Financial Statements And Supplemental Schedules

Utah Associated Municipal Power Systems
Years Ended March 31, 2017 and 2016
With Report of Independent Auditors

Ernst & Young LLP

EY
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Utah Associated Municipal Power Systems

Financial Statements and Supplemental Schedules

Years Ended March 31, 2017 and 2016

Contents

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, 2017, 2016, and 2015.

Description of Business

UAMPS is a political subdivision of the state of Utah (the State). Its 46 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 14 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 a change in net position for the years ended March 31, 2017, 2016, and 2015, of $3.0 million, $3.7 million, and $3.7 million, respectively. The Members may elect to receive refunds of the 2017 excess of revenues over expenses during fiscal year 2018.

Overview of the Financial Statements

This report includes UAMPS' audited financial statements presented in accordance with accounting principles generally accepted in the United States. The audited financial statements include four components: statements of net position, statements of revenues and expenses and changes in net position, statements of cash flows and notes to the financial statements. The statements of net position 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 position include 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, 2017, 2016, and 2015, were $73.3 million, $75.8 million, and $96.1 million, respectively. The decrease of $2.5 million from March 31, 2016 to March 31, 2017, is due to usage of the Veyo Heat Recovery Project funds of $6.5 million, as the project was completed and placed in service during the fiscal year. This decrease was offset by increases in San Juan Project overhaul funds of $1.0 million, as well as an increase to the San Juan Reclamation funds also of $1.0 million. Additionally there was an increase to unrestricted cash of $1.7 million. There were other minor fluctuations within accounts. The decrease of $20.3 million from March 31, 2015 to March 31, 2016, is due largely to the consumption of the Veyo Heat Recovery Project Funds of $19.4 million as the project was under construction during the fiscal year. Additionally the Payson Project overhaul funds decreased by $1.0 million and the San Juan Project overhaul funds decreased by $3.5 million as the Projects used the funds for outage expenses. These drawdowns were offset by an increase in the Hunter Project overhaul account of $3.4 million. The components of investments at March 31, 2017, 2016, and 2015, consisted of the following:

	2017	**2016**	**2015**
Money Market invested in U.S. Government	**–%**	1.5%	0.5%
Investment in U.S. Treasury notes	**15.6**	15.3	12.1
Investment in Debenture issued by Government Sponsored Enterprise	**0.6**	0.6	0.5
Utah Public Treasurer's Investment Fund	**83.8**	82.6	86.9
	100.0%	100.0%	100.0%

Financial Analysis (continued)

At March 31, 2017, 2016, and 2015, accounts receivable totaled $22.3 million, $25.8 million, and $22.6 million, respectively. The decrease of $3.5 million from March 31, 2016 to March 31, 2017, is due to the earlier payment of various larger invoices, than at the same time in the prior year. The increase of $3.2 million from March 31, 2015 to March 31, 2016, was due in part to two members joining a project, increasing the amounts outstanding at year end. There was an increase in power sales during fiscal year 2016, increasing the overall accounts receivable balance. The table below summarizes UAMPS' net position at March 31, 2017, 2016, and 2015:

	2017	2016	2015
Capital assets, net	**$ 141,549**	$ 153,163	$ 148,642
Other assets	**188,518**	199,951	224,270
	330,067	353,114	372,912
Deferred outflows of resources	**3,581**	3,993	526
Total assets and deferred outflows of resources	**$ 333,648**	$ 357,107	$ 373,438
Current liabilities	**$ 39,369**	$ 42,652	$ 44,354
Long-term liabilities	**211,807**	226,456	237,319
Other liabilities	**49,944**	52,668	54,965
Total liabilities	**301,120**	321,776	336,638
Deferred inflows of resources	**25,447**	27,982	30,042
Net position:			
Net investment in capital assets	**29,009**	28,029	23,794
Restricted	**7,618**	10,261	13,060
Unrestricted	**(29,546)**	(30,941)	(30,096)
	7,081	7,349	6,758
Total liabilities, deferred inflows of resources, and net position	**$ 333,648**	$ 357,107	$ 373,438

Financial Analysis of Operations

Operating revenue from power sales for the years ended March 31, 2017, 2016, and 2015, was $189.1 million, $185.1 million, and $168.8 million, respectively. The increase of $4.0 million in fiscal year 2017 from fiscal year 2016 is due to several reasons. First, increased MWh production in several projects. Second, the rate charged for transmission increased due an increase in rates from PacifiCorp. Third, revenue increased in the Firm Power Supply Project as there were additional contracts added. Finally, the Veyo Heat Recovery Project was placed in service, and income was generated to cover costs.

Financial Analysis of Operations (continued)

The increase of $16.3 million in fiscal year 2016 from fiscal year 2015 is also due to several reasons. First, similarly, MWh production increased in several projects. Second, the rate charged for transmission increased, due to higher costs for transmission purchased from PacifiCorp. Third, the San Juan Project saw increased revenue due to restructuring settlements received. Fourth, the Carbon Free Power Project began to see revenues for cost sharing arrangements. Finally, the Resource Project had an increase in revenues for additional incentives in the conservation programs. The remainder is due to smaller fluctuations within other projects.

Investment income for March 31, 2017, 2016, and 2015, was $0.3 million, $0.5 million, and $0.2 million, respectively. The decrease in income from March 31, 2016 to March 31, 2017, is due to an unrealized loss on investments held. Similarly, the increase in income from fiscal year 2015 to fiscal year 2016 is due to unrealized gain on investments held at March 31, 2016. Additionally, per GASB Statement No. 65, the Company included the current period costs of bond issuance of $0.1 million in fiscal 2017 and $0.1 million in fiscal 2016.

The table below summarizes UAMPS' total revenues and expenses for fiscal years 2017, 2016, and 2015:

	2017	2016	2015
Revenue:			
Power sales	**$ 189,123**	$ 185,093	$ 168,817
Investment and other income (expense)	**276**	461	218
Other income	**1,863**	2,740	1,942
	191,262	188,294	170,977
Expenses:			
Cost of power	**151,856**	150,763	136,708
Other expenses	**36,390**	33,866	30,539
	188,246	184,629	167,247
Change in net position	**3,016**	3,665	3,730
Net position at beginning of year	**7,349**	6,758	5,176
Distributions	**(3,285)**	(3,074)	(2,148)
Net position at end of year	**$ 7,080**	$ 7,349	$ 6,758

Cash Flow and Liquidity

UAMPS' sources of cash include power sales, services, issuance of debt and investment income. The cash balance at March 31, 2017, 2016, and 2015, was $2.2 million, $0.5 million, and $0.0 million, respectively. The amount will fluctuate primarily due to timing of the transfer from the revolving line of credit and cash transfers.

Cash Flow and Liquidity (continued)

In order to manage cash flow requirements, UAMPS has a revolving line of credit with two financial institutions with total available cash lines of $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 $9.8 million, $13.4 million, and $11.4 million, as of March 31, 2017, 2016, and 2015, 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

Construction on The Veyo Heat Recovery Project began in October 2014. The Project is a 7.8 MW recovered energy generation system that is constructed adjacent to a natural gas compressor station owned and operated by Kern River Gas Transmission Company in Southwestern Utah, near the community of Veyo. The Recovered Energy Generation System interconnects with the Veyo Compressor Station and utilizes the waste heat in the generation of electricity. The project was placed in service in May 2016.

On March 31, 2017, 2016, and 2015, the construction work-in-progress balance was $0.4 million, $26.3 million, and $11.0 million. The balance at March 31, 2017, consists of computer equipment upgrades. The balances at March 31, 2016 and March 31, 2015, represent Veyo project construction costs.

The Santa Clara – Washington Generating Project Generator Revenue Bonds, Series 2008 (totaling $2.7 million) were redeemed at 100% principal and accrued interest. Accordingly, all amounts related to the defeased Bonds were removed from the balance sheet. The refunding reduced total debt service payments by $0.3 million and results 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 $0.2 million.

On September 29, 2016, UAMPS issued the Generator Refunding Revenue Bonds (Washington City Project) Series 2016 (totaling $2.0 million) at 2.59% interest. The bonds maturing on or after July 1, 2024, are subject to redemption prior to maturity, at the election of UAMPS on any interest payment date, on or after July 1, 2023, in whole or in part (and if in part, in inverse order of principal installments), at a redemption price equal to 100% of the principal amounts of the bonds to be redeemed plus accrued interest. The bonds were issued to refund the Santa-Clara Washington Generating Project Series 2008 and pay cost of issuance.

Western Electric Energy Markets

The energy markets in the Western Interconnection have remained stable due to low natural gas prices and general economic conditions. While most utilities in the west are seeing minimal load growth due to energy efficiency and distributed generation, UAMPS Members are still seeing significant load growth. UAMPS' loads continue to be growing in the 1% –2% range with some Members in the 5% growth range. UAMPS continues efforts to evaluate new generation resources, to work with the various regional transmission providers and regional planning organizations to see that the needed transmission infrastructure is built in a timely fashion and to evaluate and monitor the Energy Imbalance Market that our Transmission Providers, PacifiCorp and NV Energy, and others have joined. UAMPS is also monitoring efforts to form a Regional Independent System Operator based on the expansion of the California Independent System Operator (CAISO) and the proposed expansion of the Southwest Power Pool RTO being proposed by utilities in the Colorado area in the Western Interconnection.

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.

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Report of Independent Auditors

The Board of Directors
Utah Associated Municipal Power Systems

Report on the Financial Statements

We have audited the accompanying financial statements of Utah Associated Municipal Power Systems as of and for the years ended March 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Utah Associated Municipal Power Systems' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Utah Associated Municipal Power Systems as of March 31, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 1 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Utah Associated Municipal Power Systems' basic financial statements. The accompanying schedules of project financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of project financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedules of project financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated [July 19, 2017], 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* in considering Utah Associated Municipal Power Systems' internal control over financial reporting and compliance.

Ernst & Young LLP

July 19, 2017

Utah Associated Municipal Power Systems

Statements of Net Position

	March 31 2017	March 31 2016
Assets		
Current assets:		
Cash	**$ 2,186,485**	$ 455,694
Receivables	**22,326,874**	25,764,155
Prepaid expenses and deposits	**6,758,251**	5,684,694
Investments	**13,407,395**	13,187,121
Current portion of energy prepayment	**5,724,341**	5,724,341
	50,403,346	50,816,005
Restricted assets:		
Interest receivable	**53,466**	54,276
Investments	**57,716,093**	62,152,572
	57,769,559	62,206,848
Capital assets:		
Generation	**305,845,678**	272,753,656
Transmission	**84,669,469**	84,669,469
Furniture and equipment	**1,014,537**	1,221,333
	391,529,684	358,644,458
Less accumulated depreciation	**(250,380,491)**	(231,773,744)
	141,149,193	126,870,714
Construction work-in-progress	**400,000**	26,292,559
	141,549,193	153,163,273
Other assets:		
Energy prepayment, less current portion	**80,344,348**	86,927,938
Deferred outflows of resources		
Defeasance costs	**3,581,266**	3,992,923
Total assets and deferred outflows of resources	**$333,647,712**	**$357,106,987**

Utah Associated Municipal Power Systems

Statements of Net Position (continued)

	March 31	
	2017	**2016**
Liabilities		
Current liabilities:		
Accounts payable	**$ 16,088,482**	$ 15,390,729
Accrued liabilities	**10,493,507**	10,901,586
Lines of credit	**9,800,000**	13,372,739
Current portion of unearned revenue	**2,987,178**	2,987,246
	39,369,167	42,652,300
Liabilities payable from restricted assets:		
Accrued interest payable	**2,363,655**	2,352,913
Current portion of long-term debt	**14,680,517**	14,472,439
	17,044,172	16,825,352
Long-term debt:		
Bonds payable, less current portion	**200,760,000**	213,737,000
Unamortized bond discount	**(5,153)**	(7,729)
Unamortized bond premium	**11,052,635**	12,726,728
	211,807,482	226,455,999
Other liabilities:		
Unearned revenue, less current portion	**32,899,360**	35,842,274
Deferred inflows of resources		
Net costs advanced from billings to members	**25,447,232**	27,982,237
Net position		
Invested in plant, net of debt	**29,008,611**	28,028,894
Restricted for project costs	**7,617,720**	10,261,018
Unrestricted	**(29,546,032)**	(30,941,087)
	7,080,299	7,348,825
Total liabilities, deferred inflows of resources, and net position	**$333,647,712**	**$357,106,987**

See accompanying notes.

Utah Associated Municipal Power Systems

Statements of Revenues and Expenses and Changes in Net Position

	Year Ended March 31	
	2017	**2016**
Operating revenues:		
Power sales	**$ 189,123,110**	$ 185,093,257
Other	**1,863,273**	2,740,337
	190,986,383	187,833,594
Operating expenses:		
Cost of power	**151,856,232**	150,763,422
In lieu of ad valorem taxes	**703,067**	707,329
Depreciation	**19,038,667**	17,736,099
General and administrative	**11,736,481**	10,343,747
	183,334,447	179,550,597
Operating income	**7,651,936**	8,282,997
Nonoperating revenues (expenses):		
Interest expense	**(7,447,198)**	(7,139,046)
Investment and other income, net	**276,406**	460,832
Recognition of deferred costs and revenues	**2,535,005**	2,059,584
Total nonoperating expenses, net	**(4,635,787)**	(4,618,630)
Change in net position	**3,016,149**	3,664,367
Net position at beginning of year	**7,348,824**	6,758,226
Distributions to members	**(3,284,674)**	(3,073,769)
Net position at end of year	**$ 7,080,299**	$ 7,348,824

See accompanying notes.

Utah Associated Municipal Power Systems

Statements of Cash Flows

	Year Ended March 31	
	2017	**2016**
Operating activities		
Cash received from customers	**$ 191,480,682**	$ 181,774,548
Cash payments to suppliers for goods and services	**(151,429,964)**	(151,503,321)
Cash payments to employees for services	**(6,758,985)**	(5,981,226)
Cash payments for ad valorem taxes	**(707,123)**	(799,240)
Deferred revenue	**–**	(174,460)
Net cash provided by operating activities	**32,584,610**	23,316,301
Capital and related financing activities		
Disbursements for utility plant and equipment	**(7,024,587)**	(22,257,898)
Proceeds from issuance of long-term debt	**1,968,000**	25,880,000
Disbursement for bond refunding	**–**	(3,597,620)
Principal disbursement on revenue bonds	**(14,632,000)**	(33,666,000)
Interest disbursement on revenue bonds	**(8,801,238)**	(9,165,323)
Bond issuance costs	**(130,001)**	(64,612)
Distribution	**(3,284,674)**	(3,073,769)
Net cash used in capital and related financing activities	**(31,904,500)**	(45,945,222)
Noncapital and related financing activities		
Draws on lines of credit	**147,001,839**	188,599,851
Disbursements on lines of credit	**(150,574,578)**	(186,640,643)
Outstanding checks in excess of long-term debt	**–**	(160,411)
Net cash (used in) provided by noncapital and related financing activities	**(3,572,739)**	1,798,797

Utah Associated Municipal Power Systems

Statements of Cash Flows (continued)

	Year Ended March 31	
	2017	2016
Investing activities		
Cash received from investments	**$ 223,119**	$ 1,610,904
Cash paid for investments	**(443,393)**	(1,028,656)
Restricted assets:		
Cash received from investments	**7,134,234**	24,718,908
Cash paid for investments	**(3,100,218)**	(4,660,911)
Interest income received	**809,678**	645,573
Net cash provided by investing activities	**4,623,420**	21,285,818
Increase in cash	**1,730,791**	455,694
Cash at beginning of year	**455,694**	–
Cash at end of year	**$ 2,186,485**	$ 455,694
Noncash investing, capital and financing activities		
Noncash expenditures in accounts payable	**$ 400,000**	$ –
Reconciliation of operating income to net cash provided by operating activities		
Operating income	**$ 7,651,936**	$ 8,282,997
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	**19,038,667**	17,736,099
Amortization of unearned revenue	**(2,942,982)**	(2,943,053)
Amortization of prepaid energy	**6,583,591**	6,401,268
Unearned revenue	**–**	(174,460)
Decrease (increase) in current receivables	**3,437,281**	(3,115,993)
(Increase) decrease in prepaid expenses and deposits	**(1,073,557)**	729,080
Increase (decrease) increase in accounts payable	**297,753**	(1,898,334)
Decrease in accrued liabilities	**(408,079)**	(1,701,303)
Net cash provided by operating activities	**$ 32,584,610**	$ 23,316,301
Noncash investing, capital and financing activities		
Noncash expenditures in accounts payable	**$ 400,000**	$ –

See accompanying notes.

1. Summary of Significant Accounting Policies

Organization and Purpose

Utah Associated Municipal Power Systems (UAMPS), a separate political subdivision of the state of Utah, was established pursuant to the provisions of the Utah Interlocal Co-operation Act of November 1980, and was organized under the Amended and Restated Utah Associated Municipal Power Systems Agreement for Joint Cooperative Action. UAMPS' membership consists of 35 municipalities, 1 joint action agency, 1 electric service district, 1 public utility district, 2 water conservancy districts, 3 co-ops, 1 municipal utility district, 1 utility improvement district and 1 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). 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.

Recent Accounting Developments

GASB Statement No. 83

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a

1. Summary of Significant Accounting Policies (continued)

tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. If probability weighting is not feasible at reasonable cost, the most likely amount should be used. This Statement requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement.

This Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. In addition, it requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. A government should remeasure an ARO only when the result of the evaluation indicates there is a significant change in the estimated outlays. The deferred outflows of resources should be reduced and recognized as outflows of resources (for example, as an expense) in a systematic and rational manner over the estimated useful life of the tangible capital asset.

This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The Company is currently evaluating the effects the adoption of this statement will have on the financial statements.

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

1. Summary of Significant Accounting Policies (continued)

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 and interest expense and 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.

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 recorded as deferred inflows of resources in the accompanying statements of net position. For a company to report

1. Summary of Significant Accounting Policies (continued)

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 deferred inflows. 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, the Central-St. George project, and the Horse Butte Wind 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 unearned revenue and will be amortized to revenue over the life of the respective bond issues.

Risk Management

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

1. Summary of Significant Accounting Policies (continued)

Net Position

Net position is classified into three components:

- Net investment in capital assets: This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, other long-term borrowings, or deferred outflows of resources that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- Restricted: This component of net position consists of amounts 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: This component of net position consists of amounts that do not meet the definition of "restricted" or "net investment in capital assets." As of March 31, 2017 and 2016, UAMPS reported a negative balance in unrestricted net position. The deficit is a result of a long-term prepayment of future power sales.

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

2. Power Sales and Transmission Service Contracts Relating to Bonds

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

- UAMPS has contracted with 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, 2012, and 2016 Bonds have been paid.

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

- UAMPS has contracted with 15 municipalities and 1 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, 1 public utility district, and 1 electric service district in the Payson project to supply power from the generating unit. Each contract term extends, at a minimum, to the date all principal and interest on the 2012 and 2013 Bonds have been paid.

- UAMPS has contracted with 21 municipalities, 1 joint action agency, 1 co-op, and 1 public utility district in the Horse Butte Wind project to supply power from the project. UAMPS executed a 20-year power purchase agreement, prepaying for the expected minimum energy output of the project (known as the P99 output). UAMPS will also purchase all additional energy produced as well as all Renewable Energy Credits (RECs) associated with the prepaid and additional energy on a pay-as-you-go basis. The prepayment of the energy output has been recorded as energy prepayment on the statement of net position.

- UAMPS has contracted with six municipal utilities of one California public utility district in the Veyo Heat Recovery project to supply power from the project. Each contract term extends, at a minimum, to the date all principal and interest on the 2014 bonds have been paid.

3. Net Costs Advanced From Billings to Members

	For the Years Ended 2017	For the Years Ended 2016	Accumulated Total as of 2017	Accumulated Total as of 2016
Items in accordance with GAAP not currently billable to members				
Depreciation, accretion and amortization of bond issuance costs	**$ 19,168,668**	$ 17,800,711	**$304,169,745**	$285,001,077
Refunding charge on refunding/defeasance of revenue bonds	**–**	–	**40,110,598**	40,110,598
Principal collected from certain receivables	**–**	–	**8,151,148**	8,151,148
Excess bond proceeds (used to pay Interest/CWIP)	**409,853**	315,202	**13,590,126**	13,180,273
Principal amounts of notes	**–**	–	**1,750,000**	1,750,000
Cost recovery on off-system sales losses	**–**	–	**40,640,144**	40,640,144
Estimated future loss on contracts	**–**	–	**10,384,038**	10,384,038
Amortization of deferred revenue	**(2,942,982)**	(2,943,053)	**(32,164,343)**	(29,221,361)
Utility plant renewals and replacements	**(2,767,503)**	(6,960,468)	**(95,799,799)**	(93,032,296)
Plant inventory	**(181,718)**	(94,536)	**(615,879)**	(434,161)
Principal amounts of debt service	**(13,159,313)**	(11,595,861)	**(315,479,248)**	(302,319,935)
Amortization of bond premium	**(1,776,439)**	(1,852,236)	**(12,972,087)**	(11,195,648)
Major overhaul reserve payments	**(3,627,196)**	747,703	**(16,613,019)**	(12,985,823)
Unrealized gain/loss on investment	**402,463**	120,939	**(616,073)**	(1,018,536)
Amortization of defeased debt costs	**411,657**	130,991	**948,194**	536,537
Amortization of prepaid energy	**6,583,591**	6,401,267	**28,506,106**	21,922,515
Accrued personal leave	**13,924**	(11,075)	**563,117**	549,193
Net costs advanced from billings to members	**$ 2,535,005**	$ 2,059,584	**$ (25,447,232)**	$ (27,982,237)

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.

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.

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.

Construction on The Veyo Heat Recovery Project began in October 2014. The Project is a 7.8 MW recovered energy generation system that is constructed adjacent to a natural gas compressor station owned and operated by Kern River Gas Transmission Company in Southwestern Utah, near the community of Veyo. The Recovered Energy Generation System interconnects with the Veyo Compressor Station and utilizes the waste heat in the generation of electricity. The project was placed in service in May 2016.

4. Capital Assets (continued)

	Generation	Transmission	Furniture and Equipment	Construction Work-In-Progress	Total
Balance, April 1, 2016	**$ 272,753,656**	**$ 84,669,469**	**$ 1,221,333**	**$ 26,292,559**	**$ 384,937,017**
Capital additions	**33,157,008**	**–**	**160,138**	**5,024,207**	**38,341,353**
Sales, retirements	**(64,986)**	**–**	**(366,934)**	**(30,916,766)**	**(31,348,686)**
Balance, March 31, 2017	**$ 305,845,678**	**$ 84,669,469**	**$ 1,014,537**	**$ 400,000**	**$ 391,929,684**
Accumulated depreciation, April 1, 2016	**$ (178,970,050)**	**$ (52,050,293)**	**$ (753,402)**	**$ –**	**$ (231,773,744)**
Depreciation expense	**(15,537,106)**	**(3,288,597)**	**(212,964)**	**–**	**(19,038,667)**
Retirements	**64,986**	**–**	**366,934**	**–**	**431,920**
Accumulated depreciation, March 31, 2017	**$ (194,442,170)**	**$ (55,338,890)**	**$ (599,431)**	**$ –**	**$ (250,380,491)**
Average depreciation rate	**5.4%**	**3.9%**	**19.0%**	**–%**	**4.9%**

	Generation	Transmission	Furniture and Equipment	Construction Work-In-Progress	Total
Balance, April 1, 2015	$ 266,060,907	$ 84,669,469	$ 1,062,909	$ 10,995,133	$ 362,788,418
Capital additions	6,704,160	–	256,312	15,297,426	22,257,897
Sales, retirements	(11,411)	–	(97,888)	–	(109,298)
Balance, March 31, 2016	$ 272,753,656	$ 84,669,469	$ 1,221,333	$ 26,292,559	$ 384,937,017
Accumulated depreciation, April 1, 2015	$ (164,777,175)	$ (48,761,696)	$ (608,073)	$ –	$ (214,146,944)
Depreciation expense	(14,204,286)	(3,288,597)	(243,216)	–	(17,736,099)
Retirements	11,411	–	97,888	–	109,298
Accumulated depreciation, March 31, 2016	$ (178,970,050)	$ (52,050,293)	$ (753,401)	$ –	$ (231,773,744)
Average depreciation rate	5.3%	3.9%	21.3%	–%	4.7%

5. Investments

Investments are related primarily to debt service reserve funds. Investments consisted of the following:

	Year Ended March 31	
	2017	**2016**
Restricted:		
Utah Public Treasurers' Investment Fund	**$ 46,163,163**	$ 49,056,603
U.S. Treasury Note	**11,118,454**	11,508,196
U.S. Government Agencies	**434,476**	453,326
Money Market Funds	**–**	1,134,447
Total	**$ 57,716,093**	$ 62,152,572
Current:		
Utah Public Treasurers' Investment Fund	**$ 13,407,395**	$ 13,187,121
Total	**$ 13,407,395**	$ 13,187,121

UAMPS categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. As of March 31, 2017 and 2016, UAMPS had fair value measurements as shown below:

	Fair Value Measurements Using			
	Fair Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Fiscal year 2017				
Utah Public Treasurers' Investment Fund	**$ 59,570,558**	**$ –**	**$ –**	**$ 59,570,558**
U.S. Treasury Note	**11,118,454**	**–**	**11,118,454**	**–**
U.S. Government Agencies	**434,476**	**–**	**434,476**	**–**
Money Market Funds	**–**	**–**	**–**	**–**
	$ 71,123,488	**$ –**	**$ 11,552,930**	**$ 59,570,558**
Fiscal year 2016				
Utah Public Treasurers' Investment Fund	$ 62,243,724	$ –	$ –	$ 62,243,724
U.S. Treasury Note	11,508,196	–	11,508,196	–
U.S. Government Agencies	453,326	–	453,326	–
Money Market Funds	1,134,447	–	1,134,447	–
	$ 75,339,693	$ –	$ 13,095,969	$ 62,243,724

5. Investments (continued)

Debt securities classified in Level 2 of the fair value hierarchy are valued using third-party pricing service, which provides documentation on an ongoing basis that includes among other things, pricing information with respect to reference data, methodology, inputs summarized by asset class, pricing application and corroborative information. Utah Public Treasurers' Investment Fund (PTIF) securities classified in Level 3 are priced using the pool's fair value per share factor, as published by the Utah Treasurer's Office, multiplied by our pool balance.

At March 31, 2017 and 2016, UAMPS' investments held the following quality ratings:

		Quality Rating	
	Value	**AAA/Aaa/ AA+**	**Unrated**
Fiscal Year 2017			
Utah Public Treasurers' Investment Fund	**$ 59,570,558**	**$ –**	**$ 59,570,558**
U.S. Treasury Notes	**11,118,454**	**11,118,454**	**–**
U.S. Government Agencies	**434,476**	**434,476**	**–**
Total	**$ 71,123,488**	**$ 11,552,930**	**$ 59,570,558**
Fiscal Year 2016			
Utah Public Treasurers' Investment Fund	$ 62,243,724	$ –	$ 62,243,724
U.S. Treasury Notes	11,508,196	11,508,196	–
U.S. Government Agencies	453,326	453,326	–
Money Market Funds	1,134,447	1,134,447	–
Total	$ 75,339,693	$ 13,095,969	$ 62,243,724

UAMPS' investments are exposed to credit risk, custodial credit risk and interest rate risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Deposits are exposed to custodial credit risk if they are not covered by depository insurance, and are not collateralized, are collateralized by the pledging financial institution, or is collateralized by the pledging financial institution's trust department or agent, but not in the depositor governments' name. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

UAMPS policy for reducing its exposure to these risks is to comply with the bond covenants that allow UAMPS to invest in U.S. government securities, obligations of any state, including the Utah Public Treasurer's Investment Fund (PTIF), certificates of deposit and bankers acceptances of banks meeting certain minimum requirements and repurchase agreements. UAMPS deposits are

5. Investments (continued)

insured up to $250,000 by the Federal Deposit Insurance Corporation. At March 31, 2017 and 2016, UAMPS had $1.9 million and $0.2 exposed to custodial credit risk. UAMPS uses the Specific Identification Method for identifying interest rate risk.

At March 31, 2017, UAMPS had the following debt investment balances by investment type and maturity:

	2017	Less Than 1	1–5	6–10	More Than 10
U.S. Treasury Note	$11,118,454	$ –	$11,118,454	$ –	$ –
U.S. Government Agencies	434,476	434,476	–	–	–
	$11,552,930	$ 434,476	$11,118,454	$ –	$ –

6. Cash

The cash balance at March 31, 2017, of $2.2 million and at March 31, 2016, of $0.5 million consisted of deposits with banks.

As of March 31, 2017 and 2016, there was no balance in restricted cash.

7. Debt

Pursuant to the Horse Butte Wind Project Revenue and Variable Rate Demand 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, the Member Services Revenue Bond Resolution, and the Veyo Heat Recovery Project 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 2017	2016
Horse Butte Wind 2012A					
Serial	$ 67,860,000	0.05%–5.00%	2013–2032	**$ 58,950,000**	$ 61,325,000
Horse Butte Wind 2012B Variable Rate Demand					
Term	2,065,000	Variable	2023	**2,065,000**	2,065,000
Term	2,135,000	Variable	2024	**2,135,000**	2,135,000
Term	2,205,000	Variable	2025	**2,205,000**	2,205,000
Term	2,275,000	Variable	2026	**2,275,000**	2,275,000
Term	2,350,000	Variable	2027	**2,350,000**	2,350,000
Term	2,425,000	Variable	2028	**2,425,000**	2,425,000
Term	2,505,000	Variable	2029	**2,505,000**	2,505,000
Term	2,585,000	Variable	2030	**2,585,000**	2,585,000
Term	2,670,000	Variable	2031	**2,670,000**	2,670,000
Term	2,755,000	Variable	2032	**2,755,000**	2,755,000
	23,970,000				
San Juan 2008A					
Serial	2,345,000	3.50%–4.50%	2009–2022	**1,175,000**	1,345,000
San Juan 2011					
Serial	22,165,000	2.00%–5.50%	2011–2023	**13,845,000**	15,600,000
Central–St. George 2009					
Serial	2,350,000	4.00%–5.00%	2010–2019	**830,000**	1,080,000
Term	2,335,000	5.25%	2020	**–**	–
Term	2,455,000	5.25%	2021	**–**	–
Term	2,585,000	5.25%	2022	**–**	–
Term	2,720,000	5.25%	2023	**–**	–
Term	2,865,000	5.25%	2024	**–**	–
Term	3,015,000	5.25%	2025	**–**	–
Term	3,170,000	5.25%	2026	**–**	–
Term	3,340,000	5.25%	2027	**–**	–
	22,485,000				

7. Debt (continued)

Series	Original Issue	Interest Rate	Original Maturity Date	Principal Outstanding March 31 2017	Principal Outstanding March 31 2016
Central-St. George 2011					
Term	$ 3,800,000	2.65%	2011–2019	**$ 1,520,000**	$ 2,000,000
Central-St. George 2012					
Serial	11,240,000	2.32%	2012–2019	**4,430,000**	5,840,000
Central-St. George 2016					
Term	25,880,000	2.53%	2016–2027	**25,300,000**	25,880,000
Payson 2012					
Serial	74,885,000	2.00%–5.00%	2013–2026	**56,970,000**	61,660,000
Payson 2013					
Serial	2,025,000	1.76%	2014–2023	**1,465,000**	1,660,000
Veyo 2014					
Serial	12,990,000	3.00%–5.00%	2017–2034	**12,505,000**	12,990,000
Term	1,060,000	4.00%	2035	**1,060,000**	1,060,000
Term	1,100,000	4.00%	2036	**1,100,000**	1,100,000
Term	1,145,000	4.00%	2037	**1,145,000**	1,145,000
Term	1,190,000	4.00%	2038	**1,190,000**	1,190,000
Term	1,240,000	5.00%	2039	**1,240,000**	1,240,000
Term	1,300,000	5.00%	2040	**1,300,000**	1,300,000
Term	1,365,000	5.00%	2041	**1,365,000**	1,365,000
	8,400,000				
Hurricane City 2013					
Term	2,009,000	2.30%	2013	**1,632,000**	1,761,000
Washington City 2013					
Term	996,000	2.30%	2013	**809,000**	873,000
Santa Clara – Washington 2008					
Serial	2,698,000	5.16%	2009–2028	**–**	2,049,000
Washington – 2016					
Term	1,968,000	2.59%	2017–2029	**1,968,000**	–
				213,769,000	226,433,000
Less unamortized discount				**5,153**	7,729
Plus unamortized premium				**11,052,635**	12,726,728
Less current portion (excluding current portion of unamortized bond premium and discount)				**13,009,000**	12,696,000
				$ 211,807,482	$ 226,455,999

7. Debt (continued)

On December 16, 2014, UAMPS issued Veyo Heat Recovery Project Revenue Bonds (totaling $21.4 million). The bonds were issued to finance a portion of the cost of the Veyo Heat Recovery Project and together with other available funds, will be used to pay all of the estimated costs of the project, including retiring the Veyo Heat Recovery Project Revenue Bond Anticipation Notes, Series 2014, the deposit to the construction fund, the deposit to Debt Service Reserve Account, the capitalized interest on the Series 2014 Bonds to October 15, 2016, and the costs of issuance. The Series 2014 Bonds maturing on or after March 1, 2026, are subject to redemption prior to maturity on or after March 1, 2025, in whole or in part on any date, at a redemption price equal to 100% of the principal amount or portion plus accrued interest to redemption date. The Series 2014 Bonds maturing on March 1, 2038, are subject to mandatory sinking fund redemption on March 1, 2035, and on each March 1 thereafter to and including March 1, 2037, at a redemption price equal at a redemption price equal to principal amount plus accrued interest to the redemption date. The Series 2014 Bonds maturing on March 1, 2041, are subject to mandatory sinking funds redemption on March 1, 2039 and March 1, 2040, at a redemption price equal to 100% of the principal amount plus accrued interest to the redemption date.

On September 6, 2012, UAMPS issued Horse Butte Wind Project Revenue Bonds Series 2012A (totaling $67.9 million) and Horse Butte Wind Project Variable Rate Demand Revenue Bonds Series 2012B (totaling $24.0 million). The bonds were issued to finance a prepayment for a specified supply of electricity to be delivered under a 20-year power purchase agreement from a 57.6 MW nameplate capacity wind farm. Bond proceeds also financed certain reserves and costs of issuance. UAMPS has sold all of the prepaid electricity to 24 of its members under Power Sales Contracts that extend for the term of the prepaid power purchase agreement and unconditionally obligate these members to pay all of UAMPS’ costs associated with this project, including debt service on the Bonds.

The Series 2012A Bonds mature annually on September 1, 2013 through 2032, and bear interest at a fixed rate of 5.00% (other than the 2013 maturity which bears interest at 0.05%). The Series 2012B Bonds maturing on or after September 1, 2023, are subject to optional redemption by UAMPS at par on and after September 1, 2022.

7. Debt (continued)

The Series 2012B Bonds mature on September 1, 2032, and are subject to annual mandatory sinking fund redemption at par beginning September 1, 2023. The Series 2012B Bonds bear interest at a daily, weekly, commercial paper or a long-term interest rate, as elected by UAMPS. The Series 2012B Bonds currently bear interest at a weekly rate determined by BMO Capital Markets, as remarketing agent, subject to a maximum rate of 12%. When interest is payable at a daily or weekly rate, the Series 2012B Bonds are subject to optional redemption by UAMPS at par on any business day.

The Series 2012B Bonds are subject to optional and mandatory tender for purchase. While the weekly rate is in effect, the Series 2012B Bonds are subject to option tender for purchase on seven days' notice by the bondholder at 100% of their principal amount plus accrued interest. The remarketing agent has agreed to use its best efforts to sell all Series 2012B Bonds tendered for purchase at a price equal to 100% of their principal amount plus accrued interest.

While the Series 2012B Bonds bear interest at a daily, weekly, or commercial paper rate, UAMPS is required to maintain a letter of credit or other credit enhancement in an amount sufficient to pay the principal or purchase price of and 45 days of interest on the Series 2012B Bonds at the maximum rate, unless certain rating requirements are met. The Series 2012B Bonds are currently secured by an irrevocable direct-pay Letter of Credit issued by Bank of Montreal that meets these requirements. The Letter of Credit expires on January 31, 2019, unless extended by the Bank in accordance with its terms. The Letter of Credit is subject to early termination upon the occurrence of various events of default specified in the reimbursement agreement between UAMPS and Bank of Montreal. UAMPS agrees to reimburse the Bank for amounts drawn under the letter of credit, together with interest on advances made by the Bank, and agrees to pay certain costs and expenses.

In the event that Series 2012B Bonds are tendered for purchase and not remarketed within 120 days, Bank of Montreal has, subject to certain conditions specified in the reimbursement agreement, agreed to provide a term loan in an amount equal to the purchase price of the unremarketed bonds. Any term loan will bear interest at a floating rate plus a margin, and is to be repaid through equal semiannual installments over the remaining term of the Letter of Credit. To date, all Series 2012B Bonds tendered for purchase have been remarketed. UAMPS is unable to predict whether and what amount of Series 2012B Bonds may be tendered for purchase and not remarketed in the future. If Series 2012B Bonds become unremarketed bonds and are converted to a term loan, it is possible that UAMPS would not have sufficient liquidity to repay the term loan in accordance with the terms of the reimbursement agreement. In such event, UAMPS would expect to convert the interest on the Series 2012B Bonds to a long-term interest rate or take other actions to refinance the term loan.

7. Debt (continued)

UAMPS has not entered into any interest rate swap or other arrangement to hedge its exposure to the floating interest rate on the Series 2012B Bonds.

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

The San Juan Project Refunding Revenue Bonds, Series 2011 (totaling $22.2 million), maturing June 1, 2023, at 2.00%–5.50% interest, 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 100.00% of the principal amount plus accrued interest.

The Central-St. George Transmission Project Revenue and Refunding Bonds, Series 2009, (totaling $24.8 million), maturing on or after December 1, 2020, were redeemed at 100% 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 $3.6 million. The refunding reduced total debt service payments by $1.5 million and results 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 $1.1 million. The outstanding principal amount of the Bonds extinguished through defeasance at March 31, 2016, was $22.5 million. The outstanding principal of the remaining Series 2009 Bonds at March 31, 2016, was $1.1 million.

The Central-St. George Transmission Project Revenue and Refunding Bond, Series 2011, (totaling $3.8 million), at 2.65% interest, is subject to optional redemption on or after December 1, 2015, at 101.00% of the principal amount of the Series 2011 Bond to be so redeemed plus accrued interest to the redemption date.

The Central-St. George Transmission Project Revenue and Refunding Bond, Series 2012, (totaling $11.2 million), at 2.32% interest, is subject to optional redemption on or after June 1, 2016, at 101.00% of the principal amount of the Series 2012 Bond to be so redeemed plus accrued interest to the redemption date.

On March 22, 2016, UAMPS issued the Central-St. George Transmission Project Revenue and Refunding Bond, Series 2016, (totaling $25.8 million), at 2.53% interest. The Series 2016 Bond may be prepaid in whole or in part without penalty. The bond was issued to refund a portion of outstanding Central-St. George Transmission Series 2009 Bonds and pay cost of issuance.

7. Debt (continued)

The Payson Power Project Refunding Revenue Bonds, Series 2012, (totaling $74.9 million) maturing on April 1, 2026, at 2.00%–5.00% interest, 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 100.00% of the principal amount of each Series 2012 Bond or portion thereof to be redeemed, plus accrued interest to the redemption date.

On June 20, 2013, UAMPS issued the Member Services Project Generator Revenue Refunding Bonds (Hurricane City project and Washington City project) Series 2013 Revenue Refunding Bonds (totaling $2.0 million and $1.0 million, respectively) at 2.30% interest. The Series 2013 Bonds are subject to redemption prior to maturity, at the election of UAMPS on or after November 1, 2020, in whole (but not in part), at a redemption price equal to 100.00% of the principal plus accrued interest.

On September 29, 2016, UAMPS issued the Generator Refunding Revenue Bonds (Washington City Project) Series 2016 (totaling $2.0 million) at 2.59% interest. The bonds maturing on or after July 1, 2024, are subject to redemption prior to maturity, at the election of UAMPS on any interest payment date, on or after July 1, 2023, in whole or in part (and if in part, in inverse order of principal installments), at a redemption price equal to 100% of the principal amounts of the bonds to be redeemed plus accrued interest. The bonds were issued to refund the Santa-Clara Washington Generating Project Generator Revenue Bonds, Series 2008 and pay cost of issuance. The bonds were redeemed at 100% principal and accrued interest. Accordingly, all amounts related to the defeased bonds were removed from the balance sheet. The refunding reduced total debt service payments by $0.3 million and results in an economic gain (i.e., the difference between the present value of the debt service payments on the old and new debt) of $0.2 million.

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

7. Debt (continued)

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, 2017, for variable rate bonds, of long-term debt are as follows:

	Revenue and Refunding Revenue Bonds	Interest	Total Debt Service Requirements
Year Ending March 31			
2018	$ 13,009,000	$ 8,299,776	$ 21,308,776
2019	13,544,000	7,747,329	21,291,329
2020	13,746,000	7,147,570	20,893,570
2021	14,306,000	6,531,784	20,837,784
2022	14,955,000	5,871,025	20,826,025
2023–2027	82,714,000	19,336,183	102,050,183
2028–2032	43,175,000	7,699,447	50,874,447
2033–2037	13,225,000	1,988,642	15,213,642
2038–2042	5,095,000	619,363	5,714,363
	$ 213,769,000	$ 65,241,119	$ 279,010,119

UAMPS incurred interest costs of $7.4 million and $7.1 million for the years ended March 31, 2017 and 2016, respectively.

7. Debt (continued)

The table below shows the changes in net long-term debt balances that occurred during the year ended March 31, 2017.

	March 31, 2016	Additions	Reductions	March 31, 2017	Amount Due Within One Year
Horse Butte Wind 2012A – Serial	$ 61,325,000	$ –	$ 2,375,000	$ 58,950,000	$ 2,490,000
Horse Butte Wind 2012B – Term	2,065,000	–	–	2,065,000	–
Horse Butte Wind 2012B – Term	2,135,000	–	–	2,135,000	–
Horse Butte Wind 2012B – Term	2,205,000	–	–	2,205,000	–
Horse Butte Wind 2012B – Term	2,275,000	–	–	2,275,000	–
Horse Butte Wind 2012B – Term	2,350,000	–	–	2,350,000	–
Horse Butte Wind 2012B – Term	2,425,000	–	–	2,425,000	–
Horse Butte Wind 2012B – Term	2,505,000	–	–	2,505,000	–
Horse Butte Wind 2012B – Term	2,585,000	–	–	2,585,000	–
Horse Butte Wind 2012B – Term	2,670,000	–	–	2,670,000	–
Horse Butte Wind 2012B – Term	2,755,000	–	–	2,755,000	–
San Juan 2008A – Serial	1,345,000	–	170,000	1,175,000	175,000
San Juan 2011 – Serial	15,600,000	–	1,755,000	13,845,000	1,845,000
Central-St. George 2009 – Serial	1,080,000	–	250,000	830,000	265,000
Central-St. George 2009 – Term	–	–	–	–	–
Central-St. George 2009 – Term	–	–	–	–	–
Central-St. George 2009 – Term	–	–	–	–	–
Central-St. George 2009 – Term	–	–	–	–	–
Central-St. George 2009 – Term	–	–	–	–	–
Central-St. George 2009 – Term	–	–	–	–	–
Central-St. George 2009 – Term	–	–	–	–	–
Central-St. George 2009 – Term	–	–	–	–	–
Central-St. George 2011 – Serial	2,000,000	–	480,000	1,520,000	495,000
Central-St. George 2012 – Serial	5,840,000	–	1,410,000	4,430,000	1,445,000
Central-St. George 2016 – Term	25,880,000	–	580,000	25,300,000	390,000
Payson 2012 – Serial	61,660,000	–	4,690,000	56,970,000	4,885,000
Payson 2013 – Serial	1,660,000	–	195,000	1,465,000	200,000
Veyo 2014 – Serial	12,990,000	–	485,000	12,505,000	500,000
Veyo 2014 – Term	1,060,000	–	–	1,060,000	–
Veyo 2014 – Term	1,100,000	–	–	1,100,000	–
Veyo 2014 – Term	1,145,000	–	–	1,145,000	–
Veyo 2014 – Term	1,190,000	–	–	1,190,000	–
Veyo 2014 – Term	1,240,000	–	–	1,240,000	–
Veyo 2014 – Term	1,300,000	–	–	1,300,000	–
Veyo 2014 – Term	1,365,000	–	–	1,365,000	–
Hurricane City 2013 – Term	1,761,000	–	129,000	1,632,000	132,000
Washington City 2013 – Term	873,000	–	64,000	809,000	66,000
Santa Clara – Washington 2008	2,049,000	–	2,049,000	–	–
Washington 2016 – Term	–	1,968,000	–	1,968,000	121,000
	226,433,000	1,968,000	14,632,000	213,769,000	13,009,000
Less unamortized discount	10,306	–	2,577	7,729	2,576
Plus unamortized premium	14,505,744	–	1,779,016	12,726,728	1,674,093
	$ 240,928,438	$ 1,968,000	$ 16,408,439	$ 226,487,999	$ 14,680,517

7. Debt (continued)

The table below shows the changes in net long-term debt balances that occurred during the year ended March 31, 2016.

	March 31, 2015	Additions	Reductions	March 31, 2016	Amount Due Within One Year
Horse Butte Wind 2012A – Serial	$ 63,585,000	$ –	$ 2,260,000	$ 61,325,000	$ 2,375,000
Horse Butte Wind 2012B – Term	2,065,000	–	–	2,065,000	–
Horse Butte Wind 2012B – Term	2,135,000	–	–	2,135,000	–
Horse Butte Wind 2012B – Term	2,205,000	–	–	2,205,000	–
Horse Butte Wind 2012B – Term	2,275,000	–	–	2,275,000	–
Horse Butte Wind 2012B – Term	2,350,000	–	–	2,350,000	–
Horse Butte Wind 2012B – Term	2,425,000	–	–	2,425,000	–
Horse Butte Wind 2012B – Term	2,505,000	–	–	2,505,000	–
Horse Butte Wind 2012B – Term	2,585,000	–	–	2,585,000	–
Horse Butte Wind 2012B – Term	2,670,000	–	–	2,670,000	–
Horse Butte Wind 2012B – Term	2,755,000	–	–	2,755,000	–
San Juan 2008A – Serial	1,505,000	–	160,000	1,345,000	170,000
San Juan 2011 – Serial	17,275,000	–	1,675,000	15,600,000	1,755,000
Central-St. George 2009 – Serial	1,320,000	–	240,000	1,080,000	250,000
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	2,465,000	–	465,000	2,000,000	480,000
Central-St. George 2012 – Serial	7,220,000	–	1,380,000	5,840,000	1,410,000
Central-St. George 2016 – Term	–	25,880,000	–	25,880,000	580,000
Payson 2012 – Serial	66,175,000	–	4,515,000	61,660,000	4,690,000
Payson 2013 – Serial	1,850,000	–	190,000	1,660,000	195,000
Veyo 2014 – Serial	12,990,000	–	–	12,990,000	485,000
Veyo 2014 – Term	1,060,000	–	–	1,060,000	–
Veyo 2014 – Term	1,100,000	–	–	1,100,000	–
Veyo 2014 – Term	1,145,000	–	–	1,145,000	–
Veyo 2014 – Term	1,190,000	–	–	1,190,000	–
Veyo 2014 – Term	1,240,000	–	–	1,240,000	–
Veyo 2014 – Term	1,300,000	–	–	1,300,000	–
Veyo 2014 – Term	1,365,000	–	–	1,365,000	–
Hurricane City 2013 – Term	1,886,000	–	125,000	1,761,000	129,000
Washington City 2013 – Term	936,000	–	63,000	873,000	64,000
Santa Clara – Washington 2008	2,157,000	–	108,000	2,049,000	113,000
	234,219,000	25,880,000	33,666,000	226,433,000	12,696,000
Less unamortized discount	252,554	–	242,247	10,306	2,577
Plus unamortized premium	16,385,672	–	1,879,927	14,505,744	1,779,016
	$ 250,352,118	$ 25,880,000	$ 35,303,680	$ 240,928,438	$ 14,472,439

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 75.00% of the financial institution's prime lending rate, which rate was 2.813% as of March 31, 2017. 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 the London Interbank Offered Rate, which rate was 1.65% as of March 31, 2017. 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 $9.8 million and $13.4 million at March 31, 2017 and 2016, 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 Member's load and resource requirements.

UAMPS had the following Purchase Commitments at March 31, 2017:

	Gas	Power
Fiscal year:		
2018	$ 13,399,112	$ 44,066,088
2019	14,168,655	45,045,660
2020	12,699,191	46,873,787
2021	13,035,520	47,788,927
2022	13,252,725	46,747,167
Total	$ 66,555,203	$ 230,521,629

Under similar agreements UAMPS purchased energy in the amount of $47.0 million in fiscal year 2017 and $43.9 million in fiscal year 2016. UAMPS purchased natural gas in the amount of $12.5 million in fiscal year 2017 and $13.1 million in fiscal year 2016.

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:

	Tons	Price per Ton	Total Commitment March 31, 2017, Price per Ton	UAMPS Portion of Commitment March 31, 2017, Price per Ton
Year				
2018	2,800,000	$ 36.82	$ 103,096,000	$ 4,333,000
2019	2,800,000	36.82	103,096,000	4,333,000
2020	2,800,000	36.82	103,096,000	4,333,000
2021	2,800,000	36.82	103,096,000	4,333,000
2022	1,400,000	36.82	51,548,000	2,167,000

During fiscal years 2017 and 2016, UAMPS incurred minimum coal costs of $4.1 million and $5.9 million respectively, and incremental coal costs each year of $.1 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:	
2018	$ 418,492
2019	426,862
2020	435,399
2021	331,423
Thereafter	–
	$ 1,612,176

9. Commitments and Contingencies (continued)

Rent expense for the years ended March 31, 2017 and 2016, was $0.4 million.

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

10. 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 25.0% of each covered employee's compensation. UAMPS' covered payroll amounted to approximately $4.7 million in 2017 and $4.3 million in 2016. Contributions, which are approximately 23.18% in 2017 and 23.41% in 2016 of total payroll, totaled approximately $1.1 million and $1.0 million for the years ended March 31, 2017 and 2016, 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.

	Year Ended March 31	
	2017	**2016**
Total covered payroll	**$ 4,660,000**	$ 4,251,000
Contributions	**1,080,000**	995,000
Contributions as a percentage of payroll	**23.18%**	23.41%

11. Subsequent events

On May 1, 2017, UAMPS renewed the $19.0 million Line of Credit with Wells Fargo Bank. The line was renewed for a three year term, expiring April 30, 2020, with a reduction to the variable borrowing rate in relation to LIBOR, and a slight increase in the non-use maintenance fee.

Supplemental Schedules

Utah Associated Municipal Power Systems

Schedules of Project Financial Statements

Balance Sheet

March 31, 2017

	CRSP	Hunter II	San Juan Unit 4	IPP	Firm Power	Horse Butte Wind	Veyo	Craig Mona	Central St. George	Pool	Payson	CFPP	IPP #3	Resource	Gas Project	Government and Public Affairs	Member Services	Totals
Assets																		
Current assets:																		
Cash	$ (233,023)	$ 2,073,403	$ (1,305,988)	$ 399,868	$ 70,636	$ (734,930)	$ (173,570)	$ 473,001	$ (1,742,666)	$ 3,700,620	$ (1,382,411)	$ (217,134)	$ 210,079	$ 765,236	$ (18,955)	$ 294,026	$ 8,293	$ 2,186,485
Receivables	1,536,282	2,104,011	2,239,359	15,340	1,150,125	2,338,566	430,696	21,332	643,101	7,148,912	3,712,947	346,017	–	368,281	123,879	53,618	94,408	22,326,874
Prepaid expenses and deposits	–	2,862,000	1,907,595	–	–	–	–	4,656	–	255,000	1,729,000	–	–	–	–	–	–	6,758,251
Investment	962,490	1,513,614	1,615,725	5,001	633,741	1,065,673	148,554	32,231	321,979	4,223,142	2,347,072	366,531	–	62,867	12,804	28,786	67,185	13,407,395
Current portion of energy prepayment	–	–	–	–	–	5,724,341	–	–	–	–	–	–	–	–	–	–	–	5,724,341
	2,265,749	8,553,028	4,456,691	420,209	1,854,502	8,393,650	405,680	531,220	(777,586)	15,327,674	6,406,608	495,414	210,079	1,196,384	117,728	376,430	169,886	50,403,346
Restricted assets:																		
Cash	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Investments	–	10,489,249	6,660,647	–	–	10,949,948	3,492,519	–	4,764,026	–	20,215,874	–	–	–	–	–	1,143,830	57,716,093
Interest receivable	–	–	–	–	–	–	–	–	14,959	–	38,507	–	–	–	–	–	–	53,466
	–	10,489,249	6,660,647	–	–	10,949,948	3,492,519	–	4,778,985	–	20,254,381	–	–	–	–	–	1,143,830	57,769,559
Utility plant and equipment:																		
Generation	–	94,447,837	67,720,285	–	–	–	30,960,468	–	–	–	105,888,105	–	–	–	–	–	6,828,983	305,845,678
Transmission	–	–	–	–	–	–	–	17,492,388	56,655,344	–	10,521,737	–	–	–	–	–	–	84,669,469
Furniture and equipment	50,541	118,974	91,524	48,683	16,846	118,354	2,010	9,802	32,728	6,073	264,608	20,022	(21,576)	130,987	36,912	73,722	14,327	1,014,537
	50,541	94,566,811	67,811,809	48,683	16,846	118,354	30,962,478	17,502,190	56,688,072	6,073	116,674,450	20,022	(21,576)	130,987	36,912	73,722	6,843,310	391,529,684
Less accumulated depreciation	(27,974)	(78,811,482)	(47,919,324)	(29,429)	(16,838)	(83,582)	(625,562)	(15,724,667)	(38,628,401)	(33,452)	(64,940,283)	(3,776)	–	(86,478)	(24,359)	(57,263)	(3,367,621)	(250,380,491)
	22,567	15,755,329	19,892,485	19,254	8	34,772	30,336,916	1,777,523	18,059,671	(27,379)	51,734,167	16,246	(21,576)	44,509	12,553	16,459	3,475,689	141,149,193
Construction work-in-progress	13,496	47,832	41,458	11,450	8,859	41,407	5,033	5,438	14,406	–	73,312	50,025	–	45,748	17,588	23,940	8	400,000
	36,063	15,803,161	19,933,943	30,704	8,867	76,179	30,341,949	1,782,961	18,074,077	(27,379)	51,807,479	66,271	(21,576)	90,257	30,141	40,399	3,475,697	141,549,193
Other assets:																		
Energy prepayment, less current portion	–	–	–	–	–	80,344,348	–	–	–	–	–	–	–	–	–	–	–	80,344,348
Deferred outflows of resources	–	–	160,379	–	–	–	–	–	3,370,460	–	50,427	–	–	–	–	–	–	3,581,266
	$ 2,301,812	$ 34,845,438	$ 31,211,660	$ 450,913	$ 1,863,369	$ 99,764,125	$ 34,240,148	$ 2,314,181	$ 25,445,936	$ 15,300,295	$ 78,518,895	$ 561,685	$ 188,503	$ 1,286,641	$ 147,869	$ 416,829	$ 4,789,413	$ 333,647,712

Utah Associated Municipal Power Systems

Schedules of Project Financial Statements (continued)

Balance Sheet

March 31, 2017

	CRSP	Hunter II	San Juan Unit 4	IPP	Firm Power	Horse Butte Wind	Veyo	Craig Mona	Central St. George	Pool	Payson	CFPP	IPP #3	Resource	Gas Project	Government and Public Affairs	Member Services	Totals
Membership capital and liabilities																		
Current liabilities:																		
Outstanding checks in excess of transfer	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Accounts payable	1,394,123	(812,914)	1,313,887	14,902	563,594	1,103,776	151,179	13,807	50,247	10,257,313	1,834,652	96,345	–	52,430	18,592	35,398	1,151	16,088,482
Accrued liabilities	63,704	293,011	662,941	34,712	37,695	138,008	18,494	16,485	43,673	8,494,432	255,826	151,650	–	156,962	53,318	72,572	24	10,493,507
Members' advance billings	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Lines of credit	703,522	1,106,361	1,180,998	3,655	463,226	778,943	108,584	23,559	235,347	3,086,863	1,715,569	267,912	–	45,952	9,359	21,041	49,109	9,800,000
Current portion of unearned revenue	–	–	412,772	–	–	1,310,199	462,557	–	116,445	44,196	641,009	–	–	–	–	–	–	2,987,178
	2,161,349	586,458	3,570,598	53,269	1,064,515	3,330,926	740,814	53,851	445,712	21,882,804	4,447,056	515,907	–	255,344	81,269	129,011	50,284	39,369,167
Liabilities payable from restricted assets:																		
Accrued interest payable	962	1,513	262,653	5	634	311,611	80,506	32	275,204	4,222	1,389,689	366	–	63	13	29	36,153	2,363,655
Current portion of long-term debt	–	–	2,111,419	–	–	3,192,822	596,320	–	2,592,423	–	5,868,533	–	–	–	–	–	319,000	14,680,518
	962	1,513	2,374,072	5	634	3,504,433	676,826	32	2,867,627	4,222	7,258,222	366	–	63	13	29	355,153	17,044,173
Long-term debt:																		
Bonds payable, less current portion	–	–	13,000,000	–	–	80,430,000	20,405,000	–	29,485,000	–	53,350,000	–	–	–	–	–	4,090,000	200,759,999
Less unamortized bond discount	–	–	–	–	–	–	–	–	(5,153)	–	–	–	–	–	–	–	–	(5,153)
Plus unamortized bond premium	–	–	230,457	–	–	6,020,178	1,333,145	–	–	–	3,468,855	–	–	–	–	–	–	11,052,635
	–	–	13,230,457	–	–	86,450,178	21,738,145	–	29,479,847	–	56,818,855	–	–	–	–	–	4,090,000	211,807,481
Unearned revenue, less current portion	–	–	10,274,750	–	–	23,616,807	11,660,299	–	2,800,267	–	6,155,568	–	–	–	–	–	–	54,507,691
Accumulated amortization of unearned revenue	–	–	(8,554,864)	–	–	(5,858,106)	(1,060,027)	–	(2,613,098)	–	(3,522,236)	–	–	–	–	–	–	(21,608,331)
Net unearned revenue	–	–	1,719,886	–	–	17,758,701	10,600,272	–	187,169	–	2,633,332	–	–	–	–	–	–	32,899,360
Deferred inflows of resources	5,311	31,831,927	9,861,823	20,148	(27,284)	(11,987,811)	361,163	2,298,223	(7,566,352)	(6,337,367)	6,706,686	66,276	–	44,813	17,590	10,727	141,359	25,447,232
Net position	134,190	2,425,540	454,824	377,491	825,504	707,698	122,928	(37,925)	31,933	(249,364)	654,744	(20,864)	188,503	986,421	48,997	277,062	152,617	7,080,299
	$ 2,301,812	$ 34,845,438	$ 31,211,660	$ 450,913	$ 1,863,369	$ 99,764,125	$ 34,240,148	$ 2,314,181	$ 25,445,936	$ 15,300,295	$ 78,518,895	$ 561,685	$ 188,503	$ 1,286,641	$ 147,869	$ 416,829	$ 4,789,413	$ 333,647,712

Utah Associated Municipal Power Systems

Schedules of Project Financial Statements

Income Statement

Year Ended March 31, 2017

	CRSP	Hunter II	San Juan Unit 4	IPP	Firm Power	Wind	Veyo	Craig Mona	Central St. George	Pool	Payson	CFPP	IPP #3	Resource	Gas Project	Government and Public Affairs	Member Services	Totals
Operating revenues:																		
Power sales to members	$ 11,548,960	$ 18,773,681	$ 17,027,909	$ 138,424	$ 7,874,541	$ 15,309,085	$ 2,655,324	$ 564,076	$ 4,117,834	$ 69,149,149	$ 39,243,468	$ 1,287,283	$ –	$ 44,688	$ 172,845	$ 370,570	$ 845,273	$ 189,123,110
Other	(6,924)	(23,366)	(11,385)	86	(7,968)	(8,939)	(2,361)	41	109	(148,860)	(24,340)	306,340	–	1,790,527	133	180	–	1,863,273
	11,542,036	18,750,315	17,016,524	138,510	7,866,573	15,300,146	2,652,963	564,117	4,117,943	69,000,289	39,219,128	1,593,623	–	1,835,215	172,978	370,750	845,273	190,986,383
Operating expenses:																		
Cost of power	11,261,002	16,516,495	9,000,703	–	7,558,459	13,631,930	657,540	372,072	164,103	66,037,952	25,403,645	–	–	1,028,099	–	33,120	191,112	151,856,232
In lieu of ad valorem taxes	–	347,557	178,000	–	–	199,177	–	(21,667)	–	–	–	–	–	–	–	–	–	703,067
Depreciation	9,409	5,136,416	3,921,286	13,363	4,359	27,064	625,562	595,089	2,704,815	–	5,628,576	3,776	–	24,534	8,085	19,233	317,100	19,038,667
General and administrative	241,635	809,904	547,477	115,315	226,692	711,798	460,258	68,433	227,610	2,260,892	3,345,329	1,807,008	–	461,257	138,163	291,440	23,270	11,736,481
	11,512,046	22,810,372	13,647,466	128,678	7,789,510	14,569,969	1,743,360	1,013,927	3,096,528	68,298,844	34,377,550	1,810,784	–	1,513,890	146,248	343,793	531,482	183,334,447
Operating income (loss)	29,990	(4,060,057)	3,369,058	9,832	77,063	730,177	909,603	(449,810)	1,021,415	701,445	4,841,578	(217,161)	–	321,325	26,730	26,957	313,791	7,651,936
Nonoperating revenues (expenses):																		
Investment and other income (expense)	–	117,002	49,419	–	–	115,347	19,552	–	(76,260)	–	85,505	–	–	–	–	–	(34,159)	276,406
Interest expense	(9,546)	(15,012)	(740,900)	(50)	(6,286)	(2,623,601)	(691,605)	(320)	(1,211,017)	(41,887)	(1,968,625)	(3,635)	–	(624)	(127)	(286)	(133,677)	(7,447,198)
Deferred outflows of resources – net costs advanced	(9,079)	4,624,977	(2,245,085)	(2,390)	(7,743)	2,111,300	(118,558)	587,733	378,574	–	(2,489,965)	(66,277)	–	(38,483)	(16,131)	(13,509)	(160,359)	2,535,005
	(18,625)	4,726,967	(2,936,566)	(2,440)	(14,029)	(396,954)	(790,611)	587,413	(908,703)	(41,887)	(4,373,085)	(69,912)	–	(39,107)	(16,258)	(13,795)	(328,195)	(4,635,787)
Change in net position	$ 11,365	$ 666,910	$ 432,492	$ 7,392	$ 63,034	$ 333,223	$ 118,992	$ 137,603	$ 112,712	$ 659,558	$ 468,493	$ (287,073)	$ –	$ 282,218	$ 10,472	$ 13,162	$ (14,404)	$ 3,016,149

Other Reports

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Independent Auditor's Report in Accordance with the *State Compliance Audit Guide* on Compliance with General State Compliance Requirements

The Board of Directors
Utah Associated Municipal Power Systems

Report on Compliance with General State Compliance Requirements

We have audited Utah Associated Municipal Power Systems' compliance with general compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on Utah Associated Municipal Power Systems for the year ended March 31, 2017.

General state compliance requirements were tested for the year ended March 31, 2017, in the following areas:

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

Utah Associated Municipal Power Systems did not have any state funding classified as a major program during the year ended March 31, 2017.

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on Utah Associated Municipal Power Systems' compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance 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 Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on Utah Associated

Municipal Power Systems occurred. An audit includes examining, on a test basis, evidence about Utah Associated Municipal Power Systems' 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 on compliance with general state compliance requirements. However, our audit does not provide a legal determination of Utah Associated Municipal Power Systems' compliance.

Opinion on Compliance

In our opinion, Utah Associated Municipal Power Systems complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Utah Associated Municipal Power Systems for the year ended March 31, 2017.

Report On Internal Control Over Compliance

Management of UAMPS is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered UAMPS' internal control over compliance with the compliance requirements that could have a direct and material effect on UAMPS to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and to test and report on internal control over compliance in accordance with the State Compliance Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of UAMPS' internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a general state compliance requirement on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a general state compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a general state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit* Guide. Accordingly, this report is not suitable for any other purpose.

Ernst & Young LLP

July 19, 2017

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

The Management and the Board of Directors
Utah Associated Municipal Power Systems

We have audited, 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, the financial statements of Utah Associated Municipal Power Systems, which comprise the statement of net position as of March 31, 2017, and the related statements of revenues and expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated [July 19, 2017].

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Utah Associated Municipal Power Systems' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Utah Associated Municipal Power Systems' internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst + Young LLP

July 19, 2017

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