

AUDITED FINANCIAL STATEMENTS,  
SUPPLEMENTAL SCHEDULES, REPORTS REQUIRED  
BY THE UNIFORM GUIDANCE, SUPPLEMENTARY  
INFORMATION REQUIRED BY THE UNIFORM  
GUIDANCE, SCHEDULE REQUIRED BY THE  
UNIFORM GUIDANCE, AND OTHER REPORT

Utah Associated Municipal Power Systems  
Years Ended March 31, 2021 and 2020  
With Report of Independent Auditors  
Ernst & Young LLP



Utah Associated Municipal Power Systems

Audited Financial Statements, Supplemental Schedules,  
Reports Required by the Uniform Guidance,  
Supplementary Information Required by the Uniform Guidance,  
Schedule Required by the Uniform Guidance, and Other Report

Years Ended March 31, 2021 and 2020

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## Report of Independent Auditors

Management and 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, 2021 and 2020, 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, 2021 and 2020, 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.

## *Other Matters*

### *Required Supplementary Information*

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 1 through 7 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 opinions on the financial statements that collectively comprise the Utah Associated Municipal Power System's basic financial statements. We have not performed any procedures with respect to the audited financial statements that collectively comprise the basic financial statements subsequent to July 27, 2021. The accompanying schedules of project financial statements and the Schedule of Expenditures of Federal Awards (SEFA) as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of project financial statements and the SEFA 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 and the SEFA are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we also have issued our report dated July 27, 2021 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 solely 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 effectiveness of the Utah Associated Municipal Power Systems' 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 27, 2021, except for our report on the  
Schedule of Expenditures of Federal awards,  
for which the date is August 18, 2021

# 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, 2021, 2020, and 2019.

### **Description of Business**

UAMPS is a political subdivision of the state of Utah (the State). Its 48 members (the Members) include public power utilities in Utah, 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 16 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, 2021, 2020 and 2019 of \$3.6 million, \$5.2 million, and \$7.4 million, respectively. The Members may elect to receive refunds of the 2021 excess of revenues over expenses during fiscal year 2022.

## **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.

UAMPS' financial statements were prepared on a blended basis to include CFPP LLC, which is a component unit of UAMPS. Intercompany transactions are eliminated in the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows.

CFPP LLC was created October 21, 2020, to develop, design, acquire, construct, own, operate, maintain, improve, terminate, retire, and decommission a nuclear generating facility to be located at the Idaho National Laboratory of the U.S. Department of Energy, including all ancillary and related facilities, transmission facilities, water rights, fuel supplies and other properties and interest necessary or desirable, (The Project). The Project will sell electricity generated by the Project to its sole member, UAMPS.

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, 2021, 2020, and 2019, were \$66.7 million, \$68.0 million, and \$80.7 million, respectively.

The decrease of \$1.3 million from March 31, 2020 to March 31, 2021 is due to changes within several accounts. Hunter overhaul decreased by \$1.2 million due to consumption of funds for a planned outage. Similarly, Payson and San Juan Reclamation funds decreased by \$0.5 million and \$0.2 million, respectively. These decreases were offset by slight increases in other project overhaul accounts. Finally, Member funds increased overall by \$0.6 million.

## Financial Analysis (continued)

The decrease of \$12.7 million from March 31, 2019 to March 31, 2020 is due to fluctuations within several project accounts. Hunter Project overhauls funds decreased by \$3.3 million due to planned outage expenses. The Central-St. George Project funds decreased \$1.6 million, as the Purgatory Flats project was completed, and the funds were expended for the project costs, and a prepayment of debt service. Payson Project 2003 Debt Service Reserve Fund decreased by \$7.2 million as the funds were used as a part of the refunding of the Payson Power Project Refunding Revenue Bonds, Series 2012 and issuance of the Payson Power Project Refunding Revenue Bonds Series 2019.

The components of investments at March 31, 2021, 2020, and 2019, consisted of the

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Investment in U.S. Treasury notes	0.0%	0.0%	13.4%
Utah Public Treasurer's Investment Fund	100.0	100.0	86.6
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

At March 31, 2021, 2020, and 2019, accounts receivable totaled \$30.3 million, \$24.2 million, and \$26.4 million, respectively. The increase of \$6.1 million from March 31, 2020 to March 31, 2021 is due to 2 items. First, receivables due from members increased by \$4.0 million due to timing of payment. Second, the component unit, CFPP LLC had accounts receivable of \$2.1 million for invoices submitted to the Department of Energy. The decrease of \$2.2 million from March 31, 2019 to March 31, 2020 is due to timing of payment from one of the larger members accounts.



## Financial Analysis (continued)

The table summarizes UAMPS' net position at March 31, 2021, 2020, and 2019:

	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<i>(In Thousands)</i>		
Capital assets, net	<b>\$ 162,118</b>	\$ 180,924	\$ 195,539
Other assets	<b>104,546</b>	98,998	114,105
	<b>266,664</b>	279,922	309,644
Deferred outflows of resources	<b>3,402</b>	3,869	3,717
Total assets and deferred outflows of resources	<b>\$ 270,066</b>	\$ 283,791	\$ 313,361
Current liabilities	<b>\$ 52,832</b>	\$ 44,976	\$ 42,374
Long-term liabilities	<b>157,808</b>	175,261	199,142
Other liabilities	<b>39,254</b>	43,583	47,666
Total liabilities	<b>249,894</b>	263,820	289,182
Deferred inflows of resources	<b>11,786</b>	9,945	11,841
Net position:			
Net investment in capital assets	<b>13,581</b>	18,090	21,527
Restricted	<b>8,017</b>	8,820	6,822
Unrestricted	<b>(13,212)</b>	(16,884)	(16,012)
	<b>8,386</b>	10,026	12,337
Total liabilities, deferred inflows of resources, and net position	<b>\$ 270,066</b>	\$ 283,791	\$ 313,360

## Financial Analysis of Operations

Operating revenue for the years ended March 31, 2021, 2020, and 2019, was \$209.7 million, \$187.7 million, and \$203.2 million, respectively.

The increase of \$22.0 million from March 31, 2020 to March 31, 2021, is due to two main contributors. First CFPP LLC had its first income from billings to the Department of Energy for its first quarters of operation of \$2.1 million. Second, the Pool project had a large increase in MWh and revenue for sales of \$19.0 million.

The decrease of \$16.0 million from March 31, 2019 to March 31, 2020 is due to decreased demand in a few of the projects. Fewer MWh and therefore revenue in San Juan Project, Pool Project, and Payson Project. HBW had an insurance settlement in the prior year, that was not present in the year ending March 31, 2020, contributing to a decrease in revenue in that project.

## Financial Analysis of Operations (continued)

Investment and other income (expense), net for March 31, 2021, 2020, and 2019, was \$0.3 million, \$0.8 million, and \$1.3 million, respectively.

The decrease in investment income from March 31, 2020 to March 31, 2021, is due to declining interest earnings on State PTIF funds due to much lower than anticipated rates.

The decrease in investment income from March 31, 2019 to March 31, 2020, is due to lower cash balances in some accounts as well as declining interest earnings on State PTIF funds.

The table below summarizes UAMPS' total revenues and expenses for fiscal years 2021, 2020, and 2019:

	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<i>(In Thousands)</i>		
Revenue:			
Power sales	\$ 207,133	\$ 187,236	\$ 203,197
Investment and other income (expense) net	281	776	1,288
Other income	2,585	504	742
	<u>209,999</u>	<u>188,516</u>	<u>205,227</u>
Expenses:			
Cost of power	161,086	142,414	155,155
Other expenses	45,288	40,853	42,655
	<u>206,374</u>	<u>183,267</u>	<u>197,810</u>
Change in net position	3,625	5,249	7,417
Net position at beginning of year	10,025	12,337	8,806
Distributions	(5,264)	(7,561)	(3,886)
Net position at end of year	<u>\$ 8,386</u>	<u>\$ 10,025</u>	<u>\$ 12,337</u>

## Cash Flow and Liquidity

UAMPS' sources of cash include power sales, services, issuance of debt and investment income. The cash balance at March 31, 2021, 2020, and 2019, was \$0.7 million, \$1.1 million, and \$1.4 million, respectively. The amount will fluctuate primarily due to timing of the transfer from the revolving line of credit and cash transfers.

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 both being in relation to LIBOR. Of the combined \$25.0 million available on the revolving lines of credit, the outstanding balance was \$3.8 million, \$7.7 million, and \$5.3 million, as of March 31, 2021, 2020, and 2019, respectively.

## **Financial Analysis of Operations (continued)**

### **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.

### **Western Electric Energy Markets**

Western markets are experiencing a new reality of drought as well as wildfires. These are both playing a large role in market dynamics and pricing. SPP is looking to expand even further in the west and has kicked off an RTO study with utilities in Colorado.

Legislation has been passed in multiple states that is either requiring utilities in that state to either join or study joining an RTO by a certain date.

Prices in the West continue to be driven by renewables in the shoulder seasons and natural gas in the summer and winter. We saw 2 more coal plant retirements this year with the Boardman unit in Oregon for 550 MW and one unit at Centralia in Washington for 670 MW.

Loads in the UAMPS footprint continue to grow in the 1-3% range. The COVID-19 pandemic caused significant load changes and some reductions, but growth has overall been strong the last year with a few members over 10% annual growth.

### **Requests for Information**

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

Utah Associated Municipal Power Systems

Statements of Net Position

	<b>March 31</b>	
	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current assets:		
Cash	\$ 716,579	\$ 1,054,106
Receivables	30,294,757	24,235,598
Prepaid expenses and deposits	7,575,627	6,802,803
Investments	21,166,496	20,846,564
	<u>59,753,459</u>	<u>52,939,071</u>
Restricted assets:		
Interest receivable	—	869
Investments	44,793,463	46,058,619
	<u>44,793,463</u>	<u>46,059,488</u>
Capital assets:		
Generation	413,291,095	411,876,905
Transmission	86,300,584	86,300,615
Furniture and equipment	2,382,664	1,777,122
	<u>501,974,343</u>	<u>499,954,642</u>
Less accumulated depreciation	<u>(340,334,607)</u>	<u>(319,652,171)</u>
	161,639,736	180,302,471
Construction work-in-progress	478,612	621,500
	<u>162,118,348</u>	<u>180,923,971</u>
<b>Deferred outflows of resources</b>		
Defeasance costs	3,401,952	3,868,450
Total assets and deferred outflows of resources	<u><u>\$ 270,067,222</u></u>	<u><u>\$ 283,790,980</u></u>

Utah Associated Municipal Power Systems

Statements of Net Position (continued)

	<b>March 31</b>	
	<b>2021</b>	<b>2020</b>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 32,174,302	\$ 20,864,813
Accrued liabilities	11,944,356	12,324,855
Lines of credit	3,762,731	7,700,000
Current portion of unearned revenue	4,950,304	4,086,676
	<u>52,831,693</u>	44,976,344
Liabilities payable from restricted assets:		
Accrued interest payable	1,190,571	1,337,523
Current portion of long-term debt	17,452,255	16,777,874
	<u>18,642,826</u>	18,115,397
Long-term debt:		
Bonds payable, less current portion	145,962,627	161,700,273
Unamortized bond premium	11,845,730	13,560,341
	<u>157,808,357</u>	175,260,614
Other liabilities:		
Unearned revenue, less current portion	20,611,947	25,468,666
<b>Deferred inflows of resources</b>		
Net costs advanced from billings to members	11,786,388	9,944,863
<b>Net position</b>		
Net investment in capital assets	13,580,507	18,089,859
Restricted for project costs	8,017,073	8,819,676
Unrestricted	(13,211,569)	(16,884,439)
	<u>8,386,011</u>	10,025,096
Total liabilities, deferred inflows of resources, and net position	<u>\$ 270,067,222</u>	<u>\$ 283,790,980</u>

See accompanying notes.

## Utah Associated Municipal Power Systems

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

	<b>Year Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Operating revenues:		
Power sales	\$ 207,133,108	\$ 187,236,111
Other	<b>2,584,460</b>	504,085
	<b>209,717,567</b>	187,740,196
Operating expenses:		
Cost of power	161,085,701	142,414,298
In lieu of ad valorem taxes	675,329	676,838
Depreciation	20,976,402	21,121,565
General and administrative	16,130,537	14,601,660
	<b>198,867,969</b>	178,814,361
Operating income	<b>10,849,599</b>	8,925,835
Nonoperating revenues (expenses):		
Interest expense	(5,664,223)	(6,349,337)
Investment and other income (expense), net	280,812	776,276
Recognition of deferred costs and revenues	<b>(1,841,525)</b>	1,896,223
Total nonoperating expenses, net	<b>(7,224,936)</b>	(3,676,838)
Change in net position	<b>3,624,663</b>	5,248,997
Net position at beginning of year	<b>10,025,096</b>	12,337,345
Distributions to members	<b>(5,263,750)</b>	(7,561,246)
Net position at end of year	<b>\$ 8,386,009</b>	\$ 10,025,096

*See accompanying notes.*

# Utah Associated Municipal Power Systems

## Statements of Cash Flows

	<b>Year Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
<b>Operating activities</b>		
Cash received from customers	\$ 199,665,317	\$ 187,097,904
Cash payments to suppliers for goods and services	(159,166,418)	(150,656,613)
Cash payments to employees for services	(7,891,653)	(6,998,032)
Cash payments for ad valorem taxes	(677,329)	(710,635)
Deferred revenue	–	(86,036)
Net cash provided by operating activities	<u>31,929,917</u>	<u>28,646,588</u>
<b>Capital and related financing activities</b>		
Disbursements for utility plant and equipment	(2,170,780)	(6,506,784)
Proceeds from issuance of long-term debt	–	26,770,000
Disbursement for bond refunding	–	(31,485,000)
Principal disbursement on revenue bonds	(15,070,205)	(14,932,079)
Interest disbursement on revenue bonds	(7,052,347)	(10,918,765)
Bond issuance costs	–	(425,193)
Net distribution	(5,263,748)	(7,561,245)
Net cash used in capital and related financing activities	<u>(29,557,080)</u>	<u>(45,059,066)</u>
<b>Noncapital and related financing activities</b>		
Draws on lines of credit	139,904,516	121,680,613
Disbursements on lines of credit	(143,841,785)	(119,280,613)
Net cash provided by (used in) noncapital and related financing activities	<u>(3,937,269)</u>	<u>2,400,000</u>
<b>Investing activities</b>		
Cash received from investments	278,377	869,769
Cash paid for investments	(598,309)	(1,449,503)
Restricted assets:		
Cash received from investments	2,247,287	15,695,542
Cash paid for investments	(982,132)	(2,799,398)
Interest income received	281,681	1,351,153
Net cash provided by investing activities	<u>1,226,905</u>	<u>13,667,563</u>
Decrease in cash	(337,527)	(344,915)
Cash at beginning of year	1,054,106	1,399,021
Cash at end of year	<u>\$ 716,579</u>	<u>\$ 1,054,106</u>

Utah Associated Municipal Power Systems

Statements of Cash Flows (continued)

	<b>Year Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 10,849,599	\$ 8,925,835
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	20,976,402	21,121,565
Amortization of unearned revenue	(3,993,091)	(2,801,277)
Unearned revenue	-	(86,036)
Decrease (increase) in current receivables	(6,059,159)	2,158,985
Decrease (increase) in prepaid expenses and deposits	(772,824)	136,655
(Decrease) increase in accounts payable	11,309,489	(1,379,472)
Increase in accrued liabilities	(380,499)	570,333
Net cash provided by operating activities	<u>\$ 31,929,917</u>	<u>\$ 28,646,588</u>

*See accompanying notes.*



# Utah Associated Municipal Power Systems

## Notes to Financial Statements

March 31, 2021

### **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, 5 co-ops, 1 municipal utility district, 1 utility improvement district and 1 nonprofit corporation (collectively, the Members). The Members are located in Utah, Idaho, Nevada, New Mexico, California, and Wyoming. UAMPS is a separate legal entity that possesses the ability to establish its own budget, incur debt, sue and be sued, and own and lease property. No other governmental units in Utah exercise significant control over UAMPS. As such, UAMPS is not a component unit as defined by the Governmental Accounting Standards Board (GASB) in its Section 2100, Defining the Financial Reporting Entity.

CFPP LLC is a component unit of UAMPS. CFPP LLC was created as an instrumentality of UAMPS on October 21, 2020, to develop, design, acquire, construct, own, operate, maintain, improve, terminate, retire, and decommission a nuclear generating facility to be located at the Idaho National Laboratory of the U.S. Department of Energy, including all ancillary and related facilities, transmission facilities, water rights, fuel supplies and other properties and interest necessary or desirable, (The Project). The Project will sell electricity generated by the Project to its sole member, UAMPS.

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

#### **Basis of Accounting**

The accompanying financial statements have been prepared using the accrual basis of accounting. The accounting and reporting policies of UAMPS conform with the accounting rules prescribed by the GASB.

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

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

#### **Elimination of Intercompany Transactions**

UAMPS results are blended with its component unit CFPP LLC. Intercompany transactions are eliminated in the Statements of Net Position, the Statements of Revenues and Expenses and Changes in Net Position, and the Statement of Cash Flows.

#### **Recent Accounting Developments**

*GASB Statement No. 84, GASB Statement No. 97*

*Fiduciary Activities.*

Effective in the current year in relation to the defined contribution pension plan. The Company has evaluated and concluded that direct contribution pension plan is not a fiduciary activity and it is not a component unit of UAMPS. UAMPS does not have control of the plan assets.

*GASB Statement No. 87*

In June of 2017, the Governmental Accounting Standards Board (GASB) released GASB 87, which requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This has been delayed and effective fiscal year 2023. The Company is currently evaluating the effects the adoption of this statement will have on the financial statements.

*GASB Statement No. 89*

In June of 2018, the Governmental Accounting Standards Board (GASB) released GASB 89. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The effective date of this statement is delayed and will be effective fiscal year 2022. The Company is currently evaluating the effects the adoption of this statement will have on the financial statements.

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

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

#### *GASB Statement No. 91*

In May 2019, GASB issues statement No.91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement is delayed and will be effective in fiscal year 2023.

#### *GASB Statement No. 92*

In January 2020, GASB issues statement No. 92, OMNIBUS 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This statement is delayed, and is effective for UAMPS in fiscal year 2023.

### **Revenue**

UAMPS distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations of the organization. The principal operating revenues and expenses of UAMPS are associated with the planning, financing, developing, acquiring, constructing, improving, bettering, operating, and maintaining projects or ownership interests or capacity rights therein for the generation, transmission, and distribution of electric energy for the benefit of its Members. All other revenues and expenses, such as interest income 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.

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

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

#### 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 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, nor its component unit, CFPP, LLC. are not subject to federal or state income taxes under provisions of Section 115 of the Internal Revenue Code.

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

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

#### Unearned Revenue

Certain participants of the Payson project, the San Juan project, the Hunter 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.

#### 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.

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

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

- 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, 2021 and 2020, 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 2016 and 2018 Bonds have been paid.
- 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, 2013 and 2019 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. Each contract term extends, at a minimum, to the date all principal and interest on the 2012 and 2017 Bonds have been paid.

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

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

- UAMPS has contracted with 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		Accumulated Total as of	
	2021	2020	2021	2020
<b>Items in accordance with GAAP not currently billable to Members</b>				
Depreciation, accretion and amortization of bond issuance costs	<b>\$ 20,976,402</b>	\$ 21,546,758	<b>\$ 396,864,277</b>	\$ 375,887,875
Refunding charge on refunding/defeasance of revenue bonds	–	–	<b>40,273,931</b>	40,273,931
Principal collected from certain receivables	–	–	<b>8,151,148</b>	8,151,148
Excess bond proceeds (Used to pay Interest/CWIP)	–	–	<b>13,604,822</b>	13,604,822
Principal amounts of notes	–	–	<b>1,750,000</b>	1,750,000
Cost recovery on off-system sales losses	–	–	<b>40,640,144</b>	40,640,144
Estimated future loss on contracts	–	–	<b>10,384,038</b>	10,384,038
Amortization of deferred revenue	<b>(2,751,889)</b>	(2,801,277)	<b>(43,623,552)</b>	(40,871,663)
Utility plant renewals and replacements	<b>(2,164,063)</b>	(5,907,248)	<b>(113,839,898)</b>	(111,675,835)
Plant Inventory	<b>(93,888)</b>	(205,836)	<b>(899,461)</b>	(805,573)
Principal amounts of debt service	<b>(15,728,373)</b>	(14,954,618)	<b>(373,452,022)</b>	(357,723,649)
Amortization of bond premium	<b>(1,707,669)</b>	(2,073,378)	<b>(20,099,189)</b>	(18,391,520)
Major overhaul reserve payments	<b>(887,509)</b>	5,606,581	<b>(10,171,167)</b>	(9,283,658)
Unrealized gain/loss on investment	–	104,411	–	–
Amortization of defeased debt costs	<b>466,497</b>	461,717	<b>2,776,863</b>	2,310,366
Amortization of prepaid energy	–	–	<b>35,106,577</b>	35,106,577
Accrued personal leave	<b>48,967</b>	119,113	<b>747,101</b>	698,134
Net costs to be recovered from future billings to members	<b>\$ (1,841,525)</b>	\$ 1,896,223	<b>\$ (11,786,388)</b>	\$ (9,944,863)

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 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. The estimated operating life has been extended to 2042, based upon a 3<sup>rd</sup> party review.

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.

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.

In May 2018 the Central-St. George project completed a construction project to energize the 4<sup>th</sup> Circuit. There are three existing energized 138kV lines at Red Butte/Central, and these were shifted to terminate the 4<sup>th</sup> circuit at Central and energize it at 138kV. The existing Red Butte/Central substation was configured to accommodate the two UAMPS 138kV lines out of Red Butte to St. George and the remaining two joint-owned 345kV (energized at 138kV) lines out of Central to St. George. At the Red Butte Substation, a new 138kV circuit breaker was added to allow the shifting of the 3 existing circuits and the addition of the 4<sup>th</sup> circuit. At St. George substation a limited duration 138kV line was constructed and one 138kV circuit breaker was added.



## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### **4. Capital Assets (continued)**

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.

The Veyo Heat Recovery 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.

UAMPS purchased the Horse Butte Wind Farm in March 2018. The project is a 57.6 MW wind project comprised of 32 Vestas V100 wind turbine generators rated at 1.8MW each, located in Bonneville County, Idaho.

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 4. Capital Assets (continued)

	Generation	Transmission	Furniture & Equipment	Construction Work-In Progress	Total
Balance, April 1, 2020	\$ 411,876,905	\$ 86,300,615	\$ 1,777,122	\$ 621,500	\$ 500,576,142
Capital additions	1,500,683	–	813,015	458,612	2,772,310
Sales, retirements	(86,493)	(31)	(207,473)	(601,500)	(895,497)
Balance, March 31, 2021	<u>\$ 413,291,095</u>	<u>\$ 86,300,584</u>	<u>\$ 2,382,664</u>	<u>\$ 478,612</u>	<u>\$ 502,452,955</u>
Accumulated depreciation, April 1, 2020	\$ (253,003,940)	\$ (65,357,862)	\$ (1,290,369)	–	\$ (319,652,171)
Depreciation expense	(17,702,571)	(2,885,362)	(388,469)	–	(20,976,402)
Retirements	86,493	–	207,473	–	293,966
Accumulated depreciation, March 31, 2021	<u>\$ (270,620,018)</u>	<u>\$ (68,243,224)</u>	<u>\$ (1,471,365)</u>	<u>–</u>	<u>\$ (340,334,607)</u>
Average depreciation rate	<u>4.3%</u>	<u>3.3%</u>	<u>18.7%</u>	<u>–%</u>	<u>4.2%</u>

	Generation	Transmission	Furniture & Equipment	Construction Work-In Progress	Total
Balance, April 1, 2019	\$ 406,967,291	\$ 85,168,040	\$ 1,853,533	\$ 729,675	\$ 494,718,539
Capital additions	5,316,066	1,132,575	166,320	370,000	6,984,961
Sales, retirements	(406,452)	–	(242,731)	(478,175)	(1,127,358)
Balance, March 31, 2020	<u>\$ 411,876,905</u>	<u>\$ 86,300,615</u>	<u>\$ 1,777,122</u>	<u>\$ 621,500</u>	<u>\$ 500,576,142</u>
Accumulated depreciation, April 1, 2019	\$ (236,145,892)	\$ (61,943,783)	\$ (1,090,114)	–	\$ (299,179,789)
Depreciation expense	(17,264,500)	(3,414,078)	(442,986)	–	(21,121,564)
Retirements	406,452	–	242,731	–	649,183
Accumulated depreciation, March 31, 2020	<u>\$ (253,003,940)</u>	<u>\$ (65,357,862)</u>	<u>\$ (1,290,369)</u>	<u>–</u>	<u>\$ (319,652,171)</u>
Average depreciation rate	<u>4.2%</u>	<u>4.0%</u>	<u>24.4%</u>	<u>–%</u>	<u>4.2%</u>

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 5. Investments

At March 31 UAMPS had the following total investments:

	<u>2021</u>	<u>2020</u>
Restricted:		
Utah Public Treasurer's Investment Fund	<u>\$ 44,793,463</u>	\$ 46,058,619
Total	<u>\$ 44,793,463</u>	<u>\$ 46,058,619</u>
Current:		
Utah Public Treasurer's Investment Fund	<u>\$ 21,166,496</u>	\$ 20,846,564
Total	<u>\$ 21,166,496</u>	<u>\$ 20,846,564</u>

### Credit Risk

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

The PTIF operates and reports to the participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. The PTIF was unrated at March 31, 2021.

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

**5. Investments (continued)**

At March 31, 2021 UAMPS had the following investments and quality ratings:

	Quality Rating		
	2021	AAA/Aaa/AA+	Unrated
Utah Public Treasurer's Investment Fund	\$ 65,959,959	\$ —	\$ 65,959,959
Total	<u>\$ 65,959,959</u>	<u>\$ —</u>	<u>\$ 65,959,959</u>

**Fair Value**

UAMPS categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. As of March 31, 2021 and 2020, UAMPS had fair value measurements as shown below:

	2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
Utah Public Treasurer's Investment Fund	\$ 65,959,959	\$ —	\$ —	\$ 65,959,959
	<u>\$ 65,959,959</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 65,959,959</u>

	2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
Utah Public Treasurer's Investment Fund	\$ 66,905,183	\$ —	\$ —	\$ 66,905,183
	<u>\$ 66,905,183</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 66,905,183</u>

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### **5. Investments (continued)**

#### **Custodial Credit Risk**

Deposits are exposed to custodial credit risk if they are not covered by depository insurance, and are not collateralized, are collateralized by the pledging financial institution, or is collateralized by the pledging financial institution's trust department or agent, but not in the depositor governments name. UAMPS deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation. At March 31, 2021 UAMPS had \$.5 million exposed to custodial credit risk.

#### **Interest Rate Risk**

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

### **6. Cash**

The cash balance at March 31, 2021 of \$0.7 million and at March 31, 2020 of \$1.1 million consisted of deposits with banks.

As of March 31, 2021 and 2020, there was no balance in restricted cash.

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 7. Debt

Pursuant to the Horse Butte Wind Project Revenue Bond Resolution, the San Juan Project Revenue Bond Resolution, the Central-St. George Transmission Project Revenue Bond Resolution, the Payson Power Project Bond Resolution, 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	
				2021	2020
<b>Horse Butte Wind 2012A</b>					
Serial	\$ 67,860,000	0.05%–5.00%	2013–2032	\$ 6,210,000	\$ 9,095,000
<b>Horse Butte Wind 2017A</b>					
Serial	<u>38,480,000</u>	5.00%	2023–2032	<b>38,480,000</b>	38,480,000
	38,480,000				
<b>Horse Butte Wind 2017B</b>					
Serial	<u>32,455,000</u>	5.00%	2026–2037	<b>32,455,000</b>	32,455,000
	32,455,000				
<b>Horse Butte Wind 2017C</b>					
Taxable component	165,000	2.05%	2019	–	–
Taxable component	170,000	2.20%	2020	–	170,000
Taxable component	170,000	2.45%	2021	<b>170,000</b>	170,000
Taxable component	180,000	2.60%	2022	<b>180,000</b>	180,000
Taxable component	460,000	2.85%	2023	<b>460,000</b>	460,000
Term	480,000	3.05%	2024	<b>480,000</b>	480,000
Term	<u>495,000</u>	3.05%	2025	<b>495,000</b>	495,000
	2,120,000				
<b>San Juan 2008A</b>					
Serial	2,345,000	3.50%–4.50%	2009–2022	<b>425,000</b>	625,000
<b>San Juan 2011</b>					
Serial	22,165,000	2.00%–5.50%	2011–2023	<b>5,875,000</b>	8,025,000
<b>Central–St. George 2016</b>					
Term	25,880,000	2.53%	2016–2027	<b>21,345,000</b>	24,100,000
<b>Central–St. George 2018</b>					
Term	2,236,374	3.85%	2018–2027	<b>876,272</b>	1,095,477

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 7. Debt (continued)

Series	Original Issue	Interest Rate	Original Maturity Date	Principal Outstanding March 31	
				2021	2020
<b>Payson 2012</b>					
Serial	74,885,000	2.00%–5.00%	2013–2026	\$ 5,430,000	\$ 10,600,000
<b>Payson 2013</b>					
Serial	2,025,000	1.76%	2014–2023	650,000	860,000
<b>Payson 2019</b>					
Serial	26,770,000	2.05%–2.50%	2020–2025	26,395,000	26,770,000
<b>Veyo 2014</b>					
Serial	12,990,000	3.00%–5.00%	2017–2034	10,355,000	10,925,000
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				
<b>Hurricane City – 2013</b>					
Term	2,009,000	2.30%	2014–2027	1,086,000	1,227,000
<b>Washington City – 2013</b>					
Term	996,000	2.30%	2014–2027	538,000	608,000
<b>Washington City – 2016</b>					
Term	1,968,000	2.59%	2017–2029	1,395,000	1,550,000
				161,700,272	176,770,477
	Less unamortized bond discount			–	–
	Plus unamortized bond premium			11,845,730	13,559,962
	Less current portion (excluding current portion of unamortized bond premium and discount)			15,737,645	15,070,206
				<b>\$ 157,808,357</b>	<b>\$ 175,260,233</b>

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### **7. Debt (continued)**

Pursuant to the Horse Butte Wind Project Revenue Bond Resolution, the San Juan Project Revenue Bond Resolution, the Central-St. George Transmission Project Revenue Bond Resolution, the Payson Power Project Bond Resolution, 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:

The Horse Butte Wind Project Revenue and Refunding Series 2017A Bonds and the Series 2017B Bonds maturing on or after September 1, 2028, are subject to redemption prior to maturity on or after March 1, 2028, in whole or in part on any date, at a redemption price equal to 100% of the principal amount of each Series 2017 Bond or portion thereof to be so redeemed plus accrued interest to the redemption date.

The Horse Butte Wind Project Revenue and Refunding Series 2017C Bonds are subject to redemption prior to the maturity at the option of UAMPS, in whole or in part, and if in part among maturities to be designated by UAMPS, on any date, at a Redemption Price, calculated by a quotation agent selected by UAMS in a commercially reasonable manner, equal to the greater of 100% the principal amount of the Series 2017C Bonds to be redeemed; and the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series 2017C Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2017C Bonds are to be redeemed, discounted to the date on which such Series 2017C Bonds are to be redeemed on a semi-annual basis, assuming a 360 day year consisting of twelve 30 day months, at the Treasury Rate plus 10 basis points; plus, in each case, accrued interest on the Series 2017C Bonds to be redeemed to the redemption date. The Series 2017C Bonds maturing on September 1, 2025 are subject to mandatory sinking fund redemption on September 1, 2024 at a redemption price equal to 100% of the principal amount of each Series 2017C Bond to be so redeemed, plus accrued interest to the redemption date.

The Horse Butte Wind Revenue Bonds Series 2012A maturing on and after September 1, 2023 (totaling 42.0 million) were redeemed at 100% principal and accrued interest. Accordingly, all amounts related to the defeased Bonds were removed from the balance sheet. All of Series 2012B Bonds were redeemed at 100% principal plus accrued interest. The outstanding principal of the remaining Series 2012A Bonds at March 31, 2021 was \$6.2 million. The outstanding principal of the defeased in substance bonds was \$42.0 million.



# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 7. Debt (continued)

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 Bond, Series 2016, (totaling \$25.8 million), at 2.53% interest, may be prepaid in whole or in part without penalty.

The Central-St. George Transmission Revenue Bonds Series 2018 (totaling \$2.2 million) at 3.85% interest, were partially prepaid at UAMPS election. The Series 2018 Bonds allowed for a single prepayment in a maximum principal amount of \$0.5 million, or any lesser principal amount, including accrued interest, without premium or penalty. Principal prepaid shall be applied to reduce remaining principal payments on the Series 2018 Bonds in reverse chronological order. UAMPS applied the prepayment of \$.8 million to the Bonds maturing December 1, 2024 and after.

On November 13, 2019, UAMPS issued Payson Power Project Refunding Revenue Bonds, Series 2019 (Taxable), (totaling \$26.7 million). The Bonds were issued to provide amounts sufficient, together with other available funds, to provide a deposit into an Escrow Account and pay all associated costs of issuance. Funds in the Escrow Account will be used to refund the Series 2012 Refunded Bonds, with scheduled maturity of April 1, 2022 and after in advance of their stated maturity, and are pledged solely for the payment of the Series 2012 Refunded Bonds.

The Series 2019 Bonds are subject to redemption prior to maturity at the option of UAMPS, in whole or in part, and if in part among maturities to be designated by UAMPS, on any date, at a Redemption Price, calculated by a quotation agent selected by UAMPS in a commercially reasonable manner, equal to the greater of (i) 100% of the principal amount of the Series 2019 Bonds to be redeemed; and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series 2019 Bonds to be redeemed (but excluding accrued and unpaid interest on such Series 2019 Bonds are to be redeemed on a semi-annual basis at the Treasury Rate plus twenty-five basis points (0.25%); plus accrued interest on the Series 2019 Bonds to be redeemed to the redemption date.

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 7. Debt (continued)

The Payson Power Project Refunding Revenue Bonds, Series 2012 maturing on or after April 1, 2021 (totaling \$31.5 million) were redeemed at 100% principal and accrued interest. Accordingly, all amounts related to the defeased Bonds were removed from the balance sheet. The outstanding principal of the remaining Series 2012 bonds at March 31, 2021 was \$5.4 million.

The Payson Power Project Revenue Bonds Series 2013 (totaling \$2.0 million) at 1.76% interest are not subject to optional redemption prior to maturity.

The Veyo Heat Recovery Project Revenue Bonds Series 2014 (totaling \$21.4 million) 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.

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 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.

The Member Services Project Generator Refunding Revenue Bonds (Washington City Project) Series 2016 (totaling \$2.0 million) at 2.59% interest, 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.

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.

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 7. Debt (continued)

The Bond Resolutions include certain provisions and covenants including among others, the requirement that UAMPS shall at all times establish and collect rates and charges to provide Revenues at least sufficient in each fiscal year, together with other available funds, for the payment of the sum of operation and maintenance costs, debt service, and debt service reserve account for the fiscal year. UAMPS will punctually pay or cause to be paid the principal, redemption price and interest on the Bonds and any repayment obligations in strict conformity with the terms of the Bonds, any security instrument agreement, any reserve instrument agreement, and the indenture, and UAMPS will punctually pay or cause to be paid all sinking fund installments which may be established for any series of bonds. UAMPS is required file an annual budget with the respective trustees of each of their bonds and is required to keep proper books of records and accounts, and file with the Trustee annually financial statements.

UAMPS incurred interest costs of \$5.7 million and \$6.3 million for the years ended March 31, 2021 and 2020, respectively.

The scheduled maturities and related interest, based on scheduled rates for fixed rate bonds and the existing rates at March 31, 2021, for variable rate bonds, of long-term debt are as follows:

	<b>Revenue and Refunding Revenue Bonds</b>	<b>Interest</b>	<b>Total Debt Service Requirements</b>
<b>Year ending March 31</b>			
2022	\$ 15,892,644	\$ 6,114,201	\$ 22,006,845
2023	16,585,409	5,551,852	22,137,261
2024	15,600,511	5,029,757	20,630,268
2025	14,522,708	4,563,592	19,086,300
2026	14,820,000	4,089,638	18,909,638
2027–2031	32,954,000	15,910,448	48,864,448
2032–2036	32,230,000	8,708,827	40,938,827
2037–2041	19,095,000	1,501,258	20,596,258
	<b>\$ 161,700,272</b>	<b>\$ 51,469,574</b>	<b>\$ 213,169,846</b>

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### 7. Debt (continued)

The table below shows the changes in the net long-term debt balances that occurred during the year ended March 31, 2021.

	March 31 2020	Additions	Reductions	March 31 2021	Amount Due Within One Year
Horse Butte Wind 2012A – Serial	\$ 9,095,000	\$ –	\$ 2,885,000	\$ 6,210,000	\$ 3,030,000
Horse Butte Wind 2017A – Serial	38,480,000	–	–	38,480,000	–
Horse Butte Wind 2017B – Serial	32,455,000	–	–	32,455,000	–
Horse Butte Wind 2017C – Taxable Component	–	–	–	–	–
Horse Butte Wind 2017C – Taxable Component	170,000	–	170,000	–	–
Horse Butte Wind 2017C – Taxable Component	170,000	–	–	170,000	170,000
Horse Butte Wind 2017C – Taxable Component	180,000	–	–	180,000	–
Horse Butte Wind 2017C – Taxable Component	460,000	–	–	460,000	–
Horse Butte Wind 2017C – Term	480,000	–	–	480,000	–
Horse Butte Wind 2017C – Term	495,000	–	–	495,000	–
San Juan 2008A- Serial	625,000	–	200,000	425,000	210,000
San Juan 2011 – Serial	8,025,000	–	2,150,000	5,875,000	2,270,000
Central-St. George 2009 – Serial	–	–	–	–	–
Central-St. George 2011 – Serial	–	–	–	–	–
Central-St. George 2012 – Serial	–	–	–	–	–
Central-St. George 2016 – Term	24,100,000	–	2,755,000	21,345,000	2,825,000
Central-St. George 2018 – Term	1,095,477	–	219,205	876,272	227,645
Payson 2012 – Serial	10,600,000	–	5,170,000	5,430,000	5,430,000
Payson 2013 – Serial	860,000	–	210,000	650,000	215,000
Payson 2019 – Serial	26,770,000	–	375,000	26,395,000	375,000
Veyo 2014 – Serial	10,925,000	–	570,000	10,355,000	600,000
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	1,227,000	–	141,000	1,086,000	144,000
Washington City 2013 – Term	608,000	–	70,000	538,000	72,000
Washington 2016 – Term	1,550,000	–	155,000	1,395,000	159,000
	<u>176,770,477</u>	–	<u>15,070,205</u>	<u>161,700,272</u>	<u>15,737,645</u>
Plus unamortized premium	15,268,011	–	1,707,668	13,560,343	1,714,610
	<u>\$ 192,038,488</u>	<u>\$ –</u>	<u>\$ 16,777,873</u>	<u>\$ 175,260,615</u>	<u>\$ 17,452,255</u>

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### 7. Debt (continued)

The table below shows the changes in the net long-term debt balances that occurred during the year ended March 31, 2020.

	March 31 2019	Additions	Reductions	March 31 2020	Amount Due Within One Year
Horse Butte Wind 2012A – Serial	\$ 11,845,000	\$ –	\$ 2,750,000	\$ 9,095,000	\$ 2,885,000
Horse Butte Wind 2017A – Serial	38,480,000	–	–	38,480,000	–
Horse Butte Wind 2017B – Serial	32,455,000	–	–	32,455,000	–
Horse Butte Wind 2017C – Taxable component	165,000	–	165,000	–	–
Horse Butte Wind 2017C – Taxable component	170,000	–	–	170,000	170,000
Horse Butte Wind 2017C – Taxable component	170,000	–	–	170,000	–
Horse Butte Wind 2017C – Taxable component	180,000	–	–	180,000	–
Horse Butte Wind 2017C – Taxable component	460,000	–	–	460,000	–
Horse Butte Wind 2017C – Term	480,000	–	–	480,000	–
Horse Butte Wind 2017C – Term	495,000	–	–	495,000	–
San Juan 2008A– Serial	815,000	–	190,000	625,000	200,000
San Juan 2011 – Serial	10,060,000	–	2,035,000	8,025,000	2,150,000
Central-St. George 2009 – Serial	290,000	–	290,000	–	–
Central-St. George 2011 – Serial	520,000	–	520,000	–	–
Central-St. George 2012 – Serial	1,510,000	–	1,510,000	–	–
Central-St. George 2016 – Term	24,510,000	–	410,000	24,100,000	2,755,000
Central-St. George 2018 – Term	2,116,556	–	1,021,079	1,095,477	219,206
Payson 2012 – Serial	47,010,000	–	36,410,000	10,600,000	5,170,000
Payson 2013 – Serial	1,065,000	–	205,000	860,000	210,000
Payson 2019 – Serial	–	26,770,000	–	26,770,000	375,000
Veyo 2014 – Serial	11,480,000	–	555,000	10,925,000	570,000
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	1,365,000	–	138,000	1,227,000	141,000
Washington City 2013 – Term	676,000	–	68,000	608,000	70,000
Washington 2016 – Term	1,700,000	–	150,000	1,550,000	155,000
	196,417,556	26,770,000	46,417,079	176,770,477	15,070,206
Less unamortized discount	2,577	–	2,577	–	–
Plus unamortized premium	18,922,163	–	3,654,152	15,268,009	1,707,668
	<u>\$ 215,337,142</u>	<u>\$ 26,770,000</u>	<u>\$ 50,068,654</u>	<u>\$ 192,038,486</u>	<u>\$ 16,777,874</u>

#### 8. Lines of Credit

The outstanding balance on the combined \$25.0 million available lines of credit was \$3.8 million and \$7.7 million March 31, 2021 and 2020, respectively. The additional revolving lines of credit were obtained to assist UAMPS with working capital requirements.

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### 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, 2021:

	<b>Gas</b>	<b>Power</b>
Fiscal year:		
2022	\$ 13,503,365	\$ 46,747,167
2023	12,991,130	24,244,146
2024	837,510	22,486,361
2025	627,840	21,891,947
2026	627,840	22,726,911
Total	\$ 28,587,685	\$ 138,096,532

Under similar agreements UAMPS purchased energy in the amount of \$50.0 million in fiscal year 2021 and \$48.3 million in fiscal year 2020. UAMPS purchased natural gas in the amount of \$14.5 million in fiscal year 2021 and \$14.0 million in fiscal year 2020.

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

	<b>Tons</b>	<b>Price per Ton</b>	<b>Total Commitment March 31, 2021</b>	<b>UAMPS Portion of Commitment March 31, 2021</b>
2022	1,400,000	\$ 46.2	\$ 64,680,000	\$ 2,719,000

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 9. Commitments and Contingencies (continued)

During fiscal years 2021 and 2020, UAMPS incurred minimum coal costs of \$5.0 million and \$5.4 million respectively, and incremental coal costs of \$.3 million and \$.2 million respectively, as its portion of the existing San Juan Operating Agreement. Incremental coal costs are comprised of variable costs for the purchase of coal in excess of the minimum purchase requirement and can be negative due to consumption being less than the base purchase requirement.

UAMPS leases office space under a ten-year operating lease expiring in fiscal year 2021. The lease has been renewed the lease for a 12 year term, expiring in fiscal year 2033. Future minimum lease payments under the operating lease obligation are:

Fiscal year:	
2022	\$ 593,708
2023	605,582
2024	617,694
2025	630,048
2026	644,248
Thereafter	<u>4,882,109</u>
	<u>\$ 7,973,389</u>

Rent expense for the years ended March 31, 2021 and 2020, were \$0.5 million and \$0.5 million, respectively.

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

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 10. Retirement Plan

UAMPS has a noncontributory money purchase defined contribution pension plan, which covers all of its employees. Employees are eligible to participate from the date of employment. Contributions and earnings thereon are always fully vested upon participation in the plan. Contribution levels are established by the Board and are initially equal to 15.3%, increasing to 25.0% of each covered employee's compensation. UAMPS' covered payroll amounted to approximately \$5.4 million in 2021 and \$5.2 million in 2020. Contributions, which are approximately 25.83% in 2021 and 22.99% in 2020 of total payroll, totaled approximately \$1.4 million in 2021 and \$1.2 million in 2020. All contributions are invested using an outside pension administrator, ICMA Retirement Corp. (ICMA). ICMA provides the participants with multiple options for their pension investments.

	<b>Year Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Total covered payroll	<b>\$ 5,420,000</b>	\$ 5,220,000
Contributions	<b>1,400,000</b>	1,200,000
Contributions as a percentage of payroll	<b>25.83%</b>	22.99%



# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 11. Blended Component Units

The following statements present the condensed information for the blended component unit. Individual financial information can be provided upon request.

#### Statements of Revenues and Expenses and Changes in Net Position (updated note to follow)

	<b>Year Ended March 31, 2021</b>
	<i>(In Thousands)</i>
Operating revenue	\$ 2,100
Operating expense	<u>(3,129)</u>
Operating income	(1,029)
Non operating revenue	-
Non operating expense	<u>(7)</u>
Non operating loss	(7)
Change in net position	(1,036)
Net position at beginning of year	-
Distributions	<u>-</u>
Net position at end of year	<u><u>\$ (1,036)</u></u>

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

**11. Blended Component Units (continued)**

**Statements of Net Position**

	<b>Year Ended March 31, 2021</b>
Current assets:	
Cash	\$ 1
Receivables	2,100
Prepaid expenses and deposits	16
Total current assets	<u>2,117</u>
Long term assets:	
CWIP	866
Total long term capital asset	<u>866</u>
Total assets and deferred outflows of resources	<u>\$ 2,983</u>
Current liabilities:	
Accounts payable	\$ 1,689
Accrued liabilities	2,330
	<u>4,019</u>
Net position:	
Unrestricted	<u>(1,036)</u>
	<u>(1,036)</u>
Total liabilities, deferred inflow of resources, and net position	<u>\$ 2,983</u>

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

**11. Blended Component Units (continued)**

**Statements of Cash Flows**

	<b>Year Ended March 31, 2021</b>
	<i>(In Thousands)</i>
Net cash provided by operating activities	\$ 873
Net cash used in capital and related financing activities	(873)
Net cash used in noncapital and related financing activities	—
Net cash provided by investing activities	—
Decrease in cash	—
Cash at beginning of year	—
Cash at end of year	<u>\$ —</u>

# Supplemental Schedules

Utah Associated Municipal Power Systems

Schedules of Project Financial Statements

Balance Sheet

March 31, 2021

	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
<b>Assets</b>																		
<b>Current assets:</b>																		
Cash	\$ (139,713)	\$ 1,608,408	\$ (1,654,271)	\$ 417,971	\$ 329,728	\$ 1,282,174	\$ (450,668)	\$ 188,597	\$ (2,082,492)	\$ 6,146,529	\$ (2,954,563)	\$ (3,604,315)	\$ 188,503	\$ 1,037,281	\$ 14,144	\$ 342,368	\$ 46,898	\$ 716,579
Receivables	1,701,591	2,895,478	1,738,674	14,023	421,114	1,965,778	588,308	21,407	446,385	14,314,114	3,615,792	2,114,870	-	178,956	142,125	67,389	68,753	30,294,757
Prepaid expenses and deposits	-	2,806,000	1,231,819	-	-	774,633	51,018	281,379	-	360,000	2,054,341	16,437	-	-	-	-	-	7,575,627
Investment	1,580,477	2,405,674	1,918,628	9,426	1,003,617	1,524,910	375,918	(4,509)	541,118	6,845,538	4,709,407	-	-	80,449	13,802	55,585	106,456	21,166,496
	3,142,355	9,715,560	3,234,850	441,420	1,754,459	5,547,495	564,576	486,874	(1,094,989)	27,666,181	7,424,977	(1,473,008)	188,503	1,296,686	170,071	465,342	222,107	59,753,459
<b>Restricted assets:</b>																		
Investments	-	4,430,743	8,774,141	-	-	10,770,812	2,100,942	-	4,909,568	-	11,999,925	-	-	-	-	-	1,807,332	44,793,463
	-	4,430,743	8,774,141	-	-	10,770,812	2,100,942	-	4,909,568	-	11,999,925	-	-	-	-	-	-	1,807,332
<b>Capital assets:</b>																		
Generation	-	99,996,563	69,723,436	-	-	93,974,779	30,698,776	-	-	-	112,067,558	1,000	-	-	-	-	6,828,983	413,291,095
Transmission	-	-	-	-	-	-	-	17,492,388	58,286,458	-	10,521,738	-	-	-	-	-	-	86,300,584
Furniture and equipment	92,079	275,580	233,795	68,651	51,416	252,042	25,987	23,889	87,402	-	487,388	255,572	-	304,369	76,567	133,583	14,344	2,382,664
	92,079	100,272,143	69,957,231	68,651	51,416	94,226,821	30,724,763	17,516,277	58,373,860	-	123,076,684	256,572	-	304,369	76,567	133,583	6,843,327	501,974,343
Less accumulated depreciation	(55,439)	(91,295,482)	(65,220,177)	(36,544)	(40,075)	(16,643,053)	(5,629,015)	(17,509,288)	(49,789,297)	-	(88,953,171)	(177,166)	-	(193,548)	(61,411)	(87,890)	(4,643,051)	(340,334,607)
	36,640	8,976,661	4,737,054	32,107	11,341	77,583,768	25,095,748	6,989	8,584,563	-	34,123,513	79,406	-	110,821	15,156	45,693	2,200,276	161,639,736
Construction work-in-progress	5,272	18,999	7,543	-	4,664	26,000	1,750	-	77,236	108,091	229,057	-	-	-	-	-	-	478,612
	41,912	8,995,660	4,744,597	32,107	16,005	77,609,768	25,097,498	6,989	8,661,799	108,091	34,352,570	79,406	-	110,821	15,156	45,693	2,200,276	162,118,348
<b>Deferred outflows of resources</b>																		
Defeasance costs	-	-	38,186	-	-	801,817	-	-	2,041,203	-	520,746	-	-	-	-	-	-	3,401,952
<b>Total assets and deferred outflows of resources</b>	<b>\$ 3,184,267</b>	<b>\$ 23,141,963</b>	<b>\$ 16,791,774</b>	<b>\$ 473,527</b>	<b>\$ 1,770,464</b>	<b>\$ 94,729,892</b>	<b>\$ 27,763,016</b>	<b>\$ 493,863</b>	<b>\$ 14,517,581</b>	<b>\$ 27,774,272</b>	<b>\$ 54,298,218</b>	<b>\$ (1,393,602)</b>	<b>\$ 188,503</b>	<b>\$ 1,407,507</b>	<b>\$ 185,227</b>	<b>\$ 511,035</b>	<b>\$ 4,229,715</b>	<b>\$ 270,067,222</b>

Utah Associated Municipal Power Systems  
Schedules of Project Financial Statements (continued)

Balance Sheet

March 31, 2021

	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	
<b>Liabilities</b>																			
Current liabilities:																			
Accounts payable	\$ 2,546,759	\$ (678,844)	\$ 1,802,481	\$ 2,118	\$ 495,318	\$ 3,594,847	\$ 171,726	\$ 30,186	\$ 57,429	\$ 19,524,855	\$ 2,575,437	\$ 2,023,147	\$ -	\$ 15,348	\$ 1,482	\$ 12,011	\$ 2	\$ 32,174,302	
Accrued liabilities	81,004	327,332	513,382	29,147	48,584	(144,862)	36,367	14,304	58,128	10,235,898	296,710	210,235	-	159,204	10,981	67,919	23	11,944,356	
Lines of credit	280,959	427,652	341,071	1,676	178,411	271,081	66,826	(801)	96,194	1,216,919	837,183	-	-	14,301	2,454	9,881	18,924	3,762,731	
Current portion of unearned revenue	-	-	412,772	-	-	1,346,736	382,569	-	131,197	2,198,415	478,615	-	-	-	-	-	-	4,950,304	
	2,908,722	76,140	3,069,706	32,941	722,313	5,067,802	657,488	43,689	342,948	33,176,087	4,187,945	2,233,382	-	188,853	14,917	89,811	18,949	52,831,693	
Liabilities payable from restricted assets:																			
Accrued interest payable	592	901	114,715	4	376	326,316	72,465	(3)	191,912	2,564	456,072	-	-	30	5	21	24,601	1,190,571	
Current portion of long-term debt	-	-	2,509,960	-	-	4,541,516	687,471	-	3,052,644	-	6,285,664	-	-	-	-	-	-	375,000	17,452,255
	592	901	2,624,675	4	376	4,867,832	759,936	(3)	3,244,556	2,564	6,741,736	-	-	30	5	21	399,601	18,642,826	
Long-term debt:																			
Bonds payable, less current portion	-	-	3,820,000	-	-	75,720,000	18,155,000	-	19,168,627	-	26,455,000	-	-	-	-	-	-	2,644,000	145,962,627
Unamortized bond premium	-	-	13,573	-	-	10,863,071	969,086	-	-	-	-	-	-	-	-	-	-	-	11,845,730
	-	-	3,833,573	-	-	86,583,071	19,124,086	-	19,168,627	-	26,455,000	-	-	-	-	-	-	2,644,000	157,808,357
Other liabilities:																			
Unearned revenue, less current portion	-	-	10,265,202	-	-	23,863,431	9,907,223	-	3,325,670	-	4,477,539	-	-	-	-	-	-	-	51,839,065
Accumulated amortization of unearned revenue	-	-	(10,205,953)	-	-	(11,220,692)	(2,670,291)	-	(3,209,117)	-	(3,921,065)	-	-	-	-	-	-	-	(31,227,118)
Net unearned revenue	-	-	59,249	-	-	12,642,739	7,236,932	-	116,553	-	556,474	-	-	-	-	-	-	-	20,611,947
<b>Deferred inflows of resources</b>																			
Net costs advanced from billings to members	2,938	18,875,305	6,920,206	9,669	(27,144)	(15,807,024)	(264,578)	523,438	(8,141,651)	(6,337,366)	15,021,343	(8,659)	-	42,535	36,483	7,071	933,822	11,786,388	
<b>Net position</b>	271,920	4,189,472	284,250	430,912	1,074,859	1,375,380	249,129	-73,261	-213,485	932,575	1,336,711	-3,618,325	188,503	1,176,084	133,821	414,129	233,337	8,386,011	
Total liabilities, deferred inflows of resources, and net position	\$ 3,184,172	\$ 23,141,818	\$ 16,791,659	\$ 473,526	\$ 1,770,404	\$ 94,729,800	\$ 27,762,993	\$ 493,863	\$ 14,517,548	\$ 27,773,860	\$ 54,299,209	\$ (1,393,602)	\$ 188,503	\$ 1,407,502	\$ 185,226	\$ 511,032	\$ 4,229,709	\$ 270,067,222	

Utah Associated Municipal Power Systems

Schedules of Project Financial Statements

Income Statement

Year Ended March 31, 2021

	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	
Operating revenues:																			
Power sales	\$ 11,984,191	\$ 19,212,920	\$ 14,345,646	\$ 147,924	\$ 7,328,958	\$ 14,213,184	\$ 3,223,936	\$ 366,000	\$ 4,367,352	\$ 90,887,110	\$ 38,409,453	\$ 1,143,787	\$ -	\$ 28,500	\$ 154,109	\$ 435,820	\$ 884,217	\$ 207,133,108	
Other	(12,719)	(44,893)	(23,339)	76	(10,813)	(15,177)	(4,858)	37	152	(289,514)	(43,314)	2,100,381	-	928,234	29	178	-	2,584,460	
	11,971,472	19,168,027	14,322,307	148,000	7,318,145	14,198,007	3,219,078	366,037	4,367,504	90,597,596	38,366,139	3,244,168	-	956,734	154,138	435,998	884,217	209,717,568	
Operating expenses:																			
Cost of power	11,559,466	16,009,410	10,516,353	-	6,742,964	3,790,556	764,528	217,734	251,245	86,396,934	24,280,793	-	-	202,183	-	114,218	239,317	161,085,701	
In lieu of ad valorem taxes	-	414,756	61,719	-	-	198,854	-	-	-	-	-	-	-	-	-	-	-	675,329	
Depreciation	13,732	468,435	4,601,260	10,108	8,985	4,789,655	1,240,394	4,479	2,900,701	-	6,489,325	51,959	-	45,597	11,972	22,697	317,103	20,976,402	
General and administrative	261,255	767,113	548,927	79,114	252,193	958,129	406,359	46,388	378,288	2,592,312	3,700,763	5,489,009	-	429,587	36,118	169,250	15,732	16,130,537	
	11,834,453	17,659,714	15,728,259	89,222	7,004,142	9,737,194	2,411,281	268,601	3,530,234	88,989,246	34,470,881	5,540,968	-	677,367	48,090	306,165	572,152	198,867,969	
Operating income	137,019	1,508,313	(1,405,952)	58,778	314,003	4,460,813	807,797	97,436	837,270	1,608,350	3,895,258	(2,296,800)	-	279,367	106,048	129,833	312,065	10,849,599	
Nonoperating revenues (expenses):																			
Interest expense	-	37,421	55,478	-	-	75,719	16,091	-	35,983	-	49,497	-	-	-	-	-	-	10,623	280,812
Investment and other income (expense)	(7,107)	(10,818)	(355,511)	(42)	(4,513)	(2,742,331)	(774,265)	20	(934,472)	(30,782)	(721,115)	(7,326)	-	(362)	(62)	(250)	(75,287)	(5,664,223)	
Deferred outflows of resources -- net costs advanced	1,556	140,831	1,788,109	801	2,344	(1,022,271)	107,302	2,645	(5,421)	-	(2,665,023)	41,988	-	(1,970)	(18,017)	1,555	(215,954)	(7,224,936)	
Total nonoperating expenses	(5,551)	167,434	1,488,077	759	(2,169)	(3,688,883)	(650,872)	2,665	(903,911)	(30,782)	(3,336,641)	34,662	-	(2,332)	(18,079)	1,305	(280,617)	(12,608,346)	
Change in net position	\$ 131,468	\$ 1,675,747	\$ 82,125	\$ 59,537	\$ 311,834	\$ 771,930	\$ 156,925	\$ 100,101	\$ (66,641)	\$ 1,577,568	\$ 558,617	\$ (2,262,138)	\$ -	\$ 277,035	\$ 87,969	\$ 131,138	\$ 31,448	\$ 3,624,663	

# Reports Required by the Uniform Guidance





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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*

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, 2021, 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 27, 2021.

### **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) as a basis for designing 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 financial statements. 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 results of that testing, and not to provide an opinion on the effectiveness of 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 27, 2021



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## Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Management and the Board of Directors  
Utah Associated Municipal Power Systems

### **Report on Compliance for the Major Federal Program**

We have audited Utah Associated Municipal Power Systems' (UAMPS) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on UAMPS's major federal program for the year ended March 31, 2021. UAMPS's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal program.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the UAMPS's major federal program based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about UAMPS's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of UAMPS's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, UAMPS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended March 31, 2021.

### **Report on Internal Control Over Compliance**

Management of UAMPS is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered UAMPS's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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's 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 type of compliance requirement of a federal program 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 type of compliance requirement of a federal program 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 type of compliance requirement of a federal program 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 over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Ernst + Young LLP*

August 18, 2021

Supplementary Information  
Required by the Uniform Guidance

Utah Associated Municipal Power Systems  
Schedule of Expenditures of Federal Awards

Year Ended March 31, 2021

Federal Grantor/ Pass-through Grantor/ Program Title	Federal Assistance Listing #	Pass-Through Entity Identifying Number	Total Current Year Expenditures
<b>U.S. Department of Energy: Nuclear Energy Research, Development, and Demonstration</b>			
Commercialization and deployment of the First NuScale Small Modular Reactor in the U.S. – Carbon Free Power Project (CFPP)	81.121		\$ 2,099,833
Passed through NuScale Power, LLC – Site Permitting and Licensing of the NuScale Small Modular Reactor (CFPP)	81.121	DE-NE0008369	<u>776,340</u>
U.S. Department of Energy			<u>2,876,173</u>
<b>Total expenditures of federal awards</b>			<u><u>\$ 2,876,173</u></u>

*See Notes to Schedule of Expenditures of Federal Awards.*

# Utah Associated Municipal Power Systems

## Notes to Schedule of Expenditures of Federal Awards

March 31, 2021

### **1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Utah Associated Municipal Power Systems (UAMPS) under programs of the federal government for the year ended March 31, 2021. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because the schedule presents only a selected portion of the operations of UAMPS, it is not intended to and does not present the financial position, changes in net assets or cash flows of UAMPS.

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

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

### **3. Indirect Cost Rate**

Utah Associated Municipal Power Systems has elected not to use the 10% de minimis cost rate.



# Schedule Required by the Uniform Guidance

Utah Associated Municipal Power Systems

Schedule of Findings and Questioned Costs

Year Ended March 31, 2021

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes  X  No

Significant deficiency(ies) identified? \_\_\_\_\_ Yes  X  None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes  X  No

Federal Awards

Internal control over major federal program:

Material weakness(es) identified? \_\_\_\_\_ Yes  X  No

Significant deficiency(ies) identified? \_\_\_\_\_ Yes  X  None reported

Type of auditor’s report issued on compliance for major federal program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ Yes  X  No

Identification of major federal program:

Federal Assistance

Listing #	Name of federal program or cluster
81.121	Nuclear Energy Research, Development and Demonstration

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?  X  Yes \_\_\_\_\_ No

Utah Associated Municipal Power Systems  
Schedule of Findings and Questioned Costs (continued)

Year Ended March 31, 2021

**Section II – Financial Statement Findings**

No matters were reported.

**Section III – Federal Award Finding and Questioned Costs**

No matters were reported.

# Other Report



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## Independent Auditor's Report on Compliance and Report on Internal Control over Compliance as Required by the *State Compliance Audit Guide*

The Board of Directors  
Utah Associated Municipal Power Systems

### **Report on Compliance**

We have audited Utah Associated Municipal Power Systems' compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, that could have a direct and material effect on Utah Associated Municipal Power Systems for the year ended March 31, 2021.

State compliance requirements were tested for the year ended March 31, 2021, in the following areas:

- Budgetary Compliance
- Open and Public Meetings Act
- Public Treasurer's Bond

### ***Management's Responsibility***

Management is responsible for compliance with the 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 state 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 state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement 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 for each state compliance requirement referred to above. However, our audit does not provide a legal determination of Utah Associated Municipal Power Systems' compliance with those requirements.

### ***Opinion on Compliance***

In our opinion, Utah Associated Municipal Power Systems complied, in all material respects, with the state compliance requirements referred to above for the year ended March 31, 2021.

### ***Report On Internal Control Over Compliance***

Management of Utah Associated Municipal Power Systems is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered Utah Associated Municipal Power Systems' internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those 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 Utah Associated Municipal Power Systems' 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 to detect and correct noncompliance with a 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 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 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 27, 2021

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