Financial Statements and Supplemental Schedules

Utah Associated Municipal Power Systems
Years Ended March 31, 2014 and 2013
With Report of Independent Auditors

Ernst & Young LLP

Building a better
working world

Utah Associated Municipal Power Systems

Financial Statements and Supplemental Schedules

Years Ended March 31, 2014 and 2013

Contents

Utah Associated Municipal Power Systems

Management's Discussion and Analysis

Introduction

The following is a discussion and analysis of Utah Associated Municipal Power Systems' (UAMPS) financial performance and position, providing an overview of UAMPS' activities for the years ended March 31, 2014, 2013, and 2012.

Description of Business

UAMPS is a political subdivision of the state of Utah (the State). Its 45 members (the Members) include public power utilities in Utah, Oregon, Arizona, Idaho, Nevada, New Mexico, California, and Wyoming. UAMPS' purposes include the planning, financing, developing, acquiring, constructing, improving, bettering, operating, and maintaining projects or ownership interests or capacity rights therein for the generation, transmission, and distribution of electric energy for the benefit of its Members. UAMPS is governed by its Board of Directors (the Board). The Board consists of directors representing Members that have entitlement shares in the various projects undertaken by UAMPS. UAMPS is a project-based organization and presently operates 14 separate projects that provide a variety of power supply, transmission and other services to the Members that participate in them. The Members make their own elections to participate in UAMPS' projects and are not obligated to participate in any particular project. In general, UAMPS and its Members that elect to participate in a project enter into a contract that specifies the services or product to be provided to UAMPS from the project, the payments to be made by participating Members in respect of the costs of the project and other matters relating to the project.

Providing the Members with better methods to share resources and information about electric power issues is an important role for UAMPS. Through the Government and Public Affairs (GPA) project the Members are able to participate in the political process at the state and federal levels and to monitor current political issues that could directly impact the future of the electric industry.

The Board has ultimate control of UAMPS, maintaining managerial, financial and operational responsibility. UAMPS functions as an autonomous company supported solely from its own revenues. All assets, debts and obligations of UAMPS are separate and distinct from the assets, debts and obligations of the State. Upon dissolution of UAMPS, any monies not needed to liquidate UAMPS' obligations would be returned to its Members.

Highlights

UAMPS posted a change in net position for the years ended March 31, 2014, 2013, and 2012 of $3.2 million, $18.7 million, and $3.6 million, respectively. The decrease at March 31, 2014 from March 31, 2013, is attributable largely to a $17.0 million fee earned by UAMPS, acting as Developer of the Horse Butte Wind project, which was completed and began commercial operation during fiscal year 2013. The development fee was distributed during fiscal year 2013 and was applied to pay costs of the project not funded by the Horse Butte Wind Project Revenue Bonds. The Members may elect to receive refunds of the 2014 excess of revenues over expenses during fiscal year 2015.

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 allow a look at the changes in equity over the period, including additions due to the excess of revenue over expenses and decreases due to distributions. The statements of cash flows illustrate the cash that is received from and expended on various activities over the period.

UAMPS' financial statements were audited in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards* issued by the Comptroller General of the United States. All statements are prepared on the accrual basis of accounting. All revenues and expenses are recognized when earned or incurred regardless of when cash is received or spent.

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

Financial Analysis

Total cash and invested assets at March 31, 2014, 2013, and 2012, were $57.0 million, $52.3 million, and $42.5 million, respectively. The increase of $4.7 million from March 31, 2013 to March 31, 2014, is due to a few key items. First, the Payson Project overhaul account increased $2.0 million due to the financing of certain outage related expenses. Second, the Hunter Project overhaul account increased $1.7 million, as contributions exceeded consumption. Third, the San Juan overhaul account decreased by $1.0 million due to outage expenses. Finally, there was an increase of unrestricted cash of $1.6 million due to a bank delay in processing a payment at the end of the year. The increase from March 31, 2012 to March 31, 2013, is due to the following, first, as the Horse Butte Wind Project began commercial operation, there were increases totaling $11.8 million for debt service, liquidity, and operation accounts. Second, there was an increase of $2.4 million in the Hunter Project overhaul account. Third, these increases were offset by a decrease of $3.9 million in the member funds, retained at their request, for future use. There were other minor account fluctuations due to refinancing and overhaul fund usage.

The components of investments at March 31, 2014, 2013, and 2012, consisted of the following:

	2014	**2013**	**2012**
Investment in U.S. Treasury notes	**21.0%**	23.0%	28.0%
Investment in Debenture issued by Government Sponsored Enterprise	**1.0**	1.0	1.0
Utah Public Treasurer's Investment Fund	**78.0**	76.0	71.0
	100.0%	100.0%	100.0%

Financial Analysis (continued)

At March 31, 2014, 2013, and 2012, accounts receivable totaled $22.0 million, $21.7 million, and $20.6 million, respectively. The slight increase of $0.3 million from March 31, 2013 to March 31, 2014, is due to normal fluctuations in receipt of payments. The $1.1 million increase from March 31, 2012 to March 31, 2013, is predominantly the result of increase billing amounts due to the Horse Butte Wind Project beginning commercial operation during fiscal year 2013. The table below summarizes UAMPS' net position at March 31, 2014, 2013, and 2012:

	2014	2013	2012
Capital assets, net	**$ 152,009**	$ 166,304	$ 176,791
Other assets	**190,232**	191,021	68,503
	342,241	357,325	245,294
Deferred outflows of resources	**632**	737	690
Total assets and deferred outflows of resources	**$ 342,873**	$ 358,062	$ 245,984
Current liabilities	**$ 30,846**	$ 29,391	$ 25,628
Long-term liabilities	**227,336**	237,806	150,466
Other liabilities	**45,345**	43,311	14,225
Total liabilities	**303,527**	310,508	190,319
Deferred inflows of resources	**34,171**	42,489	47,206
Net position:			
Net investment in capital assets	**17,941**	9,993	691
Restricted for project costs	**4,438**	7,324	4,472
Unrestricted	**(17,204)**	(12,252)	3,296
	5,175	5,065	8,459
Total liabilities, deferred inflows of resources, and net position	**$ 342,873**	$ 358,062	$ 245,984

Financial Analysis of Operations

Operating revenue from power sales for the years ended March 31, 2014, 2013, and 2012, was $172.0 million, $161.0 million, and $167.9 million, respectively. The increase of $11.0 million in fiscal year 2014 from fiscal year 2013 is due to operating and economic conditions for various projects. First, the IPP project decreased $6.2 million as a result of decreased callback of energy. Horse Butte Wind project revenue increased $3.2 million, largely as a result of a full year of operations compared with a partial operating year in fiscal year 2013. Pool project revenue increased $10.2 million on increased MWh and activity. Nebo project revenue increased due to higher gas prices. Amortization of unearned revenue increased $1.0 million due to a full year of Horse Butte Wind project, and additional revenue associated with the Payson project overhaul financing and prepayment. The remainder is due to smaller fluctuations within other projects.

The decrease of $6.9 million in fiscal year 2013 from fiscal year 2012 is due to fluctuations in several projects. The largest contributor to the decrease is the decline in revenue for the IPP project of $37.5 million due to the reduction in megawatt hours (MWh) scheduled. Hunter project revenues decreased $5.5 million largely due the decline in debt service resulting from the maturity of all outstanding debt. CRSP project revenues decreased $2.6 million due to reduced hydroelectric generation within this project as a result of a drought conditions in the Colorado River Basin. These declines were offset by increases in the Horse Butte Wind project revenues, which increased $9.2 million as a result of the commencement of commercial operation in August 2012. Pool project had increased MWh, resulting in increased revenue of $25.1 million. And finally, Payson project also had increased MWh, resulting in an increase in revenues of $4.6 million due to favorable natural gas prices and market conditions. Other income for March 31, 2014, 2013, and 2012, was $2.0 million, $18.6 million, and $0.8 million, respectively. The decrease from fiscal 2013 to fiscal 2014 related to the increase of $17.8 million from fiscal year 2012 to fiscal year 2013, in fiscal year 2014 UAMPS earned fee income by acting as developer for the Horse Butte Wind project.

Investment income (expense) for March 31, 2014, 2013, and 2012, was $(0.3) million, $(1.7) million, and $1.1 million, respectively. The decrease in expense of $1.4 million from fiscal year 2013 to fiscal year 2014 is due to an unrealized loss on investments that UAMPS held at March 31, 2014, of $0.8 million, compared to a gain in fiscal 2013 of $0.3 million. Additionally, per GASB #65, the Company included the current period costs of bond issuance $0.1 million in fiscal 2014, compared to costs of bond issuance of $2.6 million in fiscal 2013. Overall investment income was relatively unchanged. The change from $1.1 million investment income in fiscal 2012 to $(1.7) expense in fiscal year 2013 is due to two factors. First there was a higher gain on investments held at March 31, 2012, of $1.2 million, offset by lesser amount of current period costs of issuance of $0.5 million.

Financial Analysis of Operations (continued)

The table below summarizes UAMPS' total revenues and expenses for fiscal years 2014, 2013, and 2012:

	2014	2013	2012
Revenue:			
Power sales	**$ 172,025**	$ 160,969	$ 167,933
Investment and other income (expense)	**(296)**	(1,736)	1,409
Other income	**2,003**	18,553	805
	173,732	177,786	170,147
Expenses:			
Cost of power	**144,310**	131,199	128,098
Other expenses	**26,234**	27,895	38,423
	170,544	159,094	166,521
Change in net position	**3,188**	18,692	3,626
Net position at beginning of year	**5,064**	8,459	7,312
Distributions	**(3,078)**	(22,087)	(2,479)
Net position at end of year	**$ 5,174**	$ 5,064	$ 8,459

Cash Flow and Liquidity

UAMPS' sources of cash include power sales, services, issuance of debt and investment income. The cash balance at March 31, 2014, 2013, and 2012, was $1.70 million, $0.02 million, and $0.00 million, respectively. The amount will fluctuate primarily due to timing of the transfer from the revolving line of credit and cash transfers.

In order to manage cash flow requirements, UAMPS has a revolving line of credit with two financial institutions with total available cash lines of $25.0 million. The rates from both financial institutions are variable with one being in relation to the prime rate and the other in relation to LIBOR. Of the combined $25.0 million available on the revolving lines of credit, the outstanding balance was $12.4 million, $9.4 million, and $7.6 million, as of March 31, 2014, 2013, and 2012, respectively.

Budgets and Billing

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

Significant Capital Assets and Long-Term Debt Activity

On March 31, 2014, 2013, and 2012, the construction work-in-progress balance was $0.0.

On May 1, 2013, UAMPS issued the Payson Overhaul Revenue Bonds, Series 2013, Direct Placement with Wells Fargo (totaling $2.0 million) at 1.76% interest. The Payson Series 2013 Bonds are not subject to optional redemption prior to maturity. The bonds were issued for the purpose of providing an amount sufficient, together with the prepayments made by certain Participants, to provide for payment of cost of planned maintenance and various improvements, as wells as costs of issuance.

On June 20, 2013, UAMPS issued the Member Services Project Generator Revenue Refunding Bonds (Hurricane City project and Washington City project) Series 2013 Revenue Refunding Bonds (totaling $2.0 million and $1.0 million, respectively) at 2.30% interest. The Series 2013 Bonds are subject to redemption prior to maturity, at the election of UAMPS on or after November 1, 2020, in whole (but not in part), at a redemption price equal to 100.00% of the principal plus accrued interest. The Bonds were issued to refund the outstanding Hurricane-Washington Generating Project Revenue Bonds Series 2007A and B, and to pay costs of issuance.

Western Electric Energy Markets

The energy markets in the Western Interconnection have remained fairly stable due to low natural gas prices and general economic conditions. The rate for participants from Western Area Power Administration (WAPA) remained stable from fiscal year 2013 into fiscal year 2014. Energy amounts delivered per the CRSP contract were at normal levels. While the current national economic conditions continue to be essentially flat, Utah's economic indicators are positive. UAMPS' loads have recovered to 2007 levels and appear to be growing in the 1% – 2% range. UAMPS continues efforts to evaluate new generation resources and also in working with the various regional transmission providers in order to see that the needed transmission infrastructure is built in a timely fashion.

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

Requests for Information

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

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Report of Independent Auditors

The Board of Directors of
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 year ended March 31, 2014, and 2013, and the related notes to the financial statements, which collectively comprise the Utah Associated Municipal Power System's 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 opinions.

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, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 1 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of project financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated August 11, 2014 on our consideration of Utah Associated Municipal Power Systems' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Utah Associated Municipal Power Systems' internal control over financial reporting and compliance.

Ernst + Young LLP

August 12, 2014

Utah Associated Municipal Power Systems

Statements of Net Position

	March 31	
	2014	**2013**
Assets		
Current assets:		
Cash	**$ 1,663,220**	$ 26,490
Receivables	**22,005,220**	21,678,180
Prepaid expenses and deposits	**6,415,052**	5,857,972
Investments	**5,474,245**	4,766,809
Current portion of energy prepayment	**5,724,341**	5,724,341
	41,282,078	38,053,792
Restricted assets:		
Interest receivable	**53,567**	52,863
Investments	**49,859,729**	47,466,226
	49,913,296	47,519,089
Capital assets:		
Generation	**263,676,496**	261,347,204
Transmission	**84,669,469**	84,669,469
Furniture and equipment	**1,071,183**	1,171,210
	349,417,148	347,187,883
Less accumulated depreciation	**(197,408,223)**	(180,884,163)
	152,008,925	166,303,720
Other assets:		
Energy prepayment, less current portion	**99,036,797**	105,448,353
Deferred outflows of resources		
Deferred refunding charges	**631,770**	737,246
Total assets and deferred outflows of resources	**$ 342,872,866**	$ 358,062,200

	March 31	
	2014	**2013**
Liabilities		
Current liabilities:		
Accounts payable	**$ 11,580,295**	$ 12,753,532
Accrued liabilities	**4,395,715**	5,240,595
Lines of credit	**12,400,000**	9,401,418
Current portion of unearned revenue	**2,469,830**	1,995,179
	30,845,840	29,390,724
Liabilities payable from restricted assets:		
Accrued interest payable	**2,940,560**	3,050,175
Current portion of long-term debt	**12,563,790**	12,315,541
	15,504,350	15,365,716
Long-term debt:		
Bonds payable, less current portion	**212,829,000**	221,460,000
Unamortized bond discount	**(252,553)**	(280,406)
Unamortized bond premium	**14,759,735**	16,626,379
	227,336,182	237,805,973
Other liabilities:		
Unearned revenue, less current portion	**29,840,505**	27,945,757
Deferred inflows of resources		
Net costs advanced through billings to members	**34,170,425**	42,489,038
Net position		
Net investment in capital assets	**17,940,678**	9,993,129
Restricted for project costs	**4,438,565**	7,324,005
Unrestricted	**(17,203,679)**	(12,252,142)
	5,175,564	5,064,992
Total liabilities, deferred inflows of resources, and net position	**$ 342,872,866**	$ 358,062,200

See accompanying notes.

Utah Associated Municipal Power Systems

Statements of Revenues and Expenses and Changes in Net Position

	Year Ended March 31	
	2014	**2013**
Operating revenues:		
Power sales	**$ 172,024,520**	$ 160,969,130
Other	**2,002,973**	18,553,445
	174,027,493	179,522,575
Operating expenses:		
Cost of power	**144,309,557**	131,199,044
In lieu of ad valorem taxes	**788,008**	727,137
Depreciation	**16,760,581**	16,409,897
General and administrative	**9,022,623**	7,407,758
	170,880,769	155,743,836
Operating income	**3,146,724**	23,778,739
Nonoperating revenues (expenses):		
Interest expense	**(7,981,532)**	(6,917,286)
Investment and other income (expense), net	**(295,516)**	(1,735,649)
Deferred inflows of resources – net costs advanced	**8,318,613**	3,566,665
Total nonoperating expenses, net	**41,565**	(5,086,270)
Change in net position	**3,188,289**	18,692,469
Net position at beginning of year	**5,064,992**	8,459,377
Distributions to members	**(3,077,717)**	(22,086,854)
Net position at end of year	**$ 5,175,564**	$ 5,064,992

See accompanying notes.

Utah Associated Municipal Power Systems

Statements of Cash Flows

	Year Ended March 31	
	2014	**2013**
Operating activities		
Cash received from customers	**$ 171,238,737**	$ 177,032,306
Cash payments to suppliers for goods and services	**(144,049,439)**	(130,092,747)
Cash payments to employees for services	**(5,451,616)**	(4,142,074)
Cash payments for ad valorem taxes	**(782,774)**	(718,804)
Unearned Revenue	**4,831,116**	24,927,005
Net cash provided by operating activities	**25,786,024**	67,005,686
Capital and related financing activities		
Disbursements for utility plant and equipment	**(2,465,786)**	(5,922,909)
Proceeds from issuance of long-term debt	**2,025,000**	83,936,531
Disbursement for bond refunding	**(2,936,000)**	(83,583,513)
Principal disbursement on revenue bonds	**(10,393,000)**	(7,843,000)
Interest disbursement on revenue bonds	**(9,908,214)**	(8,481,419)
Bond issuance costs	**(103,181)**	(2,591,569)
Distribution	**(3,077,717)**	(4,965,442)
Net cash used in capital and related financing activities	**(26,858,898)**	(29,451,321)
Noncapital and related financing activities		
Draws on lines of credit	**152,587,391**	160,881,214
Disbursements on lines of credit	**(149,588,809)**	(159,029,796)
Outstanding checks in excess of transfers	**–**	(887,662)
Proceeds from issuance of long-term debt	**3,005,000**	102,034,334
Distribution	**–**	(17,121,412)
Payment for energy prepayment	**–**	(114,574,795)
Net cash used in noncapital and related financing activities	**6,003,582**	(28,698,117)

Utah Associated Municipal Power Systems

Statements of Cash Flows (continued)

	Year Ended March 31	
	2014	**2013**
Investing activities		
Cash received from investments	**$ 411,917**	$ 3,950,995
Cash paid for investments	**(1,119,353)**	–
Restricted assets:		
Cash received from investments	**2,177,609**	7,633,878
Cash paid for investments	**(5,328,864)**	(20,983,691)
Interest income received	**564,713**	569,060
Net cash (used in) provided by investing activities	**(3,293,978)**	(8,829,758)
Increase (decrease) in cash	**1,636,730**	26,490
Current assets – cash balance at beginning of year	**26,490**	–
Current assets – cash balance at end of year	**$ 1,663,220**	$ 26,490
Reconciliation of operating income to net cash provided by operating activities		
Operating income	**$ 3,146,724**	$ 23,778,739
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	**16,760,581**	16,409,897
Amortization of unearned revenue	**(2,461,716)**	(1,436,871)
Unearned revenue	**4,831,116**	24,927,005
Amortization of prepaid energy	**6,411,556**	3,402,101
(Increase) decrease in current receivables	**(327,040)**	(1,053,398)
Increase in prepaid expenses and deposits	**(557,080)**	(579,403)
Increase (decrease) in accounts payable	**(1,173,237)**	2,983,398
Decrease in accrued liabilities	**(844,880)**	(1,425,782)
Net cash provided by operating activities	**$ 25,786,024**	$ 67,005,686

See accompanying notes.

1. Summary of Significant Accounting Policies

Organization and Purpose

Utah Associated Municipal Power Systems (UAMPS), a separate political subdivision of the state of Utah, was established pursuant to the provisions of the Utah Interlocal Co-operation Act of November 1980, and was organized under the Amended and Restated Utah Associated Municipal Power Systems Agreement for Joint Cooperative Action. UAMPS' membership consists of 35 municipalities, one joint action agency, one electric service district, two public utility districts, two water conservancy districts, two co-ops, one municipal utility district, and one nonprofit corporation (collectively, the Members). The Members are located in Utah, Oregon, Arizona, Idaho, Nevada, New Mexico, California, and Wyoming.

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

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

Basis of Accounting

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

1. Summary of Significant Accounting Policies (continued)

Recent Accounting Developments

GASB Statement No. 61

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

1. Summary of Significant Accounting Policies (continued)

GASB Statement No. 63

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Statement is effective for financial statements prepared for periods beginning after December 15, 2011, with earlier application encouraged. The Company implemented GASB statement No. 63 in fiscal year 2013, which changes the name of the first schedule from Balance Sheet to Statement of Net Position. It also changes the designation of equity from Net Assets to Net Position.

GASB Statement No. 65

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

1. Summary of Significant Accounting Policies (continued)

reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements,* requires a deferred inflow of resources to be reporting by a transferor government in a qualifying services concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. The Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The Statement is effective for financial statements prepared for periods beginning after December 15, 2012, with earlier application encouraged. The Company has implemented GASB Statement No. 65 during the 2014 fiscal year.

The implementation effect was to reclassify \$0.7 million and \$0.7 million respectively of defeasance costs from refunding to deferred outflows of resources at March 31, 2013 and 2012, with no effect on net position. Additionally the Company reclassified \$46.0 million and \$47.2 million respectively of net costs advanced through billings to Members to deferred inflows of resources as of March 31, 2013 and 2012, with no effect on net position. The Company wrote off \$3.5 million and \$2.8 million respectively of bond issuance costs at March 31, 2013 and 2012. Due to the fact that these costs are collectable from members, a corresponding adjustment to net costs advanced to members was made to offset the write-off and net position was not impacted. The table below presents the effect of this adjustment on prior year balances.

	March 31	
	2013	**2012**
	(In Millions)	
Net costs as previously reported	**$ 46.0**	$ 47.2
Reduction for write off of bond issuance costs	**3.5**	2.8
Net costs as adjusted and restated	**42.5**	44.4

1. Summary of Significant Accounting Policies (continued)

GASB Statement No. 66

In March 2012, the GASB issued Statement No. 66, *Technical Corrections–2012–an amendment of FASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. The Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements–and Management's Discussion and Analysis–for State and Local Governments*. The Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchase loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity*. The Statement is effective for financial statements prepared for periods beginning after December 15, 2012, with earlier application encouraged. The Company has reviewed the requirements of GASB 66 and does not expect its adoption to impact financial position, results of operations or cash flows.

1. Summary of Significant Accounting Policies (continued)

GASB Statement No. 68

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. Statement No. 67, *Financial Reporting for Pension Plans,* revises existing standards of financial reporting for most pension plans. This Statement and Statement 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. The Statement is effective for financial statements prepared for fiscal years beginning after June 15, 2014, with earlier application encouraged. The Company is currently evaluating the effects the adoption of this statement will have on the financial statements.

GASB Statement No. 69

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. Until now, governments have accounted for mergers, acquisitions, and transfers of operations by analogizing to accounting and financial reporting guidance intended for the business environment, generally APB Opinion No. 16, *Business Combinations*. This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The Statement is effective for financial statements prepared for fiscal years beginning after December 15, 2013, with earlier application encouraged. The Company is currently evaluating the effects the adoption of this statement will have on the financial statements.

1. Summary of Significant Accounting Policies (continued)

GASB Statement No. 70

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. This Statement also will enhance the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. This Statement also will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee. The Statement is effective for financial statements prepared for fiscal years beginning after June 15, 2013, with earlier application encouraged. The Company is currently evaluating the effects the adoption of this statement will have on the financial statements.

GASB Statement No. 71

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement should be applied simultaneously with the provisions of Statement 68. The Company is currently evaluating the effects the adoption of this statement will have on the financial statements.

1. Summary of Significant Accounting Policies (continued)

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.

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.

1. Summary of Significant Accounting Policies (continued)

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

Unearned Revenue

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

1. Summary of Significant Accounting Policies (continued)

Risk Management

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

Net Position

Net position is classified into three components:

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

- Restricted: This component of net position consists of amounts subject to external constraints on their use imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted: This component of net position consists of amounts that do not meet the definition of "restricted" or "net investment in capital assets". As of March 31, 2014 and 2013, UAMPS reported a negative balance in unrestricted net position. The deficit is a result of a long-term prepayment of future power sales.

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

2. Power Sales and Transmission Service Contracts Relating to Bonds

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

- UAMPS has contracted with five municipalities to provide transmission capabilities from the Central-St. George project to deliver electric power to the purchasers. Each contract term extends, at a minimum, to the date all principal and interest on the Series 2009, 2011, and 2012 Bonds have been paid.

- UAMPS has contracted with 15 municipalities and one electric service district in the San Juan project to supply power from the generating unit. Each contract term extends, at a minimum, to the date all principal and interest on the Series 2008 and 2011 Bonds have been paid.

- UAMPS has contracted with 14 municipalities, one public utility district, and one electric service district in the Payson project to supply power from the generating unit. Each contract term extends, at a minimum, to the date all principal and interest on the 2012 Bonds have been paid.

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

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

Net costs advanced or to be recovered through billings to Members for the years ended March 31, 2014 and 2013, consisted of the following:

	2014	2013
Items billable to members not currently recognizable in accordance with GAAP		
Balance at beginning of year	**$ (42,489,038)**	$ (46,055,704)
Depreciation, accretion, and amortization of bond issuance costs	**16,863,763**	19,001,465
Excess bond proceeds (used to pay Interest/CWIP)	**538,152**	369,370
Amortization of unearned revenue	**(2,461,716)**	(1,436,871)
Utility plant renewals and replacements	**1,499,158**	(5,917,959)
Plant inventory	**(243,579)**	–
Principal amounts of debt service	**(10,641,444)**	(9,687,886)
Amortization of bond premium	**(1,922,540)**	(1,613,257)
Major overhaul reserve payments	**(2,610,867)**	(386,097)
Unrealized gain/loss on investment	**757,752**	(287,855)
Amortization of deceased debt costs	**105,476**	105,476
Amortization of prepaid energy	**6,411,556**	3,402,102
Accrued personal leave	**22,902**	18,178
Net costs advanced to members	**$ (34,170,425)**	$ (42,489,038)

4. Capital Assets

UAMPS' interest in two generating units represents a 14.6% and a 7.0% undivided interest in the PacifiCorp Hunter II and the Public Service Company of New Mexico San Juan Unit IV electric generating units (the Generating Units), respectively. The interest is recorded based on UAMPS' acquisition cost.

UAMPS has a 15.0% entitlement share in the transmission capability of a 105-mile 345 kilovolts (kV) transmission line constructed between Craig, Colorado and the Bonanza Generation Station in Uintah County, Utah. UAMPS is responsible for a like percentage of the costs of acquisition, construction, operation, and maintenance of the line. UAMPS has also purchased an entitlement share of 54 MW of transmission capability on the Bonanza line, which extends from the Bonanza Generation Station to the Mona, Utah Substation.

4. Capital Assets (continued)

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

The Payson project is a combined cycle, natural-gas-fired, electric generating facility with a nominal generating capacity of 143 MW located in Payson, Utah, owned, and operated by UAMPS. The Payson project also includes gas pipelines, electric transmission lines, and other properties, and facilities and equipment necessary for the operation of the generating facility. Engineering, equipment acquisition, and other pre-construction work on the Payson project began in 2002 and was completed in June 2004 at a total cost of approximately $114.1 million.

The Washington-Hurricane Generator Set consists of three generators. The generator set is rated 1,900 kilowatts (Kw) Continuous, 3,000 foot altitude, 120 degree, 12,740 volt, 3 phase, 1,800 RPM. The capacity of these units is sold to the respective purchasers. The generator set was purchased and placed into service in May 2007.

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

4. Capital Assets (continued)

A summary of utility, plant and equipment, changes in accumulated depreciation and related depreciation provisions expressed as an average depreciation rate follows:

	Generation	Transmission	Furniture and Equipment	Construction Work-in-Progress	Total
Balance, April 1, 2013	**$ 261,347,204**	**$ 84,669,469**	**$ 1,171,209**	**$ –**	**$ 347,187,882**
Capital additions	**2,334,459**	**–**	**131,328**	**2,140,444**	**4,606,231**
Sales, retirements	**(5,167)**	**–**	**(231,354)**	**(2,140,444)**	**(2,376,965)**
Balance, March 31, 2014	**$ 263,676,496**	**$ 84,669,469**	**$ 1,071,183**	**$ –**	**$ 349,417,148**
Accumulated depreciation, April 1, 2013	**$ (138,040,322)**	**$ (42,184,502)**	**$ (659,339)**	**$ –**	**$ (180,884,163)**
Depreciation expense	**(13,256,181)**	**(3,288,597)**	**(215,803)**	**–**	**(16,760,581)**
Retirements	**5,167**	**–**	**231,354**	**–**	**236,521**
Accumulated depreciation, March 31, 2014	**$ (151,291,336)**	**$ (45,473,099)**	**$ (643,789)**	**$ –**	**$ (197,408,223)**
Average depreciation rate	**5.0%**	**3.9%**	**19.2%**	**–**	**4.8%**

	Generation	Transmission	Furniture and Equipment	Construction Work-in-Progress	Total
Balance, April 1, 2012	$ 255,686,727	$ 84,669,469	$ 1,089,876	$ –	$ 341,446,072
Capital additions	5,704,741	–	218,166	5,655,779	11,578,686
Sales, retirements	(44,264)	–	(136,832)	(5,655,779)	(5,836,875)
Balance, March 31, 2013	$ 261,347,204	$ 84,669,469	$ 1,171,210	$ –	$ 347,187,883
Accumulated depreciation, April 1, 2012	$ (125,183,407)	$ (38,895,905)	$ (576,052)	$ –	$ (164,655,364)
Depreciation expense	(12,901,180)	(3,288,597)	(220,119)	–	(16,409,896)
Retirements	44,265	–	136,832	–	181,097
Accumulated depreciation, March 31, 2013	$ (138,040,322)	$ (42,184,502)	$ (659,339)	$ –	$ (180,884,163)
Average depreciation rate	5.0%	3.9%	19.5%	–	4.8%

5. Investments

At March 31, UAMPS had the following total investments:

		2014		2013
Restricted:				
Investment in U.S. Treasury note	**$**	**11,440,769**	$	12,181,255
Investment in debentures issued by Government Sponsored Enterprise		**503,349**		526,924
Utah Public Treasurer's Investment Fund		**37,915,611**		34,758,047
	$	**49,859,729**	$	47,466,266
Current:				
Utah Public Treasurer's Investment Fund	**$**	**5,474,245**	$	4,766,809
	$	**5,474,245**	$	4,766,809

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 banker's acceptances of banks meeting certain minimum requirements and repurchase agreements.

The PTIF operates and reports to the participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. The PTIF was unrated at March 31, 2014.

At March 31, 2014, one investment held by UAMPS had a split rating (AAA: Moody's and AA+: S&P).

5. Investments (continued)

At March 31, 2014, UAMPS had the following investments and quality ratings:

			Quality Rating
	2014	**AAA/AA+**	**Unrated**
Money market funds invested in U.S. government securities	**$ –**	$ –	$ –
Investment in U.S. Treasury note	**11,440,769**	–	11,440,769
Investment in debentures issued by Government Sponsored Enterprise	**503,349**	503,349	–
Utah Public Treasurer's Investment Fund	**43,389,856**	–	43,389,856
	$ 55,333,974	$ 503,349	$ 54,830,625

During the year ended March 31, 2014 and 2013, UAMPS recorded unrealized (losses) or gains on investments of $(0.8) million and $0.3 million, respectively.

Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance, and are not collateralized, are collateralized by the pledging financial institution, or is collateralized by the pledging financial institution's trust department or agent, but not in the depositor government's name. UAMPS deposits are insured up to $250,000 by the Federal Deposit Insurance Corporation. At March 31, 2014, UAMPS had $1.4 million deposits exposed to custodial credit risk, and in 2013, UAMPS did not have any deposits exposed to custodial credit risk. State statues do not require that such amounts be collateralized.

Interest Rate Risk

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

5. Investments (continued)

At March 31, 2014, UAMPS had the following debt investment balances by investment type and maturity:

	2014	Less than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Investment in U.S. Treasury notes	**$ 11,440,769**	$ –	$ –	$ 11,440,769	$ –
Investment in debentures issued by Government Sponsored Enterprise	**503,349**	–	503,349	–	–
	$ 11,944,118	$ –	$ 503,349	$ 11,440,769	$ –

6. Cash

The cash balance of $1.70 million at March 31, 2014, consisted of deposits with banks. As of March 31, 2013, there was $0.02 million cash balance.

As of March 31, 2014, as well as March 31, 2013, there was no balance in restricted cash.

7. Debt

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

Series	Original Issue	Interest Rate	Original Maturity Date	Principal Outstanding – March 31 2014	Principal Outstanding – March 31 2013
Horse Butte Wind 2012A					
Serial	$ 67,860,000	0.05%–5.00%	2013–2032	**$ 65,740,000**	$ 67,860,000
Horse Butte Wind 2012B Variable Rate Demand					
Term	2,065,000	Variable	2023	**2,065,000**	2,065,000
Term	2,135,000	Variable	2024	**2,135,000**	2,135,000
Term	2,205,000	Variable	2025	**2,205,000**	2,205,000
Term	2,275,000	Variable	2026	**2,275,000**	2,275,000
Term	2,350,000	Variable	2027	**2,350,000**	2,350,000
Term	2,425,000	Variable	2028	**2,425,000**	2,425,000
Term	2,505,000	Variable	2029	**2,505,000**	2,505,000
Term	2,585,000	Variable	2030	**2,585,000**	2,585,000
Term	2,670,000	Variable	2031	**2,670,000**	2,670,000
Term	2,755,000	Variable	2032	**2,755,000**	2,755,000
	23,970,000				
San Juan 2008A					
Serial	2,345,000	3.50%–4.50%	2009–2022	**1,660,000**	1,810,000
San Juan 2011					
Serial	22,165,000	2.00%–5.50%	2011–2023	**18,865,000**	20,390,000
Central-St. George 2009					
Serial	2,350,000	4.00%–5.00%	2010–2019	**1,545,000**	1,765,000
Term	2,335,000	5.25%	2020	**2,335,000**	2,335,000
	2,455,000	5.25%	2021	**2,455,000**	2,455,000
	2,585,000	5.25%	2022	**2,585,000**	2,585,000
	2,720,000	5.25%	2023	**2,720,000**	2,720,000
	2,865,000	5.25%	2024	**2,865,000**	2,865,000
	3,015,000	5.25%	2025	**3,015,000**	3,015,000
	3,170,000	5.25%	2026	**3,170,000**	3,170,000
	3,340,000	5.25%	2027	**3,340,000**	3,340,000
	22,485,000				

7. Debt (continued)

Series	Original Issue	Interest Rate	Original Maturity Date	Principal Outstanding – March 31 2014	Principal Outstanding – March 31 2013
Central-St. George 2011					
Term	$ 3,800,000	2.65%	2011–2019	**$ 2,920,000**	$ 3,365,000
Central-St. George 2012					
Serial	11,240,000	2.32%	2012–2019	**8,570,000**	9,885,000
Payson 2012					
Serial	74,885,000	2.00%–5.00%	2013–2026	**70,510,000**	74,885,000
Payson 2013					
Serial	2,025,000	1.76%	2014–2023	**2,025,000**	–
Hurricane-Washington 2007A					
Term	430,000	4.15%	2012	**–**	–
Term	533,000	4.40%	2017	**–**	533,000
Term	671,000	4.75%	2022	**–**	671,000
Term	857,000	5.00%	2027	**–**	857,000
	2,491,000				
Hurricane-Washington 2007B					
Term	213,000	4.15%	2012	**–**	–
Term	264,000	4.40%	2017	**–**	264,000
Term	332,000	4.75%	2022	**–**	332,000
Term	425,000	5.00%	2027	**–**	425,000
	1,234,000				
Hurricane City 2013					
Term	2,009,000	2.30%	2013	**2,009,000**	–
Washington City 2013					
Term	996,000	2.30%	2013	**996,000**	–
Santa Clara-Washington 2008					
Serial	2,698,000	5.16%	2009–2028	**2,259,000**	2,356,000
				223,554,000	231,853,000
Less unamortized bond discount				**252,553**	280,406
Plus unamortized bond premium				**14,759,735**	16,626,379
Less current portion (excluding current portion of unamortized bond premium and discount)				**10,725,000**	10,393,000
				$ 227,336,182	$ 237,805,973

7. Debt (continued)

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

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

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

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

While the Series 2012B Bonds bear interest at a daily, weekly, or commercial paper rate, UAMPS is required to maintain a letter of credit or other credit enhancement in an amount sufficient to pay the principal or purchase price of and 45 days of interest on the Series 2012B Bonds at the maximum rate, unless certain rating requirements are met. The Series 2012B Bonds are currently secured by an irrevocable direct-pay Letter of Credit issued by Bank of Montreal that meets these requirements. The Letter of Credit expires on September 8, 2015, unless extended by the Bank in accordance with its terms. The Letter of Credit is subject to early

7. Debt (continued)

termination upon the occurrence of various events of default specified in the reimbursement agreement between UAMPS and Bank of Montreal. UAMPS agrees to reimburse the Bank for amounts drawn under the letter of credit, together with interest on advances made by the Bank, and agrees to pay certain costs and expenses.

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

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

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

The San Juan Project Refunding Revenue Bonds, Series 2011 (totaling $22.2 million), maturing June 1, 2023, at 2.00% – 5.50% interest, maturing on and after June 1, 2022, are subject to optional maturity on or after June 1, 2021, in whole at any time or in part on any date, at redemption price equal to 100.00% of the principal amount plus accrued interest.

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

7. Debt (continued)

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

The Payson Power Project Refunding Revenue Bonds, Series 2012, (totaling $74.9 million) maturing on April 1, 2026, at 2.00% – 5.00% interest, maturing on or after April 1, 2022, are subject to redemption on or after October 1, 2021, in whole or in part on any date, at a redemption price of 100.00% of the principal amount of each Series 2012 Bond or portion thereof to be redeemed, plus accrued interest to the redemption date. The bonds were issued to advance refund all of the outstanding principal amount of Series 2003A Bonds, repurchase and refinance all of the outstanding principal amount of the Series 2007 Bonds, and to pay certain costs related to the issuance of the Bonds.

On May 1, 2013, UAMPS issued the Payson Overhaul Revenue Bonds, Series 2013, Direct Placement with Wells Fargo (totaling $2.0 million) at 1.76% interest. The Payson Series 2013 Bonds are not subject to optional redemption prior to maturity. The bonds were issued for the purpose of providing an amount sufficient, together with the prepayments made by certain Participants, to provide for payment of cost of planned maintenance and various improvements, as wells as costs of issuance.

On June 20, 2013, UAMPS issued the Member Services Project Generator Revenue Refunding Bonds (Hurricane City project and Washington City project) Series 2013 Revenue Refunding Bonds (totaling $2.0 million and $1.0 million, respectively) at 2.30% interest. The Series 2013 Bonds are subject to redemption prior to maturity, at the election of UAMPS on or after November 1, 2020, in whole (but not in part), at a redemption price equal to 100.00% of the principal plus accrued interest. The Bonds were issued to refund the outstanding Hurricane-Washington Generating Project Revenue Bonds Series 2007A and B, and to pay costs of issuance.

The Hurricane-Washington Generating Project Revenue Bonds, Series 2007 A & B, (totaling $3.7 million) maturing on or after May 1, 2014, were refunded on June 20, 2013. The refunding reduced total debt service payments by $0.6 million and results in an economic gain (i.e., the difference between the present value of the debt service payments on the old and new debt) of $0.5 million. The outstanding principal amount of the Bonds refunded was $3.0 million.

7. Debt (continued)

The Santa Clara-Washington Generating Project Revenue Bonds, Series 2008, (totaling $2.7 million) maturing July 1, 2028, at 5.16% interest are subject to redemption price equal to 100.00% of the principal amount of the bonds plus accrued interest. The bonds were issued to provide funds for the purchase of two generators for the cities of Santa Clara and Washington, the costs of issuance, and the sale of the related bonds.

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

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

7. Debt (continued)

The scheduled maturities and related interest, based on scheduled rates for fixed rate bonds and the existing rates at March 31, 2014, for variable rate bonds, of long-term debt are as follows:

	Revenue and Refunding Revenue Bonds	Interest	Total Debt Service Requirements
Year ending March 31			
2015	$ 10,725,000	$ 9,394,400	$ 20,119,400
2016	11,181,000	8,936,314	20,117,314
2017	11,631,000	8,458,401	20,089,401
2018	12,118,000	7,959,441	20,077,441
2019	12,598,000	7,439,264	20,037,264
2020–2024	70,633,000	27,699,526	98,332,526
2025–2029	64,863,000	11,094,364	75,957,364
2030–2034	29,805,000	2,215,944	32,020,944
	$ 223,554,000	$ 83,197,654	$ 306,751,654

UAMPS incurred interest costs of $8.0 million and $6.9 million for the years ended March 31, 2014 and 2013, respectively.

7. Debt (continued)

The table below shows the changes in net long-term debt balances that occurred during the year ended March 31, 2014.

	March 31, 2013	Additions	Reductions	March 31, 2014	Amount Due Within One Year
Horse Butte Wind 2012A – Serial	$ 67,860,000	$ –	$ 2,120,000	**$ 65,740,000**	**$ 2,155,000**
Horse Butte Wind 2012B – Term	2,065,000	–	–	**2,065,000**	**–**
Horse Butte Wind 2012B – Term	2,135,000	–	–	**2,135,000**	**–**
Horse Butte Wind 2012B – Term	2,205,000	–	–	**2,205,000**	**–**
Horse Butte Wind 2012B – Term	2,275,000	–	–	**2,275,000**	**–**
Horse Butte Wind 2012B – Term	2,350,000	–	–	**2,350,000**	**–**
Horse Butte Wind 2012B – Term	2,425,000	–	–	**2,425,000**	**–**
Horse Butte Wind 2012B – Term	2,505,000	–	–	**2,505,000**	**–**
Horse Butte Wind 2012B – Term	2,585,000	–	–	**2,585,000**	**–**
Horse Butte Wind 2012B – Term	2,670,000	–	–	**2,670,000**	**–**
Horse Butte Wind 2012B – Term	2,755,000	–	–	**2,755,000**	**–**
San Juan 2008A – Serial	1,810,000	–	150,000	**1,660,000**	**155,000**
San Juan 2011 – Serial	20,390,000	–	1,525,000	**18,865,000**	**1,590,000**
Central-St. George 2009 – Serial	1,765,000	–	220,000	**1,545,000**	**225,000**
Central-St. George 2009 – Term	2,335,000	–	–	**2,335,000**	**–**
Central-St. George 2009 – Term	2,455,000	–	–	**2,455,000**	**–**
Central-St. George 2009 – Term	2,585,000	–	–	**2,585,000**	**–**
Central-St. George 2009 – Term	2,720,000	–	–	**2,720,000**	**–**
Central-St. George 2009 – Term	2,865,000	–	–	**2,865,000**	**–**
Central-St. George 2009 – Term	3,015,000	–	–	**3,015,000**	**–**
Central-St. George 2009 – Term	3,170,000	–	–	**3,170,000**	**–**
Central-St. George 2009 – Term	3,340,000	–	–	**3,340,000**	**–**
Central-St. George 2011 – Serial	3,365,000	–	445,000	**2,920,000**	**455,000**
Central-St. George 2012 – Serial	9,885,000	–	1,315,000	**8,570,000**	**1,350,000**
Payson 2012	74,885,000	–	4,375,000	**70,510,000**	**4,335,000**
Payson 2013	–	2,025,000	–	**2,025,000**	**175,000**
Hurricane-Washington 2007A – Term	–	–	–	–	–
Hurricane-Washington 2007A – Term	533,000	–	533,000	**–**	–
Hurricane-Washington 2007A – Term	671,000	–	671,000	**–**	–
Hurricane-Washington 2007A – Term	857,000	–	857,000	**–**	–
Hurricane-Washington 2007B – Term	–	–	–	**–**	–
Hurricane-Washington 2007B – Term	264,000	–	264,000	**–**	–
Hurricane-Washington 2007B – Term	332,000	–	332,000	**–**	–
Hurricane-Washington 2007B – Term	425,000	–	425,000	**–**	–
Hurricane City 2013 – Term	–	2,009,000	–	**2,009,000**	**123,000**
Washington City 2013 – Term	–	996,000	–	**996,000**	**60,000**
Santa Clara-Washington 2008	2,356,000	–	97,000	**2,259,000**	**102,000**
	231,853,000	5,030,000	13,329,000	**223,554,000**	**10,725,000**
Less unamortized discount	308,487	–	28,081	**280,406**	**27,853**
Plus unamortized premium	18,577,001	–	1,950,622	**16,626,379**	**1,866,644**
	$ 250,121,514	$ 5,030,000	$ 15,251,541	**$ 239,899,973**	**$ 12,563,790**

7. Debt (continued)

The table below shows the changes in net long-term debt balances that occurred during the year ended March 31, 2013.

	March 31, 2012	Additions	Reductions	March 31, 2013	Amount Due Within One Year
Horse Butte Wind 2012A – Serial	$ –	$ 67,860,000	$ –	$ 67,860,000	$ 2,120,000
Horse Butte Wind 2012B – Term	–	2,065,000	–	2,065,000	–
Horse Butte Wind 2012B – Term	–	2,135,000	–	2,135,000	–
Horse Butte Wind 2012B – Term	–	2,205,000	–	2,205,000	–
Horse Butte Wind 2012B – Term	–	2,275,000	–	2,275,000	–
Horse Butte Wind 2012B – Term	–	2,350,000	–	2,350,000	–
Horse Butte Wind 2012B – Term	–	2,425,000	–	2,425,000	–
Horse Butte Wind 2012B – Term	–	2,505,000	–	2,505,000	–
Horse Butte Wind 2012B – Term	–	2,585,000	–	2,585,000	–
Horse Butte Wind 2012B – Term	–	2,670,000	–	2,670,000	–
Horse Butte Wind 2012B – Term	–	2,755,000	–	2,755,000	–
San Juan 2008A – Serial	1,955,000	–	145,000	1,810,000	150,000
San Juan 2011 – Serial	21,855,000	–	1,465,000	20,390,000	1,525,000
Central-St. George 2009 – Serial	1,970,000	–	205,000	1,765,000	220,000
Central-St. George 2009 – Term	2,335,000	–	–	2,335,000	–
Central-St. George 2009 – Term	2,455,000	–	–	2,455,000	–
Central-St. George 2009 – Term	2,585,000	–	–	2,585,000	–
Central-St. George 2009 – Term	2,720,000	–	–	2,720,000	–
Central-St. George 2009 – Term	2,865,000	–	–	2,865,000	–
Central-St. George 2009 – Term	3,015,000	–	–	3,015,000	–
Central-St. George 2009 – Term	3,170,000	–	–	3,170,000	–
Central-St. George 2009 – Term	3,340,000	–	–	3,340,000	–
Central-St. George 2011 – Serial	3,800,000	–	435,000	3,365,000	445,000
Central-St. George 2012 – Serial	11,240,000	–	1,355,000	9,885,000	1,315,000
Payson 2003	81,710,000	–	81,710,000	–	–
Payson 2007	2,038,000	–	2,038,000	–	–
Payson 2012 – Serial	–	74,885,000	–	74,885,000	4,375,000
Hurricane-Washington 2007A – Term	93,000	–	93,000	–	–
Hurricane-Washington 2007A – Term	533,000	–	–	533,000	98,000
Hurricane-Washington 2007A – Term	671,000	–	–	671,000	–
Hurricane-Washington 2007A – Term	857,000	–	–	857,000	–
Hurricane-Washington 2007B – Term	46,000	–	46,000	–	–
Hurricane-Washington 2007B – Term	264,000	–	–	264,000	48,000
Hurricane-Washington 2007B – Term	332,000	–	–	332,000	–
Hurricane-Washington 2007B – Term	425,000	–	–	425,000	–
Santa Clara-Washington 2008	2,448,000	–	92,000	2,356,000	97,000
	152,722,000	166,715,000	87,584,000	231,853,000	10,393,000
Less unamortized discount	336,783	–	28,295	308,488	28,082
Plus unamortized premium	6,328,548	19,255,865	7,007,412	18,577,001	1,950,622
	$ 158,713,765	$ 185,970,865	$ 94,563,117	$ 250,121,513	$ 12,315,540

8. Lines of Credit

In August 2001, UAMPS obtained a $3.0 million revolving line of credit for cash flow purposes at a rate of 75.00% of the financial institution's prime lending rate, which rate was 2.44% as of March 31, 2014. In January 2012, UAMPS obtained an additional $3.0 million from the same financial institution upon substantially the same terms and conditions. In March 2006, UAMPS obtained a revolving line of credit totaling $11.0 million at a variable rate in relation to LIBOR, which rate was 1.06% as of March 31, 2014. In September 2006, UAMPS obtained an additional $8.0 million from the same financial institution upon substantially the same terms and conditions. The outstanding balance on the combined $25.0 million available lines of credit was $12.4 million and $9.4 million at March 31, 2014 and 2013, respectively. The additional revolving lines of credit were obtained to assist UAMPS with working capital requirements.

9. Commitments and Contingencies

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

UAMPS had the following Purchase Commitments at March 31, 2014:

	Gas	Power
Fiscal year:		
2015	$ 12,625,229	$ 29,646,901
2016	12,871,918	30,814,119
2017	12,642,244	29,211,341
2018	12,078,272	1,683,000
2019	13,540,815	–
	$ 63,758,478	$ 91,355,361

Under similar agreements UAMPS purchased energy in the amount of $34.2 million in fiscal year 2014 and $30.1 million in fiscal year 2013. UAMPS purchased natural gas in the amount of $11.7 million in fiscal year 2014 and $11.4 million in fiscal year 2013.

9. Commitments and Contingencies (continued)

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

	Tons	Total Commitment at the March 31, 2014	UAMPS' Portion of Commitment at March 31, 2014
Year			
2014	5,600,000	$ 275,576,000	$ 5,976,000
2015	5,600,000	275,576,000	5,976,000
2016	5,600,000	275,576,000	5,976,000
2017	5,600,000	275,576,000	5,976,000
2018	5,600,000	275,576,000	5,976,000
2019	5,600,000	275,576,000	5,976,000

During fiscal years 2014 and 2013, UAMPS incurred minimum coal costs of $6.7 million and $6.3 million, respectively, and incremental coal costs of $.3 million and $0.4 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. Future minimum lease payments under the operating lease obligation are:

Fiscal year:	
2015	$ 394,354
2016	402,241
2017	410,286
2018	418,492
2019	426,862
2020-2021	766,822
	$ 2,819,057

9. Commitments and Contingencies (continued)

Rent expense for the years ended March 31, 2014 and 2013, were $0.4 million and $0.4 million, respectively.

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

In October 2010, construction began on the Horse Butte Wind project. The Horse Butte Wind project is a 57.6 MW wind powered electric generating facility located in Bonneville County, Idaho.

UAMPS has executed a 20-year Power Purchase Agreement with the Project Owner. Under the Power Purchase Agreement, UAMPS was required to make a prepayment of at $114.6 million for the expected minimum energy output of the project (known as the P99 output) over the 20-year term of the Power Purchase Agreement, on or before the commercial operation date of the project. Additionally, UAMPS agreed to purchase all additional energy produced and all RECs associated with the prepaid and additional energy on a pay-as-you-go basis. Under the Power Purchase Agreement, UAMPS has the option to purchase the project on certain specified dates.

10. Retirement Plan

UAMPS has a noncontributory money purchase defined contribution pension plan, which covers all of its employees. Employees are eligible to participate from the date of employment. Contributions and earnings thereon are always fully vested upon participation in the plan. Contribution levels are established by the Board and are initially equal to 15.3%, increasing to a maximum of 25.0% of each covered employee's compensation. UAMPS' covered payroll amounted to approximately $3.9 million in 2014 and $3.7 million in 2013. Contributions, which are approximately 23.5% in 2014 and 2013 of total payroll, totaled approximately $0.9 million for both the years ended March 31, 2014 and 2013. All contributions are invested using an outside pension administrator, ICMA Retirement Corp. (ICMA). ICMA provides the participants with multiple options for their pension investments.

Supplemental Schedules

Utah Associated Municipal Power Systems

Schedules of Project Financial Statements

Balance Sheet

March 31, 2014

	CRSP	Hunter II	San Juan Unit 4	IPP	Firm Power	Horse Butte Wind	Craig-Mona	Central-St. George	UAMPS Pool	Payson	IPP #3	Resource	Gas Project	Government and Public Affairs	Member Services	Totals
Assets																
Current assets:																
Cash	$ 159,657	$ 4,351,674	$ (472,554)	$ 653,297	$ 595,515	$ 333,146	$ 792,631	$ (1,579,282)	$ (4,280,279)	$ (194,907)	$ 271,265	$ 793,673	$ (243,395)	$ 374,813	$ 107,966	$ 1,663,220
Receivables	2,076,607	2,620,783	2,433,406	62,582	514,886	1,860,333	(452,131)	634,047	8,070,637	3,361,618	–	370,911	305,638	52,516	93,387	22,005,220
Prepaid expenses and deposits	–	3,674,000	1,485,269	–	–	–	5,339	–	56,000	1,194,444	–	–	–	–	–	6,415,052
Investment	552,905	707,894	700,181	6,965	78,950	487,302	20,848	155,666	1,522,490	1,146,813	–	41,334	4,624	15,399	32,874	5,474,245
Current portion of energy prepayment	–	–	–	–	–	5,724,341	–	–	–	–	–	–	–	–	–	5,724,341
	2,789,169	11,354,351	4,146,302	722,844	1,189,351	8,405,122	366,687	(789,569)	5,368,848	5,507,968	271,265	1,205,918	66,867	442,728	234,227	41,282,078
Restricted assets:																
Cash	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Investments	–	6,027,373	5,519,091	–	–	11,321,095	–	5,063,172	–	21,327,009	–	–	–	–	601,989	49,859,729
Interest Receivable	–	–	–	–	–	–	–	14,959	–	38,608	–	–	–	–	–	53,567
	–	6,027,373	5,519,091	–	–	11,321,095	–	5,078,131	–	21,365,617	–	–	–	–	601,989	49,913,296
Utility plant and equipment:																
Generation	–	92,263,032	61,485,896	–	–	–	–	–	–	103,098,585	–	–	–	–	6,828,983	263,676,496
Transmission	–	–	–	–	–	–	17,492,388	56,655,344	–	10,521,737	–	–	–	–	–	84,669,470
Furniture and equipment	47,004	65,371	52,730	33,993	20,367	111,933	13,894	31,447	23,550	459,708	(24,592)	114,495	32,777	74,175	14,331	1,071,183
	47,004	92,328,403	61,538,626	33,993	20,367	111,933	17,506,282	56,686,791	23,550	114,080,030	(24,592)	114,495	32,777	74,175	6,843,314	349,417,148
Less accumulated depreciation	(23,429)	(63,968,876)	(37,413,018)	(9,894)	(18,671)	(58,949)	(13,952,454)	(30,536,016)	(44,132)	(48,827,032)	–	(72,179)	(17,953)	(50,150)	(2,415,469)	(197,408,223)
	23,575	28,359,527	24,125,608	24,099	1,696	52,984	3,553,828	26,150,775	(20,582)	65,252,997	(24,592)	42,316	14,824	24,025	4,427,845	152,008,925
Construction work in progress	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	23,575	28,359,527	24,125,608	24,099	1,696	52,984	3,553,828	26,150,775	(20,582)	65,252,997	(24,592)	42,316	14,824	24,025	4,427,845	152,008,925
Other assets:																
Energy Prepayment, less current portion	–	–	–	–	–	99,036,797	–	–	–	–	–	–	–	–	–	99,036,797
	–	–	–	–	–	99,036,797	–	–	–	–	–	–	–	–	–	99,036,797
Deferred outflows of resources	**–**	**–**	**252,024**	**–**	**–**	**–**	**–**	**268,509**	**–**	**111,237**	**–**	**–**	**–**	**–**	**–**	631,770
	$ 2,812,744	**$ 45,741,251**	**$ 34,043,025**	**$ 746,943**	**$ 1,191,047**	**$ 118,815,998**	**$ 3,920,515**	**$ 30,707,846**	**$ 5,348,266**	**$ 92,237,819**	**$ 246,673**	**$ 1,248,234**	**$ 81,691**	**$ 466,753**	**$ 5,264,061**	$ 342,872,866

Utah Associated Municipal Power Systems

Schedules of Project Financial Statements (continued)

Balance Sheet

March 31, 2014

	CRSP	Hunter II	San Juan Unit 4	IPP	Firm Power	Horse Butte Wind	Craig-Mona	Central-St. George	UAMPS Pool	Payson	IPP #3	Resource	Gas Project	Government and Public Affairs	Member Services	Totals
Membership capital and liabilities																
Current liabilities:																
O/S checks in excess of transfer	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Accounts payable	1,358,170	803,409	885,480	36,451	245,245	761,041	6,875	109,575	6,108,830	1,132,118	–	65,321	8,290	59,286	204	11,580,295
Accrued liabilities	68,995	405,837	662,986	89,194	35,343	184,003	36,771	40,950	2,197,376	377,031	–	151,272	36,442	109,489	26	4,395,715
Members' advance billings	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Lines of credit	1,252,414	1,603,488	1,586,017	15,777	178,834	1,103,814	47,224	352,606	3,448,672	2,597,706	–	93,627	10,473	34,882	74,466	12,400,000
Current portion of unearned revenue	–	–	412,772	–	–	1,255,335	–	116,445	44,196	641,082	–	–	–	–	–	2,469,830
	2,679,579	2,812,734	3,547,255	141,422	459,422	3,304,193	90,870	619,576	11,799,074	4,747,937	–	310,220	55,205	203,657	74,696	30,845,840
Liabilities payable from restricted assets:																
Accrued interest payable	1,041	1,332	352,631	13	149	347,609	39	511,599	2,865	1,665,228	–	78	9	29	57,938	2,940,560
Current portion of long-term debt	–	–	1,873,773	–	–	2,923,380	–	2,002,146	–	5,479,491	–	–	–	–	285,000	12,563,790
	1,041	1,332	2,226,404	13	149	3,270,989	39	2,513,745	2,865	7,144,719	–	78	9	29	342,938	15,504,350
Long-term debt:																
Bonds payable, less current portion	–	–	18,780,001	–	–	87,554,999	–	33,490,000	–	68,025,000	–	–	–	–	4,979,000	212,829,000
Less: unamortized bond discount	–	–	–	–	–	–	–	(252,553)	–	–	–	–	–	–	–	(252,553)
Plus: unamortized bond premium	–	–	543,852	–	–	8,199,934	–	–	–	6,015,949	–	–	–	–	–	14,759,735
			–					–		–						–
	–	–	19,323,853	–	–	95,754,933	–	33,237,447	–	74,040,949	–	–	–	–	4,979,000	227,336,182
Unearned revenue, less current portion	–	–	10,274,750	–	–	23,846,131	–	2,800,267	–	6,156,057	–	–	–	–	–	43,077,205
Accumulated amortization of unearned revenue	–	–	(7,316,548)	–	–	(2,057,261)	–	(2,263,764)	–	(1,599,127)	–	–	–	–	–	(13,236,700)
Net unearned revenue	–	–	2,958,202	–	–	21,788,870	–	536,503	–	4,556,930	–	–	–	–	–	29,840,505
Deferred inflows of resources	(9,223)	41,063,098	5,751,480	7,389	(34,422)	(5,805,953)	4,069,263	(6,015,971)	(6,337,367)	1,821,824	–	2,427	(86)	(8,125)	(333,909)	34,170,425
																–
Net position	141,347	1,864,087	235,831	598,119	765,898	502,966	(239,657)	(183,454)	(116,306)	(74,540)	246,673	935,509	26,563	271,192	201,336	5,175,564
	$ 2,812,744	$ 45,741,251	$ 34,043,025	$ 746,943	$ 1,191,047	$ 118,815,998	$ 3,920,515	$ 30,707,846	$ 5,348,266	$ 92,237,819	$ 246,673	$ 1,248,234	$ 81,691	$ 466,753	$ 5,264,061	$ 342,872,866

Utah Associated Municipal Power Systems

Schedules of Project Financial Statements

Statement of Revenues and Expenses

Year Ended March 31, 2014

	CRSP	Hunter II	San Juan Unit 4	IPP	Firm Power	Wind	Craig Mona	Central St. George	Pool	Payson	IPP #3	Resource	Resource	Government and Public Affairs	Member Services	Total
Operating revenues:																
Power sales to members	$ 13,472,281	$ 17,585,174	$ 17,131,723	$ 736,279	$ 2,384,774	$ 14,208,875	$ 446,042	$ 3,948,379	$ 64,594,668	$ 36,257,795	$ –	$ 12,170	$ 107,348	$ 388,896	$ 750,116	$ 172,024,520
Other	(4)	(627)	(207)	103	(25)	(9)	20	55	(4,044)	(389)	–	2,007,904	49	147	–	2,002,973
	13,472,277	17,584,547	17,131,516	736,382	2,384,749	14,208,866	446,062	3,948,434	64,590,624	36,257,406	–	2,020,074	107,397	389,043	750,116	174,027,493
Operating expenses:																
Cost of power	13,249,861	14,758,855	11,376,234	473,375	2,259,439	12,753,611	369,246	221,483	60,187,467	27,299,424	–	1,157,668	–	26,342	176,552	144,309,557
In lieu of ad valorem taxes	–	335,387	201,256	3,583	–	185,402	62,380	–	–	–	–	–	–	–	–	788,008
Depreciation	7,655	4,701,678	2,924,224	9,082	4,579	25,679	595,476	2,703,726	1,100	5,425,267	–	20,574	7,139	17,300	317,102	16,760,581
General and administrative	183,733	732,086	593,033	188,382	111,829	933,898	76,433	235,594	2,289,948	2,707,303	–	536,455	96,397	332,318	5,214	9,022,623
	13,441,249	20,528,006	15,094,747	674,422	2,375,847	13,898,590	1,103,535	3,160,803	62,478,515	35,431,994	–	1,714,697	103,536	375,960	498,868	170,880,769
Operating income	31,028	(2,943,459)	2,036,769	61,960	8,902	310,276	(657,473)	787,631	2,112,109	825,412	–	305,377	3,861	13,083	251,248	3,146,724
Nonoperating revenues (expenses):																
Investment and other income (expense)	–	27,389	21,607	–	–	60,170	–	(109,919)	–	(249,138)	–	–	–	–	(45,625)	(295,516)
Interest expense	(11,138)	(14,261)	(969,957)	(140)	(1,590)	(2,753,296)	(420)	(1,652,344)	(30,671)	(2,342,827)	–	(833)	(93)	(310)	(203,652)	(7,981,532)
Deferred outflows of resources - net costs advanced	2,003	2,823,689	(827,015)	(1,003)	2,343	2,722,719	594,083	911,820	1,100	2,055,700	–	6,066	3,360	5,189	18,559	8,318,613
	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	(9,135)	2,836,817	(1,775,365)	(1,143)	753	29,593	593,663	(850,443)	(29,571)	(536,265)	–	5,233	3,267	4,879	(230,718)	41,565
Change in net position	$ 21,893	$ (106,642)	$ 261,404	$ 60,817	$ 9,655	$ 339,869	$ (63,810)	$ (62,812)	$ 2,082,538	$ 289,147	$ –	$ 310,610	$ 7,128	$ 17,962	$ 20,530	$ 3,188,289

Other Reports

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Report of Independent Auditors on State of Utah Legal Compliance

The Board of Directors of
Utah Associated Municipal Power Systems

Report on Compliance

We have audited Utah Associated Municipal Power Systems' compliance with general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended March 31, 2014. The general compliance requirements applicable to the Company are identified as follows:

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

Utah Associated Municipal Power Systems did not receive any major or non-major state grants during the year ended March 31, 2014.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the Company's management.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with those requirements based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the general compliance requirements identified above. An audit includes examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. Our audit does not provide a legal determination of the Company's compliance with those requirements.

Opinion on Compliance

In our opinion, the Utah Associated Municipal Power Systems complied, in all material respects, with the compliance requirements identified above that could have a direct and material effect on the general compliance requirements referred to above for the year ended March 31, 2014.

Purpose of Report

The purpose of this report is solely to describe the scope of our testing of compliance and express an opinion thereon, and not to provide an opinion on the effectiveness of the entity's internal control. 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

August 12, 2014

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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 of
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 statements of net position as of March 31, 2014, and 2013, and the related statements of revenues and expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated August 11, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Utah Associated Municipal Power Systems' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. In connection with our audit procedures, we became aware of a matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2014-1.

UAMPS' Response to Findings

UAMPS' response to the findings identified in our audit is described in the accompanying schedule of findings and responses. UAMPS' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Ernst + Young LLP

August 12, 2014

Schedule of Findings and Responses

Finding No. 2014-1

Condition
An employee embezzled funds from UAMPS from 2007-2013.

Context
The fraud was discovered by U.S. Department of Treasury Agents who were conducting an investigation of an employee in connection with her personal tax issues. The agents informed UAMPS management, and who then reported the fraud to us during our audit of the financial statements. Management's counsel hired a forensic specialist to identify how the fraud was perpetrated and to quantify the total amount of funds embezzled by the employee and to determine what journal entries were made to cover up the fraud. The forensic specialists identified 135 checks that were fraudulently written out to petty cash and then cashed by the employee. All of the checks were for less than $5,000. For the majority of the checks, the employee made entries to an accounts payable clearing account to record the fraudulent disbursements.

Effect
Approximately $570,000 was stolen from the Company in small amounts over a period of several years. As a result of fraudulent entries recorded to conceal the embezzlement, the statement of net position was misstated by an immaterial amount.

Cause
An employee of UAMPS embezzled funds from UAMPS by forging a live signature on checks. The employee had access to blank checks, and exploited the low dollar threshold that required one live signature on a check. In addition, the employee was able to conceal these low dollar amounts by recording these entries in an A/P clearing account. This situation where the same employee had custody of blank checks and the ability to record journal entries in the general ledger represented an improper segregation of duties.

Recommendation
We recommend that management implement proper segregation of duties (including routine review thereof) as well as additional review controls in order to prevent similar incidents from occurring in the future.

UAMPS response and planned corrective action
The Company has mitigated the risk of a similar event occurring by limiting what an employee can perform in a given process or accounting function (i.e., limiting signing authority on checks to a lower dollar threshold, as well as limiting the accounts an employee can record journal entries to, etc.) and evaluating any areas of weakness, such as inadequate segregation of duties.

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