Financial Statements and Supplemental Schedules

Utah Associated Municipal Power Systems
Years Ended March 31, 2009 and 2008
With Report of Independent Auditors

Ernst & Young LLP

Utah Associated Municipal Power Systems

Financial Statements and Supplemental Schedules

Years Ended March 31, 2009 and 2008

Contents

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Report of the Independent Auditors

The Board of Directors of
Utah Associated Municipal Power Systems

We have audited the accompanying balance sheets of Utah Associated Municipal Power Systems as of March 31, 2009 and 2008, and the related statements of revenues and expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Utah Associated Municipal Power Systems' management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Utah Associated Municipal Power Systems as of March 31, 2009 and 2008, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2009 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedules of changes in funds required by the revenue bond resolutions and project financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Ernst & Young LLP

July 8, 2009

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, 2009, 2008 and 2007.

Description of Business

UAMPS is a political subdivision of the state of Utah (the State). Its 53 members (the Members) include public power utilities in Utah, Arizona, California, Idaho, Oregon, Nevada and New Mexico. UAMPS' purposes include the planning, financing, development, acquisition, construction, operation and maintenance of various projects for the generation, supply, transmission and management of electric energy for the benefit of the Members. UAMPS is governed by its Board of Directors (the Board). The Board consists of directors representing Members that have entitlement shares in the various projects undertaken by UAMPS. UAMPS is a project-based organization and presently operates 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 by UAMPS from the project, the payments to be made by participating Members in respect of the costs of the project and other matters relating to the project.

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.

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

Highlights

UAMPS posted an excess of revenues over expenses for the years ended March 31, 2009, 2008 and 2007 of $3.8 million, $1.8 million and $1.8 million, respectively. The Members may elect to issue a refund of the 2009 excess of revenues over expenses during fiscal year 2010.

Overview of the Financial Statements

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

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

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

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

Financial Analysis

Total cash and invested assets at March 31, 2009, 2008 and 2007 were $46.5 million, $42.9 million and $45.3 million, respectively. The $3.6 million increase between March 31, 2009 and 2008 consists primarily of two factors: first, the build up in the major maintenance overhaul reserve balances increased the invested assets by $1.9 million; second, UAMPS had a new bond issue for one project, and this project account also increased the invested assets by $1.1 million. The remainder of the increase is due to small fluctuations in the other cash accounts. The $2.4 million decrease between March 31, 2008 and 2007 resulted from two main factors: first, the build up in the major maintenance overhaul reserve account balances increased the invested assets by $1.9 million; second, the cash decreased $4.3 million as a result of the timing of the cash payments. UAMPS operating sweep account and checking account balances fluctuate from year to year namely due to the timing of cash receipts and payments.

Financial Analysis (continued)

The components of cash and investments at March 31, 2009, 2008 and 2007 consisted of the following:

	2009	2008	2007
Money market funds invested in U.S. government securities	**28.0%**	30.0%	29.0%
Utah Public Treasurer's Investment Fund	**70.0**	68.0	61.0
Qualified institutions	**2.0**	2.0	10.0
	100.0%	100.0%	100.0%

At March 31, 2009, 2008 and 2007, accounts receivable totaled $22.4 million, $24.8 million and $21.6 million, respectively. The decrease of $2.4 million between March 31, 2009 and 2008 was due to a decrease in the volume of business with one counterparty at year end. Billings outstanding at year-end were relatively constant. The increase of $3.2 million between March 31, 2008 and 2007 is due in part to the increase of $1.1 million in the outstanding balance of one counterparty, the remaining increase is due to normal timing fluctuations for cash receipts.

The table below summarizes UAMPS' total assets and total liabilities at March 31, 2009, 2008 and 2007:

	2009	2008	2007
	(In Thousands)		
Total current assets	**$ 30,898**	$ 32,765	$ 33,933
Total long-term assets	**206,475**	206,326	207,695
Total assets	**$ 237,373**	$ 239,091	$ 241,628
Total current liabilities	**$ 45,563**	$ 50,658	$ 50,821
Total long-term liabilities	**186,054**	184,881	185,927
Total liabilities	**231,617**	235,539	236,748
Net assets:			
Invested in plant, net of debt	**(870)**	(945)	2,688
Restricted net assets	**11,235**	12,701	12,450
Unrestricted net assets	**(4,609)**	(8,204)	(10,258)
	5,756	3,552	4,880
Total liabilities and net assets	**$ 237,373**	$ 239,091	$ 241,628

Financial Analysis of Operations

Operating revenue from power sales for the years ended March 31, 2009, 2008 and 2007 was $185.7 million, $182.4 million and $163.5 million, respectively. The increase in revenue of $3.3 million from the fiscal year 2008 to the fiscal year 2009 was largely due to the increased callback of energy from the IPP Project to serve the Members' load requirements. The increase of $18.9 million from fiscal year 2007 to fiscal year 2008 is similarly a result of the increased callback from the IPP Project.

Interest income for March 31, 2009, 2008, and 2007 was $1.0 million, $1.7 million and $1.6 million respectively. While the balances of UAMPS cash and investments increased from 2008 to 2009, interest income decreased. The decrease can be attributed to a significant decline in interest rates. The increase from 2007 to 2008 relates primarily to higher balances in the major maintenance overhaul reserve accounts for the respective years.

The table below summarizes UAMPS' total revenues and expenses for fiscal years 2009, 2008 and 2007.

	Year Ended March 31		
	2009	**2008**	**2007**
		(In Thousands)	
Revenues:			
Power sales	**$ 185,695**	$ 182,413	$ 163,500
Interest income	**1,011**	1,693	1,607
Other income	**377**	134	16
	187,083	184,240	165,123
Expenses:			
Cost of power	**143,303**	144,166	124,849
Other expenses	**28,607**	28,239	27,611
	171,910	172,405	152,460
Excess of revenues over expenses before net costs advanced or to be recovered through billings to members	**15,173**	11,835	12,663
Change in net costs advanced or to be recovered through billings to members	**(11,397)**	(10,063)	(10,815)
Excess of revenues over expenses	**3,776**	1,772	1,848
Net assets at beginning of year	**3,552**	4,880	4,363
Distributions	**(1,572)**	(3,100)	(1,331)
Net assets at end of year	**$ 5,756**	$ 3,552	$ 4,880

Cash Flow and Liquidity

UAMPS' sources of cash include power sales, services, issuance of debt and investment income. Outstanding checks in excess of transfers at year-end increased from $200,364 at March 31, 2008 to $698,364 at March 31, 2009. The balance at March 31, 2008 had decreased from $818,896 at March 31, 2007. The amount will fluctuate primarily due to timing of the transfer from the revolving line of credit.

In order to manage cash flow requirements, UAMPS has a revolving line of credit with two financial institutions with total available cash lines of $22.0 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 $22.0 million available on the revolving lines of credit, the outstanding balance was $12.1 million, $15.3 million and $14.0 million at March 31, 2009, 2008 and 2007 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, 2009 the construction work-in-progress balance was $4.3 million, comprised of balances in the Hunter Project ($2.1 million), the Nebo Project ($2.1 million) and the Central-St.George Project ($39,965) for various maintenance and upgrades not completed at year end. On March 31, 2008 the construction work-in-progress balance was zero. On March 31, 2007, the construction work-in-progress balance was $3.4 million, which related to prepaid materials costs associated with environmental upgrades to the San Juan plant during a planned Fall 2007 outage.

On May 15, 2008 UAMPS issued the San Juan Project Revenue Bonds, Series 2008A (totaling $2.3 million) maturing June 1, 2022 at 3.50%-4.50% interest. The bonds were issued to provide funds for project costs and plant upgrades.

On July 1, 2008 UAMPS issued the Santa Clara-Washington Generating Project Revenue Bonds, Series 2008, (totaling $2.7 million) maturing July 1, 2028 at 5.16% interest. The bonds were issued to provide funds for the purchase of two generators for the cities of Santa Clara and Washington, the costs of issuance, and the sale of the related bonds.

The IPP Unit 3 Project was investigating the acquisition of a third unit at IPP with several other public power utilities. The third unit was proposed as a 900-megawatt coal-fired generation station. As a result of several factors development of the third unit ceased. Subsequent to year end, on June 5, 2009, arrangements were made and agreements reached that provide for UAMPS to recover its development and investigation costs. As part of the agreement, UAMPS will recover the costs through the purchase of energy at below market rates.

Additionally, subsequent to year end, on June 24, 2009 UAMPS issued the Central-St. George Transmission Project Revenue and Refunding Bonds Series 2009, (totaling $24.8 million) maturing December 1, 2019 at 4.00%-5.25% interest. The bonds were issued to finance construction of the Phase 3 Facilities, to fund the Debt Service Reserve Account and the Series 2009 Project Capitalized Interest Subaccount, and to refund the Series 1997B Bonds maturing on and after December 1, 2010. A portion of the proceeds were also used to pay for the costs of issuing the Series 2009 Bonds.

Western Electric Energy Markets

The energy markets in the Western Interconnection have stabilized with the implementation of new rules implemented by the Federal Energy Regulatory Commission.

The amount of energy from Western Area Power Administration (WAPA) and the contract rate of delivery has remained stable from fiscal 2008 into fiscal 2009.

While the current economic conditions have tempered load growth, it is still a serious issue facing many utilities, including UAMPS. This presents challenges in both acquiring new generation resources and also in working with the various transmission providers to UAMPS in order to see that the needed transmission infrastructure is built in a timely fashion.

The concerns that are being raised over greenhouse gas emissions and other environmental issues concerned with operating an electric utility are affecting UAMPS resource and transmission planning. UAMPS is complying with all of the current rules and statutes and is looking at all of the many proposed rules that may be implemented to ensure that UAMPS will be in compliance.

The Energy Policy Act of 2005 has produced many mandatory rules applicable to all users of the bulk electric system. Many of the rules became effective on June 18, 2007 and UAMPS and its Members have implemented the new processes and documentation needed for compliance.

Requests for Information

This financial report is designed to provide a general overview of UAMPS' finances for all those with an interest in UAMPS' finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Controller, UAMPS, 2825 East Cottonwood Parkway, Suite 200, Salt Lake City, Utah 84121.

Utah Associated Municipal Power Systems

Balance Sheets

	March 31	
	2009	**2008**
Assets		
Current assets:		
Investments	**$ 5,170,578**	$ 5,156,520
Receivables	**22,393,359**	24,839,741
Prepaid expenses and deposits	**3,334,426**	2,768,537
	30,898,363	32,764,798
Restricted assets:		
Investments	**41,312,448**	37,702,409
Interest receivable	**–**	2,767
	41,312,448	37,705,176
Utility plant and equipment:		
Generation	**217,004,957**	212,290,518
Transmission	**64,689,181**	64,689,181
Furniture and equipment	**1,281,885**	1,265,742
	282,976,023	278,245,441
Less accumulated depreciation	**(125,439,239)**	(113,021,887)
	157,536,784	165,223,554
Construction work in progress	**4,261,353**	–
	161,798,137	165,223,554
Unamortized bond issuance costs (net of accumulated amortization of $2,059,000 in 2009 and $2,684,000 in 2008)	**3,364,147**	3,397,959
Total assets	**$ 237,373,095**	$ 239,091,487

	March 31	
	2009	**2008**
Liabilities and net assets		
Current liabilities:		
Outstanding checks in excess of transfers	**$ 698,364**	$ 200,364
Accounts payable	**8,428,532**	10,794,011
Accrued liabilities	**5,600,495**	6,072,634
Lines of credit	**12,100,000**	15,300,000
Current portion of deferred revenue	**817,463**	1,129,329
	27,644,854	33,496,338
Liabilities payable from restricted assets:		
Accrued interest payable	**3,486,019**	3,680,206
Current portion of long-term debt	**14,432,599**	13,481,382
	17,918,618	17,161,588
Long-term debt:		
Bonds payable, less current portion	**151,874,999**	162,088,000
Unamortized bond premium	**5,951,035**	6,352,244
	157,826,034	168,440,244
Other liabilities:		
Deferred revenue, less current portion	**7,862,667**	7,472,303
Net costs advanced through billings to members	**20,365,339**	8,968,838
	28,228,006	16,441,141
Net assets:		
Invested in plant, net of debt	**(870,375)**	(945,284)
Restricted net assets	**11,235,116**	12,701,303
Unrestricted net assets	**(4,609,158)**	(8,203,843)
	5,755,583	3,552,176
Total liabilities and net assets	**$ 237,373,095**	$ 239,091,487

See accompanying notes.

Utah Associated Municipal Power Systems

Statements of Revenues and Expenses and Changes in Net Assets

	Year Ended March 31	
	2009	**2008**
Operating revenues:		
Power sales	**$ 185,695,134**	$ 182,412,470
Other	**376,620**	134,476
	186,071,754	182,546,946
Operating expenses:		
Cost of power	**143,303,350**	144,165,576
In lieu of ad valorem taxes	**1,022,436**	857,066
Depreciation	**12,590,121**	12,029,540
General and administrative	**6,619,556**	6,482,526
	163,535,463	163,534,708
Operating income	**22,536,291**	19,012,238
Nonoperating revenues (expenses):		
Interest income	**1,011,243**	1,692,699
Interest expense	**(8,051,284)**	(8,587,288)
Amortization of bond issuance costs	**(323,430)**	(283,032)
	(7,363,471)	(7,177,621)
Excess of revenues over expenses before net costs advanced or to be recovered through billings to members	**15,172,820**	11,834,617
Change in net costs advanced or to be recoverd through billings to members	**(11,396,501)**	(10,063,004)
Excess of revenues over expenses	**3,776,319**	1,771,613
Net assets at beginning of year	**3,552,176**	4,880,206
Distributions to members	**(1,572,912)**	(3,099,643)
Net assets at end of year	**$ 5,755,583**	$ 3,552,176

See accompanying notes.

Utah Associated Municipal Power Systems

Statements of Cash Flows

	Year Ended March 31	
	2009	2008
Operating activities		
Cash received from customers	**$ 187,718,355**	$ 177,764,308
Cash payments to suppliers for goods and services	**(150,133,231)**	(147,474,497)
Cash payments to employees for services	**(3,196,515)**	(3,006,480)
Cash payments for ad valorem taxes	**(1,019,103)**	(865,899)
Deferred revenue	**878,279**	(2,459,518)
Net cash provided by operating activities	**34,247,785**	23,957,914
Capital and related financing activities		
Additions to utility plant and equipment	**(9,164,704)**	(9,871,198)
Proceeds from issuance of long-term debt	**5,071,401**	6,476,000
Principal payments on refunding revenue bonds	**(14,188,000)**	(12,885,000)
Interest payments on refunding revenue bonds	**(8,791,865)**	(9,133,255)
Bond issuance costs	**(289,618)**	(250,360)
Distribution	**(1,572,912)**	(3,099,643)
Net cash used in capital and related financing activities	**(28,935,698)**	(28,763,456)
Noncapital and related financing activities		
Proceeds from lines of credit	**144,071,169**	146,333,513
Payment on lines of credit	**(147,271,169)**	(145,033,513)
Net cash provided by (used in) noncapital and related financing activities	**(3,200,000)**	1,300,000
Investing activities		
Decrease (increase) in current investments	**(14,058)**	4,347,868
Restricted assets:		
Net increase in investments	**(3,610,039)**	(1,913,726)
Interest income received	**1,014,010**	1,689,932
Net cash provided by (used in) investing activities	**(2,610,087)**	4,124,074
Increase (decrease) in cash	**(498,000)**	618,532
Outstanding checks in excess of transfers at beginning of year	**(200,364)**	(818,896)
Outstanding checks in excess of transfers at end of year	**$ (698,364)**	$ (200,364)

Utah Associated Municipal Power Systems

Statements of Cash Flows (continued)

	Year Ended March 31	
	2009	**2008**
Reconciliation of operating income to net cash provided by operating activities		
Operating income	**$ 22,536,291**	$ 19,012,238
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	**12,590,121**	12,029,540
Amortization of deferred revenue	**(799,781)**	(839,446)
Increase (decrease) in deferred revenue	**878,279**	(2,459,518)
Decrease (increase) in current receivables	**2,446,382**	(3,285,696)
Decrease (increase) in prepaid expenses and deposits	**(565,889)**	106,176
Decrease in members' advance billings	**-**	(657,496)
Decrease in accounts payable	**(2,365,479)**	(1,252,295)
Increase (decrease) in accrued liabilities	**(472,139)**	1,304,411
Net cash provided by operating activities	**$ 34,247,785**	$ 23,957,914

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 38 municipalities, one joint action agency, one electric service district, four public utility districts, two water conservancy districts, five 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, and California.

UAMPS is a separate legal entity that possesses the ability to establish its own budget, incur debt, sue and be sued, and own and lease property. No other governmental units in Utah exercise significant control over UAMPS. As such, UAMPS is not a component unit as defined by the Governmental Accounting Standards Board (GASB) in its Statement No. 14, *The Financial Reporting Entity*. Further, as defined in this Statement, UAMPS has no component units that should be included in the accompanying financial statements.

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

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting. The accounting and reporting policies of UAMPS conform with the accounting rules prescribed by the GASB. UAMPS has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements, as well as all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

1. Summary of Significant Accounting Policies (continued)

Recent Accounting Developments

Fair Value Measurements

The FASB issued Statement of Financial Accounting Standards No. 157 *Fair Value Measurements* (SFAS No. 157) in September 2006. SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements required by other accounting rules. It does not change existing guidance as to whether or not an instrument is carried at fair value. UAMPS adopted SFAS No. 157 beginning April 1, 2008. Adoption did not impact financial position, change in financial position or cash flows.

Accounting and Financial Reporting for Derivative Instruments

The GASB issued Statement No. 53 of the Governmental Accounting Standards Board *Accounting and Financial Reporting for Derivative Instruments* (GASB No. 53) in June 2008. GASB No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. GASB No. 53 will be effective for UAMPS beginning April 1, 2010. UAMPS has reviewed the requirements of GASB No. 53 and does not expect its adoption to significantly impact financial position, change in financial position or cash flows.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that could affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Investments

All investments, except for the Utah Public Treasurer's Investment Fund, are recorded at fair value. Investments' fair values are obtained from the last reported sales price on the last business day of the year. The Utah Public Treasurer's Investment Fund is operated by the Utah State Treasurer's Office and is a "2a-7-like" pool in accordance with GASB No. 31; therefore, it is not presented at fair value but at its actual pooled share price, which approximates fair value. A 2a-7 pool is not registered with the SEC as an investment company, but nevertheless has a policy that

1. Summary of Significant Accounting Policies (continued)

it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. The Investment Fund is administered by the Utah State Treasurer's Office, under the regulatory oversight of the State of Utah's Money Management Council.

Receivables

Receivables consist primarily of current power billings to Members.

Utility Plant and Equipment

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

Unamortized Bond Issuance Costs

Unamortized bond issuance costs related to the issuance of the Hunter II Project Revenue and Refunding Bonds, the Central-St. George Transmission Project Revenue and Refunding Bonds, the Craig-Mona Transmission Project Revenue and Refunding Bonds, the San Juan Project Revenue and Refunding Bonds, and the Payson Power Project Revenue Bonds are being amortized over the terms of the bonds.

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. Expenses determined in accordance with (GAAP), which are not currently billable as "power costs," or amounts billed as "power costs" and recovered in advance of being recognized for GAAP are deferred in the accompanying balance sheets.

1. Summary of Significant Accounting Policies (continued)

Income Taxes

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

Deferred Revenue

Certain participants of the Craig-Mona Project, the Payson Project, and the San Juan Project elected to prepay their share of certain future fees for the projects. The participants of the Hunter II Project and the Central-St. George Project have elected to prepay certain costs of acquisition and debt service during refinancing and/or construction of the projects. These payments, which represent future fees, have been treated as deferred revenue and will be amortized to revenue over the life of the respective bond issues.

Net Assets

Net assets are classified into three components:

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

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

- Unrestricted net assets: This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.” As of March 31, 2009 and 2008, UAMPS reported a deficit in unrestricted net assets. The deficit is a result of long-term deferred revenue which represents the prepayment of future fees.

1. Summary of Significant Accounting Policies (continued)

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

Reclassifications

Certain reclassifications were made to prior year financial statements to conform with the fiscal year 2009 presentation.

2. Power Sales and Transmission Service Contracts Relating to Bonds

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

- UAMPS has contracted with 22 municipalities and one joint-action agency in the Hunter II Project to supply power from the generating unit. Each contract term extends at a minimum to the date all principal and interest on the 1998 and 2004 Series Bonds have been paid.

- UAMPS has contracted with five municipalities to provide transmission capabilities from the Central-St. George Project to deliver electric power to the participants. Each contract term extends, at a minimum, to the date all principal and interest on the 1997, 2000 and 2003 Series Bonds have been paid.

- UAMPS has contracted with nine municipalities and one joint-action agency to provide transmission capabilities from the Craig-Mona Transmission Project to secure electric transmission interconnections with eastern utilities for the participants. Each contract term extends, at a minimum, to the date all principal and interest on the 1993 Series Bonds have been paid.

- UAMPS has contracted with 15 municipalities and one electric service district in the San Juan Project to supply power from the generating unit. Each contract term extends, at a minimum, to the date all principal and interest on the 1998 and 2008 Series Bonds have been paid.

- UAMPS has contracted with 14 municipalities and one electric service district in the Payson Project to supply power from the generating unit. Each contract term extends, at a minimum, to the date all principal and interest on the 2003 and 2007 Series Bonds have been paid. The Payson Project was completed in June 2004.

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

The Contracts cannot be terminated or amended in any manner that will impair or adversely affect the rights of the bondholders.

Under the terms of the Contracts, the Purchasers are obligated to pay their proportionate share of all operation and maintenance expenses, debt service on the revenue bonds, and any other costs incurred by UAMPS. The Purchasers are obligated to pay whether or not these projects, or any parts thereof, are operating or operable or output is suspended, interrupted, curtailed, interfered with, reduced, or terminated.

3. Net Costs 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, 2009 and 2008 and the accumulated totals as of March 31, 2009 and 2008, consisted of the following:

	For the Years Ended		Accumulated Totals as of March 31,	
	2009	**2008**	**2009**	**2008**
Items in accordance with GAAP not currently billable to Members				
Depreciation, accretion, and amortization of bond issuance costs	**$ 12,913,551**	$ 12,404,681	**$ 171,316,023**	$ 158,402,472
Refunding charge on refunding/ defeasance of revenue bonds	**–**	–	**40,040,626**	40,040,626
Principal collected from certain receivables	**–**	–	**8,151,148**	8,151,148
Excess bond proceeds (used to pay interest/CWIP)	**354,342**	–	**11,033,495**	10,679,153
Principal amounts of notes	**–**	–	**1,750,000**	1,750,000
Cost recovery on off-system sales losses	**(41,339)**	303,479	**40,640,144**	40,681,483
Estimated future loss on contracts	**–**	–	**10,384,038**	10,384,038
Amortization of deferred revenue	**(799,781)**	(839,446)	**(17,664,734)**	(16,864,953)
Utility plant renewals and replacements	**(5,731,179)**	(6,287,639)	**(48,290,193)**	(42,559,014)
Principal amounts of debt service	**(15,053,333)**	(12,931,917)	**(222,050,724)**	(206,997,391)
Amortization of bond premium	**(546,394)**	(624,008)	**(2,879,031)**	(2,332,638)
Major overhaul reserve payments	**(2,556,606)**	(2,131,841)	**(13,155,969)**	(10,599,363)
Accrued personal leave	**64,238**	43,687	**359,838**	295,601
Net costs advanced through billings to Members	**$ (11,396,501)**	$ (10,063,004)	**$ (20,365,339)**	$ (8,968,838)

4. Utility Plant and Equipment

UAMPS' interest in two generating units represents a 14.582% and a 7.028% undivided interest in the PacifiCorp Hunter II and the Public Service Company of New Mexico San Juan Unit IV electric generating units (the Generating Units), respectively. The interest is recorded based on UAMPS' acquisition cost.

UAMPS acquired a 15% entitlement share in the transmission capability of a 105-mile 345 kilovolts (kV) transmission line constructed between Craig, Colorado and the Bonanza Generation Station in Uintah County, Utah. UAMPS is responsible for a like percentage of the costs of acquisition, construction, operation, and maintenance of the line. UAMPS has also purchased an entitlement share of 54 megawatt (MW) of transmission capability on the Bonanza line, which extends from the Bonanza Generation Station to the Mona, Utah Substation.

The Central-St. George Project, located in Washington County, Utah, owned and operated by UAMPS, consists of 138 kV transmission facilities, including a 345/138 kV electric substation, approximately 25 miles of 138 kV transmission line, a 138 kV switching yard, a 138/69 kV electric substation, and approximately 16 miles of 69 kV transmission line to provide service to four of its members in Washington County.

The Payson Project is a combined cycle, natural-gas-fired, electric generating facility with a nominal generating capacity of 143 MW located in Payson City, Utah, owned and operated by UAMPS. The Payson Project also includes gas pipelines, electric transmission lines, and other properties, and facilities and equipment necessary for the operation of the generating facility. Engineering, equipment acquisition, and other pre-construction work on the 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 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 participants. 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 participants. The generator set was purchased and placed into service in June 2008.

4. Utility Plant and Equipment (continued)

The Construction Work-In Progress balance was $4.3 million at March 31, 2009, and $0 at March 31, 2008. The balance at March 31, 2009 consists of $2.1 million for the Hunter Project for environmental upgrades; $2.1 million for the Nebo Project for planned maintenance; and $39,965 for the Central-St. George Project for a security system. These projects were still in progress at the end of the current year.

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, 2008	$ 212,290,518	$ 64,689,181	$ 1,265,742	$ –	$ 278,245,441
Capital additions	**4,722,114**	**–**	**181,237**	**4,261,353**	**9,164,704**
Sales, retirements	**(7,675)**	**–**	**(165,094)**	–	**(172,669)**
Balance, March 31, 2009	**$ 217,004,957**	**$ 64,689,181**	**$ 1,281,885**	**$ 4,261,353**	**$ 287,237,376**
Accumulated depreciation, April 1, 2008	$ (84,551,608)	$ (27,664,763)	$ (805,516)	$ –	$ (113,021,887)
Depreciation expense	**(10,088,810)**	**(2,239,990)**	**(261,321)**	**–**	**(12,590,121)**
Retirements	**7,675**	**–**	**165,094**	**–**	**172,669**
Accumulated depreciation, March 31, 2009	**$ (94,632,743)**	**$ (29,904,753)**	**$ (901,743)**	**$ –**	**$ (125,439,239)**
Average depreciation rate	**4.7%**	**3.5%**	**20.5%**	**–**	**4.5%**
Balance, April 1, 2007	$ 199,310,075	$ 64,651,483	$ 1,231,352	$ 3,381,629	$ 268,574,539
Capital additions	**12,980,443**	**37,698**	**234,686**	**6,056,249**	**19,309,076**
Sales, retirements	**–**	**–**	**(200,296)**	**(9,437,878)**	**(9,638,174)**
Balance, March 31, 2008	**$ 212,290,518**	**$ 64,689,181**	**$ 1,265,742**	**$ –**	**$ 278,245,441**
Accumulated depreciation, April 1, 2007	$ (75,026,441)	$ (25,426,281)	$ (739,921)	$ –	$ (101,192,643)
Depreciation expense	**(9,525,167)**	**(2,238,482)**	**(265,891)**	**–**	**(12,029,540)**
Retirements	**–**	**–**	**200,296**	**–**	**200,296**
Accumulated depreciation, March 31, 2008	**$ (84,551,608)**	**$ (27,664,763)**	**$ (805,516)**	**$ –**	**$ (113,021,887)**
Average depreciation rate	**4.6%**	**3.5%**	**21.3%**	**–**	**4.4%**

5. Investments

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

	2009	2008
Restricted:		
Money market funds invested in U.S. government securities	**$ 13,120,793**	$ 12,662,368
Utah Public Treasurer's Investment Fund	**28,191,655**	25,040,041
Total	**$ 41,312,448**	$ 37,702,409
Current:		
Bank deposits	**$ 645,596**	$ 839,872
Utah Public Treasurer's Investment Fund	**4,524,982**	4,316,648
Total	**$ 5,170,578**	$ 5,156,520

Bond covenants allow UAMPS to invest in U.S. government securities, obligations of any state including the state treasurer's investment fund, certificates of deposit and banker's acceptances of banks meeting certain minimum requirements and repurchase agreements.

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, 2009.

5. Investments (Continued)

At March 31, 2009 UAMPS had the following investments and quality ratings:

	Unrated	AAA	Total
Money market funds invested in U.S. government securities	$ –	$ 13,120,793	$ 13,120,793
Utah Public Treasurer's Investment Fund	32,716,637	–	32,716,637
	$ 32,716,637	$ 13,120,793	$ 45,837,430

Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance, and are not collateralized, are collateralized by the pledging financial institution, or is collateralized by the pledging financial institution's trust department or agent, but not in the depositor governments name. At March 31, 2009 UAMPS did not have deposits exposed to Custodial Credit Risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. UAMPS policy for reducing its exposure to interest rate risk is to comply with bond covenants as previously discussed. UAMPS investments are due in one year or less.

6. Fair Value Measurements

UAMPS has adopted SFAS No. 157 *Fair Value Measurements* ("SFAS No. 157") as it applies to financial assets and liabilities effective April 1, 2008. SFAS No. 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles ("GAAP") and enhances disclosures about fair value measurements. Fair value is defined under SFAS No. 157 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Certain deposits outside of the Utah Public Treasurer's Investment Fund require disclosure under SFAS No. 157. UAMPS' cash and cash equivalents primarily utilize quoted prices in active markets for identical assets or liabilities.

6. Fair Value Measurements (continued)

SFAS No. 157 describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted Prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities, therefore, require an entity to develop its own assumptions.

	Fair Value Measurements as of March 31, 2009			
	Total	**Level 1**	**Level 2**	**Level 3**
Cash, cash equivalents, and investments	**$ 13,120,793**	**$ 13,120,793**	**$ –**	**$ –**

7. Outstanding Checks in Excess of Transfers

Cash consists of deposits with banks. Outstanding checks in excess of transfer balances were $698,364 and $200,364 at March 31, 2009 and 2008, respectively. The entire bank account balances are covered by federal depository insurance, which insures bank balances up to $100,000. State statutes do not require such accounts to be collateralized.

8. Debt

Pursuant to the Hunter II Project Revenue Bond Resolution, the San Juan Project Revenue Bond Resolution, the Craig-Mona Transmission Project Revenue Bond Resolution, the Central-St. George Transmission Project Revenue Bond Resolution, 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 2009	Principal Outstanding – March 31 2008
Hunter II 1998					
Serial	6,455,000	4.00%–5.00%	2000–2012	**$ 2,305,000**	$ 2,810,000
Hunter II 2004					
Serial	17,425,000	1.50%–5.00%	2004–2010	**11,840,000**	17,350,000
San Juan 1998					
Serial	15,750,000	4.00%–5.25%	2000–2015	**10,430,000**	11,635,000
Term	5,740,000	5.00%	2018	**5,740,000**	5,740,000
Term	9,125,000	5.00%	2022	**9,125,000**	9,125,000
	30,615,000				
San Juan 2008A					
Serial	2,345,000	3.50% - 4.50%	2009-2022	**2,345,000**	–
Craig-Mona 1993					
Serial	8,315,000	2.80%–5.25%	1994–2009	**1,010,000**	1,975,000
Central-St. George 1997 B					
Serial	2,315,000	3.95%–5.15%	1998–2012	**785,000**	960,000
Term	1,840,000	5.38%	2019	**1,840,000**	1,840,000
	4,155,000				
Central-St. George 2000					
Serial	$ 7,025,000	4.40%–5.40%	2001–2019	**$ 4,740,000**	$ 5,060,000

8. Debt (continued)

Series	Original Issue	Interest Rate	Original Maturity Date	Principal Outstanding – March 31 2009	Principal Outstanding – March 31 2008
Central-St. George 2003					
Serial	19,945,000	3.00%–4.75%	2003–2019	**$ 14,745,000**	$ 15,800,000
Central-St. George 2006					
BAN	1,250,000	3.85%	2009	**–**	1,250,000
Payson 2003					
Serial	100,850,000	3.00%–5.25%	2006–2026	**91,920,000**	95,005,000
Payson 2007					
Serial	2,751,000	3.90%–4.49%	2009-2018	**2,751,000**	2,751,000
Hurricane-Washington 2007A					
Term	430,000	4.15%	2012	**351,000**	430,000
Term	533,000	4.40%	2017	**533,000**	533,000
Term	671,000	4.75%	2022	**671,000**	671,000
Term	857,000	5.00%	2027	**857,000**	857,000
	2,491,000				
Hurricane-Washington 2007B					
Term	213,000	4.15%	2012	**174,000**	213,000
Term	264,000	4.40%	2017	**264,000**	264,000
Term	332,000	4.75%	2022	**332,000**	332,000
Term	425,000	5.00%	2027	**425,000**	425,000
	1,234,000				
Santa Clara – Washington 2008					
Serial	2,698,000	5.16%	2009-2028	**2,698,000**	–
				165,881,000	175,026,000
Plus unamortized bond premium				**5,951,034**	6,352,244
Less current portion (excluding current portion of unamortized bond premium)				**14,006,000**	12,938,000
				$ 157,826,034	$ 168,440,244

8. Debt (continued)

The Hunter 1998 Series Bonds (totaling $6.5 million) maturing on or after July 1, 2009 are subject to redemption prior to maturity at the option of UAMPS, in whole or in part, at various times on or after July 1, 2008, at redemption prices ranging from 100% to 101%, plus accrued interest to the date of redemption.

The 2004 Hunter II Series Bonds (totaling $17.4 million) are not subject to redemption prior to maturity.

The San Juan 1998 Series Bonds (totaling $30.6 million) maturing on or after June 1, 2009 are subject to redemption prior to maturity at the option of UAMPS, in whole or in part, at various times on or after June 1, 2008, at redemption prices ranging from 100% to 101%, plus accrued interest to the date of redemption.

On May 15, 2008 UAMPS issued the San Juan Project Revenue Bonds, Series 2008A (totaling $2.3 million) maturing June 1, 2022 at 3.50%-4.50% interest. The bonds 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 bonds were issued to provide funds for project costs and plant upgrades.

The Craig-Mona 1993 Series Bonds (totaling $8.3 million) are not subject to redemption prior to maturity.

The Central-St. George 1997B Series Bonds (totaling $4.2 million), maturing after December 1, 2008, are subject to redemption prior to maturity at the option of UAMPS, in whole or in part, at various times on or after December 1, 2007, at a redemption price equal to 100%, plus accrued interest to the date of redemption.

The Central-St. George 2000 Series Bonds (totaling $7.0 million), maturing on or after December 1, 2011, are subject to redemption prior to maturity at the option of UAMPS, in whole or in part, at various times on or after December 1, 2010, at a redemption price equal to 100%, plus accrued interest to the date of redemption.

The Central-St. George 2003 Series Bonds (totaling $19.9 million), maturing on or after December 1, 2012, are subject to redemption prior to maturity at the option of UAMPS on and after June 1, 2012, in whole or in part on any date, at a redemption price equal to 100% of the principal amount, plus accrued interest to the date of redemption.

8. Debt (continued)

The Central-St. George Revenue Bond Anticipation Notes Series 2006, (totaling $1.3 million) were redeemed early during this fiscal year without penalty.

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

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

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

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

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

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

Restricted cash and investments are restricted only for the purposes stipulated in the Resolutions.

8. Debt (continued)

The scheduled maturities and related interest, based on scheduled rates for fixed rate bonds and the existing rates at March 31, 2009 for variable rate bonds, of long-term debt are as follows:

Year Ending March 31	Revenue and Refunding Revenue Bonds	Interest	Total Debt Service Requirements
2010	$ 14,006,000	$ 7,701,925	$ 21,707,925
2011	13,609,000	7,014,809	20,623,809
2012	7,909,000	6,564,929	14,473,929
2013	8,298,000	6,168,914	14,466,914
2014	8,065,000	5,768,615	13,833,615
2015–2019	46,771,000	21,189,714	67,960,714
2020–2024	43,735,000	9,375,122	53,110,122
2025–2029	23,488,000	1,311,527	24,799,527
Total	$ 165,881,000	$ 65,095,555	$ 230,976,555

UAMPS recorded interest expense of $8.1 million and $8.6 million for the years ended March 31, 2009 and 2008, respectively.

8. Debt (continued)

The table below shows the changes in net long-term debt balances that occurred during the year ended March 31, 2009.

	March 31, 2008	Additions	Reductions	March 31, 2009	Amount Due Within One Year
Hunter II 1998	$ 2,810,000	$ –	$ 505,000	**$ 2,305,000**	**$ 535,000**
Hunter II 2004	17,350,000	–	5,510,000	**11,840,000**	**5,780,000**
San Juan 1998–Serial	11,635,000	–	1,205,000	**10,430,000**	**1,265,000**
San Juan 1998–Term	5,740,000	–	–	**5,740,000**	**–**
San Juan 1998–Term	9,125,000	–	–	**9,125,000**	**–**
San Juan 2008A – Serial	–	2,345,000	–	**2,345,000**	**125,000**
Craig Mona 1993	1,975,000	–	965,000	**1,010,000**	**1,100,000**
Central-St. George 1997B–Serial	960,000	–	175,000	**785,000**	**185,000**
Central-St. George 1997B–Term	1,840,000	–	–	**1,840,000**	**–**
Central-St. George 2000	5,060,000	–	320,000	**4,740,000**	**335,000**
Central-St. George 2003	15,800,000	–	1,055,000	**14,745,000**	**1,010,000**
Central-St. George 2006	1,250,000	–	1,250,000	**–**	**–**
Payson 2003	95,005,000	–	3,085,000	**91,920,000**	**3,240,000**
Payson 2007	2,751,000	–	–	**2,751,000**	**229,000**
Hurricane-Washington – 2007A – Term	430,000	–	79,000	**351,000**	**82,000**
Hurricane-Washington – 2007A – Term	533,000	–	–	**533,000**	**–**
Hurricane-Washington – 2007A – Term	671,000	–	–	**671,000**	**–**
Hurricane-Washington – 2007A – Term	857,000	–	–	**857,000**	**–**
Hurricane-Washington – 2007B – Term	213,000	–	39,000	**174,000**	**41,000**
Hurricane-Washington – 2007B – Term	264,000	–	–	**264,000**	**–**
Hurricane-Washington – 2007B – Term	332,000	–	–	**332,000**	**–**
Hurricane-Washington – 2007B – Term	425,000	–	–	**425,000**	**–**
Santa Clara – Washington 2008	–	2,698,000	–	**2,698,000**	**79,000**
	175,026,000	5,043,000	14,188,000	**165,881,000**	**14,006,000**
Plus unamortized premium	6,895,626	28,401	546,394	**6,377,633**	**426,599**
	$ 181,921,626	$ 5,071,401	$ 14,734,394	**$ 172,258,633**	**$ 14,432,599**

9. Lines of Credit

In August 2001, UAMPS obtained a $3.0 million revolving line of credit for cash flow purposes at a rate of 75% of the financial institution's prime lending rate, which rate was 2.44% as of March 31, 2009. As of March 31, 2006, UAMPS had obtained an additional revolving line of credit totaling $11.0 million at a variable rate in relation to LIBOR, which rate was 1.26% as of March 31, 2009. 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 $22.0 million available lines of credit was $12.1 million and $15.3 million at March 31, 2009 and 2008, respectively. The additional revolving lines of credit were obtained to assist UAMPS with working capital requirements.

10. Commitments and Contingencies

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

UAMPS had the following Natural Gas and Power Purchase Commitments at March 31, 2009:

Fiscal Year:	**Power**	**Natural Gas**
2010	$ 887,744	$ –
2011	928,720	2,670,734
2012	–	6,197,974
2013	–	6,261,695
2014	–	4,789,835
	$ 1,816,464	$19,890,238

Under similar agreements UAMPS purchased power in the amount of $12.5 million in fiscal year 2009 and $9.0 million in fiscal year 2008. UAMPS purchased natural gas in the amount of $9.6 million in fiscal year 2009, and $5.9 million in fiscal year 2008.

UAMPS contracted to sell power output from the Nebo generating station in the amount of $23.3 million in fiscal year 2008. The contract was not in effect in fiscal year 2009.

10. Commitments and Contingencies (continued)

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

Year	Tons	Total Commitment at the March 31, 2009 Price per Ton	UAMPS' Estimated Portion of the Commitment
2010	5,600,000	$ 279,944,000	$ 6,071,000
2011	5,600,000	279,944,000	6,071,000
2012	5,600,000	279,944,000	6,071,000
2013	5,600,000	279,944,000	6,071,000
2014	5,600,000	279,944,000	6,071,000

During fiscal years 2009 and 2008, UAMPS incurred minimum coal costs of $6.2 million and $4.9 million respectively, and incremental coal costs of $810,294 and $(358,866) 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 seven-year operating lease expiring in fiscal year 2011. Future minimum lease payments under the operating lease obligation are:

Fiscal Year:	
2010	$ 302,456
2011	231,358
	$ 533,814

Rent expense for the years ended March 31, 2009 and 2008 was $320,823 and $305,731, 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.

11. Retirement Plan

UAMPS has a noncontributory money purchase defined contribution pension plan, which covers all of its employees. Employees are eligible to participate from the date of employment. Contributions and earnings thereon are always fully vested upon participation in the plan. Contribution levels are established by the Board and are initially equal to 15.3%, increasing to a maximum of 25% of each covered employee's compensation. UAMPS' covered payroll amounted to approximately $2.3 million and $2.1 million in 2009 and 2008, respectively. Contributions, which are approximately 25% of total payroll, totaled approximately $565,000 and $535,000 for the years ended March 31, 2009 and 2008, respectively. All contributions are invested using an outside pension administrator, ICMA Retirement Corp. (ICMA). ICMA provides the participants with multiple options for their pension investments.

12. Subsequent Events

The IPP Unit 3 Project was investigating the acquisition of a third unit at IPP with several other public power utilities. The third unit was proposed as a 900-megawatt coal-fired generation station. As a result of several factors development of the third unit ceased. On June 5, 2009, arrangements were made and agreements reached that provide for UAMPS to recover its development and investigation costs. As part of the agreement, UAMPS will recover the costs through the purchase of energy at below market rates.

On June 24, 2009 UAMPS issued the Central-St. George Transmission Project Revenue and Refunding Bonds Series 2009, (totaling $24.8 million) maturing December 1, 2019 at 4.00%-5.25% interest. The bonds were issued to finance construction of the Phase 3 Facilities, to fund the Debt Service Reserve Account and the Series 2009 Project Capitalized Interest Subaccount, and to refund the Series 1997B Bonds maturing on and after December 1, 2010. A portion of the proceeds were also used to pay for the costs to issue the Series 2009 Bonds.

Supplemental Schedules

Utah Associated Municipal Power Systems

Schedules of Changes in Funds Required by the Revenue Bond Resolutions

Year Ended March 31, 2009

	Revenue Fund	Operations and Maintenance Fund	Construction Fund	Debt Service Fund: Debt Service Account	Debt Service Fund: Debt Service Reserve Account	Reserve and Contingency Fund	Total
Balance at March 31, 2007	$ 9,504,388	$ (818,896)	$ 420,132	$ 13,219,106	$ 10,279,125	$ 11,870,320	$ 44,474,175
Additions:							
Investment earnings receipts	182,686	–	5,769	356,932	503,197	641,348	1,689,932
Debt proceeds	1,300,000	–	6,303,832	–	172,168	–	7,776,000
Power sales receipts	177,764,308	–	–	–	–	–	177,764,308
Transfers from irrevocable trust	–	–	–	391,775	–	–	391,775
Transfers (to) from other funds	(183,594,862)	155,996,272	(2,535,610)	21,328,863	(858,642)	9,663,979	–
	(4,347,868)	155,996,272	3,773,991	22,077,570	(183,277)	10,305,327	187,622,015
Deductions:							
Purchase of capital additions	–	(1,652,986)	3,943,729	–	–	7,580,455	9,871,198
Payments on debt	–	–	–	12,885,000	–	–	12,885,000
Interest payments	–	464,280	–	8,668,975	–	–	9,133,255
Cost of issuance	–	–	250,360	–	–	–	250,360
Distribution	–	3,099,643	–	–	–	–	3,099,643
Operating expenses	–	153,466,803	–	6,751	–	724,615	154,198,169
	–	155,377,740	4,194,089	21,560,726	–	8,305,070	189,437,625
Balance at March 31, 2008	5,156,520	(200,364)	34	13,735,950	10,095,848	13,870,577	42,658,565
Additions:							
Investment earnings receipts	**39,523**	**–**	**36,649**	**160,126**	**373,924**	**403,788**	**1,014,010**
Debt proceeds	**(3,200,000)**	**–**	**4,929,351**	**–**	**142,050**	**–**	**1,871,401**
Power sales receipts	**187,718,355**	**–**	**–**	**–**	**–**	**–**	**187,718,355**
Transfers from irrevocable trust	**–**	**–**	**–**	**24,986**	**–**	**–**	**24,986**
Transfers (to) from other funds	**(184,543,820)**	**154,558,237**	**1,009,321**	**22,943,367**	**(66,540)**	**6,099,435**	**–**
	14,058	**154,558,237**	**5,975,321**	**23,128,479**	**449,434**	**6,503,223**	**190,628,752**
Deductions:							
Purchase of capital additions	**–**	**(251,891)**	**4,823,993**	**–**	**–**	**4,592,602**	**9,164,704**
Payments on debt	**–**	**–**	**–**	**14,188,000**	**–**	**–**	**14,188,000**
Interest payments	**–**	**244,466**	**–**	**8,547,399**	**–**	**–**	**8,791,865**
Cost of issuance	**–**	**–**	**289,618**	**–**	**–**	**–**	**289,618**
Distribution	**–**	**1,572,912**	**–**	**–**	**–**	**–**	**1,572,912**
Operating expenses	**–**	**153,490,750**	**–**	**4,700**	**–**	**106**	**153,495,556**
	–	**155,056,237**	**5,113,611**	**22,740,099**	**–**	**4,592,708**	**187,502,655**
Balance at March 31, 2009	**$ 5,170,578**	**$ (698,364)**	**$ 861,744**	**$ 14,124,330**	**$ 10,545,282**	**$ 15,781,092**	**$ 45,784,662**

Utah Associated Municipal Power Systems

Schedules of Project Financial Statements

Balance Sheet

March 31, 2009

	CRSP	Hunter II	San Juan Unit 4	IPP	Firm Power	Craig-Mona	Central-St. George	UAMPS Pool	Payson	IPP #3	Resource	Gas Project	Government and Public Affairs	Member Services	Total
Assets															
Current assets:															
Receivables	$ 1,753,682	$ 2,887,832	$ 2,001,631	$ 6,991,706	$ 326,072	$ 94,292	$ 482,544	$ 4,472,354	$ 2,828,421	$ 317,706	$ 73,339	$ 11,465	$ 66,371	$ 85,944	$ 22,393,359
Prepaid expenses and deposits	–	1,379,000	849,778	–	–	6,237	–	–	1,099,411	–	–	–	–	–	3,334,426
Investments	224,143	384,741	276,161	862,880	32,107	40,241	52,887	2,714,994	539,938	22,055	4,740	–	8,267	7,424	5,170,578
	1,977,825	4,651,573	3,127,570	7,854,586	358,179	140,770	535,431	7,187,348	4,467,770	339,761	78,079	11,465	74,638	93,368	30,898,363
Restricted assets:															
Investments	–	15,016,767	4,431,085	–	–	1,071,997	1,826,419	–	18,675,954	–	–	–	–	290,226	41,312,448
Interest receivable	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	–	15,016,767	4,431,085	–	–	1,071,997	1,826,419	–	18,675,954	–	–	–	–	290,226	41,312,448
Utility plant and equipment:															
Generation	–	61,021,804	54,917,062	–	–	–	–	–	94,387,108	–	–	–	–	6,678,983	217,004,957
Transmission	–	–	–	–	–	17,492,388	36,675,056	–	10,521,737	–	–	–	–	–	64,689,181
Furniture and equipment	107,601	114,469	96,839	60,352	90,194	61,214	81,742	37,518	229,353	166,161	64,414	–	157,720	14,308	1,281,885
	107,601	61,136,273	55,013,901	60,352	90,194	17,553,602	36,756,798	37,518	105,138,198	166,161	64,414	–	157,720	6,693,291	282,976,023
Less accumulated depreciation	(74,056)	(47,023,869)	(24,283,262)	(39,242)	(77,283)	(11,030,407)	(18,600,106)	(58,733)	(23,145,507)	(105,358)	(55,772)	–	(115,665)	(829,979)	(125,439,239)
	33,545	14,112,404	30,730,639	21,110	12,911	6,523,195	18,156,692	(21,215)	81,992,691	60,803	8,642	–	42,055	5,863,312	157,536,784
Construction work-in-progress	–	2,131,583	–	–	–	–	39,965	–	2,089,805	–	–	–	–	–	4,261,353
	33,545	16,243,987	30,730,639	21,110	12,911	6,523,195	18,196,657	(21,215)	84,082,496	60,803	8,642		42,055	5,863,312	161,798,137
Other assets:															
Unamortized bond issuance costs	–	626,230	719,619	–	–	238,492	828,446	–	2,767,987	–	–	–	–	241,951	5,422,725
Accumulated amortization of bond issuance costs	–	(487,099)	(248,374)	–	–	(228,659)	(365,559)	–	(711,711)	–	–	–	–	(17,176)	(2,058,578)
Net bond issuance costs	–	139,131	471,245	–	–	9,833	462,887	–	2,056,276	–	–	–	–	224,775	3,364,147
Total assets	$ 2,011,370	$ 36,051,458	$ 38,760,539	$ 7,875,696	$ 371,090	$ 7,745,795	$ 21,021,394	$ 7,166,133	$ 109,282,496	$ 400,564	$ 86,721	$ 11,465	$ 116,693	$ 6,471,681	$ 237,373,095

Utah Associated Municipal Power Systems

Schedules of Project Financial Statements (continued)

Balance Sheet (continued)

	CRSP	Hunter II	San Juan Unit 4	IPP	Firm Power	Craig-Mona	Central- St. George	UAMPS Pool	Payson	IPP #3	Resource	Gas Project	Government and Public Affairs	Member Services	Total
Membership capital and liabilities															
Current liabilities:															
Outstanding checks in excess of transfers	$ (776,442)	$ (3,493,688)	$ (947,096)	$ (1,987,421)	$ (992,947)	$ (883,216)	$ 1,428,680	$ 9,289,249	$ 458,379	$ (463,931)	$ (532,516)	$ 11,465	$ (338,451)	$ (73,701)	$ 698,364
Accounts payable	1,565,504	(361,305)	560,519	823,377	235,496	441,329	91,198	3,361,790	1,535,919	97,195	31,999	–	44,250	1,261	8,428,532
Accrued liabilities	60,690	115,388	741,054	3,656,791	26,808	57,578	46,650	422,532	195,915	116,753	50,656	–	109,680	–	5,600,495
Members' advance billings	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Notes payable	1,034,792	1,776,218	1,274,940	3,983,622	148,227	185,777	244,159	763,410	2,492,711	101,821	21,883	–	38,166	34,274	12,100,000
Current portion of deferred revenue	–	20,800	407,575	–	–	53,032	116,445	44,196	175,415	–	–	–	–	–	817,463
	1,884,544	(1,942,587)	2,036,992	6,476,369	(582,416)	(145,500)	1,927,132	13,881,177	4,858,339	(148,162)	(427,978)	11,465	(146,355)	(38,166)	27,644,854
Liabilities payable from restricted assets:															
Accrued interest payable	874	178,313	462,135	3,365	125	17,832	332,392	645	2,385,118	86	18	–	32	105,084	3,486,019
Current portion of long-term debt	–	6,492,217	1,393,287	–	–	1,010,000	1,620,000	–	3,715,095	–	–	–	–	202,000	14,432,599
	874	6,670,530	1,855,422	3,365	125	1,027,832	1,952,392	645	6,100,213	86	18	–	32	307,084	17,918,618
Long-term debt:															
Bonds payable, less current portion	–	7,829,999	26,250,000	–	–	–	20,490,000	–	91,202,000	–	–	–	–	6,103,000	151,874,999
Less: unamortized bond discount	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Plus: unamortized bond premium	–	36,448	22,102	–	–	–	–	–	5,892,485	–	–	–	–	–	5,951,035
	–	7,866,447	26,272,102	–	–	–	20,490,000	–	97,094,485	–	–	–	–	6,103,000	157,826,034
Deferred revenue, less current portion	–	268,676	10,279,946	–	–	9,492,832	2,800,268	–	1,965,067	–	–	–	–	–	24,806,789
Accumulated amortization of deferred revenue	–	(221,875)	(5,252,688)	–	–	(9,492,832)	(1,681,538)	–	(295,189)	–	–	–	–	–	(16,944,122)
Net deferred revenue	–	46,801	5,027,258	–	–	–	1,118,730	–	1,669,878	–	–	–	–	–	7,862,667
Net costs advanced or to be recovered through billings to Members	(8,407)	20,739,533	2,809,463	(2,796)	(30,646)	7,025,417	(4,279,498)	(6,403,309)	551,642	49,095	5,862	–	(12,338)	(78,679)	20,365,339
Net assets	134,359	2,670,734	759,302	1,398,758	984,027	(161,954)	(187,362)	(312,380)	(992,061)	499,545	508,819	–	275,354	178,442	5,755,583
	$ 2,011,370	$ 36,051,458	$ 38,760,539	$ 7,875,696	$ 371,090	$ 7,745,795	$ 21,021,394	$ 7,166,133	$ 109,282,496	$ 400,564	$ 86,721	$ 11,465	$ 116,693	$ 6,471,681	$ 237,373,095

Utah Associated Municipal Power Systems

Schedules of Project Financial Statements (continued)

Statement of Revenues and Expenses

Year Ended March 31, 2009

	CRSP	Hunter II	San Juan Unit 4	IPP	Firm Power	Craig-Mona	Central-St. George	UAMPS Pool	Payson	IPP #3	Resource	Gas Project	Government and Public Affairs	Member Services	Total
Operating revenues:															
Power sales to Members	$ 12,515,513	$ 21,811,702	$ 16,389,522	$ 52,068,188	$ 2,173,459	$ 1,315,196	$ 4,397,740	$ 32,529,556	$ 39,838,527	$ 1,524,938	$ 8,320	$ 59,690	$ 479,162	$ 583,621	$ 185,695,134
Other	4,715	4,182	2,164	9,086	333	60	161	19,247	2,869	228	333,361	–	214	–	376,620
	12,520,228	21,815,884	16,391,686	52,077,274	2,173,792	1,315,256	4,397,901	32,548,803	39,841,396	1,525,166	341,681	59,690	479,376	583,621	186,071,754
Operating expenses:															
Cost of power	12,047,578	9,831,903	9,845,537	50,064,317	1,971,370	339,284	181,284	30,152,428	28,728,283	–	–	–	19,589	121,777	143,303,350
In lieu of ad valorem taxes	–	248,998	202,908	506,936	–	63,594	–	–	–	–	–	–	–	–	1,022,436
Depreciation	19,753	2,657,993	2,335,560	13,989	18,585	605,350	1,665,877	2,383	4,934,192	46,041	7,309	–	34,389	248,700	12,590,121
General and administrative	435,202	427,362	361,884	679,885	94,102	144,407	250,952	1,064,147	1,040,563	1,307,952	322,077	59,690	429,065	2,268	6,619,556
	12,502,533	13,166,256	12,745,889	51,265,127	2,084,057	1,152,635	2,098,113	31,218,958	34,703,038	1,353,993	329,386	59,690	483,043	372,745	163,535,463
Operating income	17,695	8,649,628	3,645,797	812,147	89,735	162,621	2,299,788	1,329,845	5,138,358	171,173	12,295	–	(3,667)	210,876	22,536,291
Nonoperating revenues (expenses):															
Interest income	–	285,323	73,006	2,778	–	40,298	54,248	37,056	509,720	–	–	–	–	8,814	1,011,243
Interest expense	(19,293)	(507,458)	(1,402,156)	(74,271)	(2,764)	(89,942)	(1,086,879)	(14,233)	(4,577,213)	(1,898)	(408)	–	(712)	(274,057)	(8,051,284)
Amortization of bond issuance costs	–	(74,068)	(34,652)	–	–	(14,752)	(63,483)	–	(125,769)	–	–	–	–	(10,706)	(323,430)
	(19,293)	(296,203)	(1,363,802)	(71,493)	(2,764)	(64,396)	(1,096,114)	22,823	(4,193,262)	(1,898)	(408)	–	(712)	(275,949)	(7,363,471)
Excess of revenues over expenses before net costs to be recovered from future billings to Members	(1,598)	8,353,425	2,281,995	740,654	86,971	98,225	1,203,674	1,352,668	945,096	169,275	11,887	–	(4,379)	(65,073)	15,172,820
Increase (decrease) in net costs to be recovered from future billings to Members	12,584	(7,855,744)	(2,040,946)	9,430	15,390	(89,946)	(1,257,313)	(38,943)	(273,595)	35,959	(4,822)	–	16,887	74,558	(11,396,501)
Excess of revenues over expenses	$ 10,986	$ 497,681	$ 241,049	$ 750,084	$ 102,361	$ 8,279	$ (53,639)	$ 1,313,725	$ 671,501	$ 205,234	$ 7,065	$ –	$ 12,508	$ 9,485	$ 3,776,319

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

We have audited the financial statements of Utah Associated Municipal Power Systems for the year ended March 31, 2009, and have issued our report thereon dated July 8, 2009. Our audit included testwork on Utah Associated Municipal Power Systems' compliance with the following applicable general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

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

Utah Associated Municipal Power Systems did not receive any major or nonmajor state grants during the year ended March 31, 2009.

The management of Utah Associated Municipal Power Systems is responsible for compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Utah Associated Municipal Power Systems' compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Utah Associated Municipal Power Systems complied, in all material respects, with the general compliance requirements identified above for the year ended March 31, 2009.

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

Ernst & Young LLP

July 8, 2009

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

The Board of Directors of
Utah Associated Municipal Power Systems

We have audited the financial statements of Utah Associated Municipal Power Systems as of and for the year ended March 31, 2009, and have issued our report thereon dated July 8, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal control over financial reporting

In planning and performing our audit, we considered Utah Associated Municipal Power Systems' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Utah Associated Municipal Power Systems' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Utah Associated Municipal Power Systems' internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and other matters

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

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

Ernst & Young LLP

July 8, 2009