to fund capital projects consisting of environmental upgrades at the plant, refunding of the Hunter II Bonds, Series 1998, maturing on July 1, 2012, and pay for the cost of issuance.

On April 26, 2011, UAMPS issued the San Juan Project Refunding Revenue Bonds, Series 2011 (totaling \$22.2 million), maturing June 1, 2023 at 2.00%-5.50% interest. The bonds maturing on and after June 1, 2022, are subject to optional maturity on or after June 1, 2021, in whole at any time or in part on any date, at redemption price equal to 100% of the principal amount plus accrued interest. The bonds were issued to defease \$22.7 million of outstanding San Juan Project Refunding Revenue Bonds, Series 1998, provide for a deposit into the Debt Service Reserve Account, and pay cost of issuance. The San Juan Bonds, Series

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

7. Debt (continued)

1998, maturing on or after June 1, 2011, were redeemed at 100% of principal and accrued interest. Accordingly, all amounts related to the defeased Bonds were removed from the balance sheet, which resulted in an increase in the deferred refunding charge on defeasance of debt of \$0.3 million. The refunding reduced total debt service payments by \$0.4 million and resulted in an economic gain (i.e. the difference between the present value of the debt service payments on the old and the new debt) of \$0.3 million.

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

On September 30, 2011, UAMPS issued The Central-St. George Transmission Project Revenue and Refunding Bond, Series 2011, (totaling \$3.8 million), at 2.65% interest. The Series 2011 Bond is subject to optional redemption on or after December 1, 2015, at 101% of the principal amount of the Series 2011 Bonds to be so redeemed plus accrued interest to the redemption date. The bonds were issued to defease \$4.1 million of outstanding Central-St. George Transmission Bonds, Series 2000, provide for a deposit into the Debt Service Reserve Account, and pay cost of issuance. The Central-St. George Bonds, Series 2000, (totaling \$4.1 million), maturing on or after December 1, 2011, were redeemed at 100% of principal and accrued interest. Accordingly, all amounts related to the defeased Bonds were removed from the balance sheet, which resulted in an increase in the deferred refunding charge on defeasance of debt of \$0.1 million. The refunding reduced total debt service payments over the next 8 years by \$0.4 million and resulted in an economic gain (i.e. the difference between the present value of the debt service payments on the old and the new debt) of \$0.3 million.

On March 5, 2012, UAMPS issued The Central-St. George Transmission Project Revenue and Refunding Bond, Series 2012, (totaling \$11.2 million), at 2.32% interest. The Series 2012 Bond is subject to optional redemption on or after June 1, 2016, at 101% of the principal amount of the Series 2012 Bonds to be so redeemed plus accrued interest to the redemption date. The bond was issued to defease \$11.3 million of outstanding Central-St. George Transmission Bonds, Series 2003, provide for a deposit into the Debt Service Reserve Account, and pay for the cost of issuance. The Central-St. George Bonds, Series 2003, maturing on or after December 1, 2012, were redeemed at 100% of principal and accrued interest. Accordingly, all amounts related to the defeased Bonds were removed from the balance sheet, which resulted in an increase in the deferred refunding charge on defeasance of debt of

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

7. Debt (continued)

\$0.3 million. The refunding reduced total debt service payments by \$0.9 million and resulted in an economic gain (i.e. the difference between the present value of the debt service payments on the old and the new debt) of \$0.8 million. The outstanding principal amount of the Bonds extinguished through defeasance at March 31, 2012, was \$11.3 million.

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

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

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

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

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

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

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

7. Debt (continued)

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

The Bond Resolutions include certain provisions and covenants including among others, the requirement that UAMPS shall at all times establish and collect rates and charges to provide Revenues at least sufficient in each Fiscal Year, together with other available funds, for the payment of the sum of Operation and Maintenance Costs, Debt Service, and Debt Service Reserve Account for the fiscal year. UAMPS will punctually pay or cause to be paid the Principal, Redemption Price and interest on the Bonds and any Repayment Obligations in strict conformity with the terms of the Bonds, any Security Instrument Agreement, any Reserve Instrument Agreement, and the Indenture, and UAMPS will punctually pay or cause to be paid all Sinking Fund Installments which may be established for any Series of Bonds. UAMPS is required file an annual budget with the respective trustees of each of their bonds and is required to keep proper books of records and accounts, and file with the Trustee annually financial statements.

The scheduled maturities and related interest, based on scheduled rates for fixed rate bonds and the existing rates at March 31, 2012, for variable rate bonds, of long-term debt are as follows:

Year Ending March 31	Revenue and Refunding		Total Debt Service	
	Revenue Bonds	Interest	Requirements	
2013	\$ 7,843,000	\$ 7,028,844	\$	14,871,844
2014	8,105,000	6,701,952		14,806,952
2015	8,452,000	6,324,501		14,776,501
2016	8,842,000	5,925,846		14,767,846
2017	9,236,000	5,507,547		14,743,547
2018–2022	51,796,000	20,612,755		72,408,755
2023–2027	54,414,000	7,060,754		61,474,754
2028–2032	4,034,000	134,269		4,168,269
	<u>\$ 152,722,000</u>	<u>\$ 59,296,468</u>	<u>\$</u>	<u>212,018,468</u>

UAMPS incurred interest costs of \$7.5 million and \$8.0 million for the years ended March 31, 2012 and 2011, respectively.

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

7. Debt (continued)

The table below shows the changes in net long-term debt balances that occurred during the year ended March 31, 2012.

	March 31, 2011	Additions	Reductions	March 31, 2012	Amount Due Within One Year
Hunter II 1998	\$ 1,210,000	\$ -	\$ 1,210,000	\$ -	\$ -
Hunter II 2011	-	6,000,000	6,000,000	-	-
San Juan 1998-Serial	7,830,000	-	7,830,000	-	-
San Juan 1998-Term	5,740,000	-	5,740,000	-	-
San Juan 1998-Term	9,125,000	-	9,125,000	-	-
San Juan 2008A - Serial	2,090,000	-	135,000	1,955,000	145,000
San Juan 2011 - Serial	-	22,165,000	310,000	21,855,000	1,465,000
Central-St. George 2000	4,055,000	-	4,055,000	-	-
Central-St. George 2003	12,510,000	-	12,510,000	-	-
Central-St. George 2009 - Serial	2,165,000	-	195,000	1,970,000	205,000
Central-St. George 2009 - Term	2,335,000	-	-	2,335,000	-
Central-St. George 2009 - Term	2,455,000	-	-	2,455,000	-
Central-St. George 2009 - Term	2,585,000	-	-	2,585,000	-
Central-St. George 2009 - Term	2,720,000	-	-	2,720,000	-
Central-St. George 2009 - Term	2,865,000	-	-	2,865,000	-
Central-St. George 2009 - Term	3,015,000	-	-	3,015,000	-
Central-St. George 2009 - Term	3,170,000	-	-	3,170,000	-
Central-St. George 2009 - Term	3,340,000	-	-	3,340,000	-
Central-St. George 2011 - Serial	-	3,800,000	-	3,800,000	435,000
Central-St. George 2012 - Serial	-	11,240,000	-	11,240,000	1,355,000
Payson 2003	85,280,000	-	3,570,000	81,710,000	3,750,000
Payson 2007	2,285,000	-	247,000	2,038,000	257,000
Hurricane-Washington - 2007A - Term	183,000	-	90,000	93,000	93,000
Hurricane-Washington - 2007A - Term	533,000	-	-	533,000	-
Hurricane-Washington - 2007A - Term	671,000	-	-	671,000	-
Hurricane-Washington - 2007A - Term	857,000	-	-	857,000	-
Hurricane-Washington - 2007B - Term	90,000	-	44,000	46,000	46,000
Hurricane-Washington - 2007B - Term	264,000	-	-	264,000	-
Hurricane-Washington - 2007B - Term	332,000	-	-	332,000	-
Hurricane-Washington - 2007B - Term	425,000	-	-	425,000	-
Santa Clara - Washington 2008	2,536,000	-	88,000	2,448,000	92,000
	160,666,000	43,205,000	51,149,000	152,722,000	7,843,000
Less unamortized discount	365,355	-	28,573	336,782	28,295
Plus unamortized premium	5,654,087	1,091,720	417,261	6,328,546	431,856
Less deferred refunding charges	-	763,637	72,694	690,943	-
	\$ 165,954,732	\$ 43,533,083	\$ 51,464,994	\$ 158,022,821	\$ 8,246,561

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

7. Debt (continued)

The table below shows the changes in net long-term debt balances that occurred during the year ended March 31, 2011.

	March 31, 2010	Additions	Reductions	March 31, 2011	Amount Due Within One Year
Hunter II 1998	\$ 1,770,000	\$ —	\$ 560,000	\$ 1,210,000	\$ 590,000
Hunter II 2004	6,060,000	—	6,060,000	—	—
San Juan 1998—Serial	9,165,000	—	1,335,000	7,830,000	1,405,000
San Juan 1998—Term	5,740,000	—	—	5,740,000	—
San Juan 1998—Term	9,125,000	—	—	9,125,000	—
San Juan 2008A – Serial	2,220,000	—	130,000	2,090,000	135,000
Central-St. George 2000	4,405,000	—	350,000	4,055,000	365,000
Central-St. George 2003	13,645,000	—	1,135,000	12,510,000	1,175,000
Central-St. George 2009 – Serial	2,350,000	—	185,000	2,165,000	195,000
Central-St. George 2009 – Term	2,335,000	—	—	2,335,000	—
Central-St. George 2009 – Term	2,455,000	—	—	2,455,000	—
Central-St. George 2009 – Term	2,585,000	—	—	2,585,000	—
Central-St. George 2009 – Term	2,720,000	—	—	2,720,000	—
Central-St. George 2009 – Term	2,865,000	—	—	2,865,000	—
Central-St. George 2009 – Term	3,015,000	—	—	3,015,000	—
Central-St. George 2009 – Term	3,170,000	—	—	3,170,000	—
Central-St. George 2009 – Term	3,340,000	—	—	3,340,000	—
Payson 2003	88,680,000	—	3,400,000	85,280,000	3,570,000
Payson 2007	2,522,000	—	237,000	2,285,000	247,000
Hurricane-Washington – 2007A – Term	269,000	—	86,000	183,000	90,000
Hurricane-Washington – 2007A – Term	533,000	—	—	533,000	—
Hurricane-Washington – 2007A – Term	671,000	—	—	671,000	—
Hurricane-Washington – 2007A – Term	857,000	—	—	857,000	—
Hurricane-Washington – 2007B – Term	133,000	—	43,000	90,000	44,000
Hurricane-Washington – 2007B – Term	264,000	—	—	264,000	—
Hurricane-Washington – 2007B – Term	332,000	—	—	332,000	—
Hurricane-Washington – 2007B – Term	425,000	—	—	425,000	—
Santa Clara – Washington 2008	2,619,000	—	83,000	2,536,000	88,000
	174,270,000	—	13,604,000	160,666,000	7,904,000
Less unamortized discount	394,037	—	28,682	365,355	28,572
Plus unamortized premium	5,951,035	—	296,948	5,654,087	272,139
	<u>\$ 179,826,998</u>	<u>\$ —</u>	<u>\$ 13,872,266</u>	<u>\$ 165,954,732</u>	<u>\$ 8,147,567</u>

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

8. Lines of Credit

In August 2001, UAMPS obtained a \$3.0 million revolving line of credit for cash flow purposes at a rate of 75% of the financial institution's prime lending rate, which rate was 2.44% as of March 31, 2012. In January 2012, UAMPS obtained an additional \$3.0 million from the same financial institution upon substantially the same terms and conditions. In March 2006, UAMPS obtained a revolving line of credit totaling \$11.0 million at a variable rate in relation to LIBOR, which rate was 1.18% as of March 31, 2012. 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 \$25.0 million available lines of credit was \$7.5 million and \$14.8 million at March 31, 2012 and 2011, respectively. The additional revolving lines of credit were obtained to assist UAMPS with working capital requirements.

9. Commitments and Contingencies

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

UAMPS had the following Purchase Commitments at March 31, 2012:

Fiscal Year:	<u>Gas</u>	<u>Power</u>
2013	\$ 11,762,429	\$ 24,151,302
2014	10,047,011	25,325,490
2015	6,004,739	25,325,490
2016	–	25,397,838
2017	–	25,325,490
	<u>\$ 27,814,179</u>	<u>\$ 125,525,610</u>

Under similar agreements UAMPS purchased energy in the amount of \$6.6 million in fiscal year 2012 and \$20.1 million in fiscal year 2011. UAMPS purchased natural gas in the amount of \$8.7 million in fiscal year 2012 and \$7.8 million in fiscal year 2011.

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

9. Commitments and Contingencies (continued)

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

Year	Tons	Total Commitment at the March 31, 2012	UAMPS' Portion of Commitment at March 31, 2012
2013	5,600,000	\$ 278,712,000	\$ 6,044,000
2014	5,600,000	278,712,000	6,044,000
2015	5,600,000	278,712,000	6,044,000
2016	5,600,000	278,712,000	6,044,000
2017	5,600,000	278,712,000	6,044,000

During fiscal years 2012 and 2011, UAMPS incurred minimum coal costs of \$6.0 million and \$6.7 million, respectively, and incremental coal costs of \$0.3 million as its portion of the existing San Juan Operating Agreement. Incremental coal costs are comprised of variable costs for the purchase of coal in excess of the minimum purchase requirement and can be negative due to consumption being less than the base purchase requirement.

UAMPS leases office space under a ten-year operating lease expiring in fiscal year 2021. Future minimum lease payments under the operating lease obligation are:

Fiscal Year:	
2013	\$ 379,041
2014	386,622
2015	394,354
2016	402,241
2017	410,286
Thereafter	1,612,176
	<u>\$ 3,584,720</u>

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

9. Commitments and Contingencies (continued)

Rent expense for the years ended March 31, 2012 and 2011, were \$0.2 million and \$0.3 million, 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.

In October 2010, construction began on the Horse Butte Wind Project. The Horse Butte Wind Project is a 57.6 MW wind powered electric generating facility currently under construction in Bonneville County, Idaho. So that the costs of construction of the project can ultimately be funded in part with the cash grant for 30% of the qualifying costs of renewable energy projects provided by the American Recovery and Reinvestment Act of 2009, the project is and will be owned by Horse Butte Wind I LLC (the "Project Owner").

Pursuant to a Development Agreement between the Project Owner and UAMPS, UAMPS is acting as the developer and agent for the Project Owner with respect to the project and is responsible for all aspects of the development and construction of the project. As the developer, UAMPS has, among other things, negotiated the terms of a Construction Loan Agreement (pursuant to which construction financing for the project is being provided), a Turbine Supply Agreement (providing for the acquisition of the wind turbines for the project) and a Balance of Plant (BOP) Contract (providing for all other work necessary to construct the project and place it into commercial operation). In order to enable the project to be economically constructed and financed on favorable terms, UAMPS has co-signed these agreements with the Project Owner and has agreed to be primarily liable for making the payments required under these agreements.

UAMPS has executed a 20-year Power Purchase Agreement with the Project Owner. Under the Power Purchase Agreement, UAMPS is required to make a prepayment estimated at \$116.0 million for the expected minimum energy output of the project (known as the "P99" output) over the 20-year term of the Power Purchase Agreement, on or before the commercial operation date of the project. Additionally UAMPS agrees to purchase all additional energy produced and all RECs associated with the prepaid and additional energy on a pay-as-you-go basis. The expected energy purchase commitment for the 5 years following the commercial operation date is \$27.0 million. Under the Power Purchase Agreement, UAMPS has the option to purchase the project on certain specified dates.

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

10. 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 \$3.3 million in 2012 and 2011. Contributions, which are approximately 22.5% and 22.2% of total payroll, totaled approximately \$0.8 million and \$0.7 million for the years ended March 31, 2012 and 2011, 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.

11. Subsequent Events

On April 12, 2012, UAMPS issued The Payson Power Project Refunding Revenue Bonds, Series 2012, (totaling \$74.9 million) maturing April 1, 2026, 2.00%-5.00% interest. The bonds maturing on or after April 1, 2022, are subject to redemption on or after October 1, 2021, in whole or in part on any date, at a redemption price of 100% of the principal amount of each Series 2012 Bond or portion thereof to be redeemed, plus accrued interest to the redemption date. The bonds were issued to refund all of the outstanding principal amount of Series 2003A Bonds and repurchase and refinance all of the outstanding principal amount of the Series 2007 Bonds. Proceeds from the Series 2012 Bonds will also be used to pay certain costs related to the issuance of the Bonds.

On April 1, 2012, the consolidated line of credit with Wells Fargo Bank, totaling \$19.0 million, was renewed through March 31, 2013.

During June 2012, UAMPS reached a settlement with PacifiCorp in regards to a complaint related to the payment of certain operating reserves. The settlement agreement was submitted to the Federal Energy Regulatory Committee and is pending final approval. UAMPS has established a reserve sufficient to cover the likely outcome.

Supplemental Schedules

Utah Associated Municipal Power Systems

Schedules of Project Financial Statements

Balance Sheet

March 31, 2012

	CRSP	Hunter II	San Juan Unit 4	IPP	Firm Power	Wind	Craig-Mona	Central- St. George	UAMPS Pool	Payson	IPP #3	Resource	Gas Project	Government and Public Affairs	Member Services	Total
Assets																
Current assets:																
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables	2,035,659	3,958,125	2,135,003	3,702,816	387,336	215,866	(1,800)	698,990	2,912,662	3,995,192	-	97,736	330,515	55,648	101,034	20,624,782
Prepaid expenses and deposits	-	3,235,000	836,797	-	-	-	13,288	-	111,486	1,081,998	-	-	-	-	-	5,278,569
Investments	103,896	175,280	122,808	414,669	13,969	24,372	3,543	31,828	7,608,261	205,559	-	4,170	900	2,546	6,003	8,717,804
	2,139,555	7,368,405	3,094,608	4,117,485	401,305	240,238	15,031	730,818	10,632,409	5,282,749	-	101,906	331,415	58,194	107,037	34,621,155
Restricted assets:																
Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	15,215	-	38,643	-	-	-	-	-	53,858
Investments	-	1,924,139	6,396,278	-	-	-	-	5,014,699	-	19,942,690	-	-	-	-	550,752	33,828,558
	-	1,924,139	6,396,278	-	-	-	-	5,029,914	-	19,981,333	-	-	-	-	550,752	33,882,416
Capital assets:																
Generation	-	91,340,846	58,131,928	-	-	-	-	-	-	99,534,970	-	-	-	-	6,678,983	255,686,727
Transmission	-	-	-	-	-	-	17,492,388	56,655,343	-	10,521,738	-	-	-	-	-	84,669,469
Furniture and equipment	50,413	56,838	40,327	21,032	26,823	59,131	21,298	36,649	51,903	518,768	-	93,465	21,352	77,550	14,327	1,089,876
	50,413	91,397,684	58,172,255	21,032	26,823	59,131	17,513,686	56,691,992	51,903	110,575,476	-	93,465	21,352	77,550	6,693,310	341,446,072
Less accumulated depreciation	(27,568)	(54,643,072)	(31,782,271)	(7,705)	(22,933)	(20,273)	(12,773,203)	(25,147,323)	(91,595)	(38,238,466)	-	(54,781)	(8,580)	(56,316)	(1,781,278)	(164,655,364)
	22,845	36,754,612	26,389,984	13,327	3,890	38,858	4,740,483	31,544,669	(39,692)	72,337,010	-	38,684	12,772	21,234	4,912,032	176,790,708
Construction work-in-progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	22,845	36,754,612	26,389,984	13,327	3,890	38,858	4,740,483	31,544,669	(39,692)	72,337,010	-	38,684	12,772	21,234	4,912,032	176,790,708
Other assets:																
Unamortized bond issuance costs	-	37,500	506,364	-	-	-	-	594,198	-	2,767,986	-	-	-	-	241,951	4,147,999
Accumulated amortization of bond issuance costs	-	(37,500)	(77,319)	-	-	-	-	(66,021)	-	(1,089,019)	-	-	-	-	(52,939)	(1,322,798)
Net bond issuance costs	-	-	429,045	-	-	-	-	528,177	-	1,678,967	-	-	-	-	189,012	2,825,201
Total assets	\$ 2,162,400	\$ 46,047,156	\$ 36,309,915	\$ 4,130,812	\$ 405,195	\$ 279,096	\$ 4,755,514	\$ 37,833,578	\$ 10,592,717	\$ 99,280,059	\$ -	\$ 140,590	\$ 344,187	\$ 79,428	\$ 5,758,833	\$ 248,119,480

Utah Associated Municipal Power Systems

Schedules of Project Financial Statements

Balance Sheet (continued)

March 31, 2012

	CRSP	Hunter II	San Juan Unit 4	IPP	Firm Power	Wind	Craig-Mona	Central- St. George	UAMPS Pool	Payson	IPP #3	Resource	Gas Project	Government and Public Affairs	Member Services	Total
Liabilities and net assets																
Current liabilities:																
O/S checks in excess of transfers	\$(1,348,414)	\$ (3,048,468)	\$ (328,826)	\$ (1,328,191)	\$ (767,781)	\$ (56,370)	\$ (982,111)	\$ 1,544,206	\$ 8,738,456	\$ (118,954)	\$ (334,191)	\$ (858,660)	\$ 261,039	\$ (313,123)	\$ (170,950)	\$ 887,662
Accounts payable	2,617,661	173,349	367,147	656,289	254,755	93,330	434,146	151,972	3,346,119	1,495,673	–	80,150	2,870	34,305	62,368	9,770,134
Accrued liabilities	68,296	250,200	880,152	758,146	26,482	82,492	35,484	18,059	3,740,614	618,719	1	116,160	13,127	58,432	13	6,666,377
Lines of credit	668,798	1,128,311	790,540	2,669,303	89,920	156,884	22,807	204,881	407,670	1,323,221	–	26,844	5,790	16,389	38,642	7,550,000
Current portion of deferred revenue	–	5,199	412,772	–	–	–	–	116,445	44,196	175,416	–	–	–	–	–	754,028
	2,006,341	(1,491,409)	2,121,785	2,755,547	(396,624)	276,336	(489,674)	2,035,563	16,277,055	3,494,075	(334,190)	(635,506)	282,826	(203,997)	(69,927)	25,628,201
Liabilities payable from restricted assets:																
Accrued interest payable	799	1,348	391,174	3,189	107	187	27	498,668	487	2,115,282	–	32	7	20	95,200	3,106,527
Current portion of long-term debt	–	–	1,760,263	–	–	–	–	1,966,705	–	4,288,593	–	–	–	–	231,000	8,246,561
	799	1,348	2,151,437	3,189	107	187	27	2,465,373	487	6,403,875	–	32	7	20	326,200	11,353,088
Long-term debt:																
Bonds payable, less current portion	–	–	22,200,000	–	–	–	–	37,500,001	–	79,740,999	–	–	–	–	5,438,000	144,879,000
Unamortized bond discount	–	–	–	–	–	–	–	(308,487)	–	–	–	–	–	–	–	(308,487)
Unamortized bond premium	–	–	812,424	–	–	–	–	–	–	5,084,266	–	–	–	–	–	5,896,690
Deferred referred charges	–	–	(313,119)	–	–	–	–	(377,824)	–	–	–	–	–	–	–	(690,943)
	–	–	22,699,305	–	–	–	–	36,813,690	–	84,825,265	–	–	–	–	5,438,000	149,776,260
Deferred revenue, less current portion	–	284,277	10,274,749	–	–	–	–	2,800,268	–	1,965,069	–	–	–	–	–	15,324,363
Accumulated amortization of deferred revenue	–	(284,277)	(6,491,004)	–	–	–	–	(2,030,873)	–	(821,436)	–	–	–	–	–	(9,627,590)
Net deferred revenue	–	–	3,783,745	–	–	–	–	769,395	–	1,143,633	–	–	–	–	–	5,696,773
Net costs advanced or to be recovered through billings to Members	(8,745)	45,069,549	4,872,615	(2,553)	(31,334)	2,573	5,256,681	(4,178,041)	(6,331,885)	2,701,977	–	1,881	(917)	(8,613)	(137,407)	47,205,781
Net assets	164,005	2,467,668	681,028	1,374,629	833,046	–	(11,520)	(72,402)	647,060	711,234	334,190	774,183	62,271	292,018	201,967	8,459,377
Total liabilities and net assets	\$ 2,162,400	\$ 46,047,156	\$ 36,309,915	\$ 4,130,812	\$ 405,195	\$ 279,096	\$ 4,755,514	\$ 37,833,578	\$ 10,592,717	\$ 99,280,059	\$ –	\$ 140,590	\$ 344,187	\$ 79,428	\$ 5,758,833	\$ 248,119,480

Utah Associated Municipal Power Systems

Schedules of Project Financial Statements

Statement of Revenues and Expenses

Year Ended March 31, 2012

	CRSP	Hunter II	San Juan Unit 4	IPP	Firm Power	Wind	Craig-Mona	Central- St. George	UAMPS Pool	Payson	IPP #3	Resource	Gas Project	Government and Public Affairs	Member Services	Total
Operating revenues:																
Power sales	\$ 16,056,179	\$ 23,332,123	\$ 16,148,562	\$ 44,401,947	\$ 2,244,848	\$ 460,223	\$ 478,814	\$ 4,258,033	\$ 28,733,115	\$ 30,513,294	\$ -	\$ (1,808)	\$ 88,746	\$ 351,132	\$ 867,678	\$ 167,932,886
Other	(75)	(408)	(152)	(621)	(14)	139	21	101	(2,104)	527	-	807,887	22	99	-	805,422
	16,056,104	23,331,715	16,148,410	44,401,326	2,244,834	460,362	478,835	4,258,134	28,731,011	30,513,821	-	806,079	88,768	351,231	867,678	168,738,308
Operating expenses:																
Cost of power	15,838,425	11,533,302	10,608,775	43,119,304	2,128,991	-	214,975	367,953	26,075,844	17,899,455	-	39,067	-	18,900	252,634	128,097,625
Payments in lieu of ad valorem taxes	-	284,452	218,824	348,325	-	-	63,467	-	-	-	-	-	-	-	-	915,068
Depreciation	7,993	2,900,518	2,598,468	5,597	5,935	12,566	596,952	2,704,480	11,532	5,256,334	-	16,153	4,895	16,402	317,100	14,454,925
General and administrative	173,280	395,883	318,361	476,664	102,878	446,351	75,250	157,927	1,100,034	2,098,818	-	525,777	52,963	301,020	5,330	6,230,536
	16,019,698	15,114,155	13,744,428	43,949,890	2,237,804	458,917	950,644	3,230,360	27,187,410	25,254,607	-	580,997	57,858	336,322	575,064	149,698,154
Operating income	36,406	8,217,560	2,403,982	451,436	7,030	1,445	(471,809)	1,027,774	1,543,601	5,259,214	-	225,082	30,910	14,909	292,614	19,040,154
Nonoperating revenues (expenses):																
Interest income	-	17,172	32,952	62	-	-	-	496,376	-	1,119,587	-	-	-	-	2,490	1,668,639
Interest expense	(11,143)	(81,870)	(1,069,609)	(44,468)	(1,498)	(2,614)	(380)	(2,046,703)	(6,791)	(3,980,220)	-	(447)	(96)	(273)	(281,138)	(7,527,250)
Amortization of bond issuance costs	-	(43,473)	(39,324)	-	-	-	-	(56,415)	-	(125,769)	-	-	-	-	(11,921)	(276,902)
	(11,143)	(108,171)	(1,075,981)	(44,406)	(1,498)	(2,614)	(380)	(1,606,742)	(6,791)	(2,986,402)	-	(447)	(96)	(273)	(290,569)	(6,135,513)
Excess of revenues over expenses before net costs advanced through billings to Members	25,263	8,109,389	1,328,001	407,030	5,532	(1,169)	(472,189)	(578,968)	1,536,810	2,272,812	-	224,635	30,814	14,636	2,045	12,904,641
(Increase) decrease in net costs advanced through billings to Members	5,432	(7,720,673)	(1,220,251)	3,877	4,095	1,169	595,372	636,350	11,532	(1,626,380)	-	7,201	3,321	8,334	12,436	(9,278,185)
Excess of revenues over expenses	\$ 30,695	\$ 388,716	\$ 107,750	\$ 410,907	\$ 9,627	\$ -	\$ 123,183	\$ 57,382	\$ 1,548,342	\$ 646,432	\$ -	\$ 231,836	\$ 34,135	\$ 22,970	\$ 14,481	\$ 3,626,456

Other Reports

Report of Independent Auditors on State of Utah Legal Compliance

The Board of Directors of
Utah Associated Municipal Power Systems

We have audited Utah Associated Municipal Power Systems' compliance with general compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended March 31, 2012. The general compliance requirements applicable to the Company are identified as follows:

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

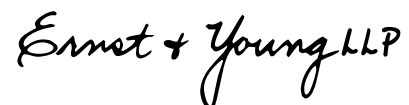
Utah Associated Municipal Power Systems did not receive any major or non-major state grants during the year ended March 31, 2012.

Compliance with the requirements referred to above is the responsibility of the Company's management. 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the general compliance requirements identified above. An audit includes examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Company's compliance with those requirements.

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, 2012.

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



July 18, 2012

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, 2012, and have issued our report thereon dated July 18, 2012. 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

Management of Utah Associated Municipal Power Systems is responsible for establishing and maintaining effective 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and other matters

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

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

Ernst + Young LLP

July 18, 2012

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