

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

Utah Associated Municipal Power Systems
Years Ended March 31, 2019 and 2018
With Report of Independent Auditors

Ernst & Young LLP



Utah Associated Municipal Power Systems

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

Years Ended March 31, 2019 and 2018

Contents

Report of Independent Auditors..... 1
Management’s Discussion and Analysis..... 4

Financial Statements

Statements of Net Position..... 10
Statements of Revenues and Expenses and Changes in Net Position..... 12
Statements of Cash Flows..... 13
Notes to Financial Statements..... 15

Supplemental Schedules

Schedules of Project Financial Statements – Balance Sheet..... 40
Schedules of Project Financial Statements – Income Statement 42

Reports Required by the Uniform Guidance

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* 43
Report of Independent Auditors on Compliance for the Major Federal Program and Report on
Internal Control Over Compliance Required by the Uniform Guidance..... 45

Supplementary Information Required by the Uniform Guidance

Schedule of Expenditures of Federal Awards..... 48
Notes to Schedule of Expenditures of Federal Awards 49

Schedule Required by the Uniform Guidance

Schedule of Findings and Questioned Costs..... 50

Other Report

Independent Auditor’s Report on Compliance and Report on Internal Control over
Compliance as Required by the *State Compliance Audit Guide* 52



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Report of Independent Auditors

The Board of Directors
Utah Associated Municipal Power Systems

Report on the Financial Statements

We have audited the accompanying financial statements of Utah Associated Municipal Power Systems as of and for the years ended March 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Utah Associated Municipal Power Systems' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Utah Associated Municipal Power Systems as of March 31, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Utah Associated Municipal Power Systems' basic financial statements. The accompanying schedules of project financial statements and Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional

procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedules of project financial statements and Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated July 18, 2019 on our consideration of Utah Associated Municipal Power Systems' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Utah Associated Municipal Power Systems' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Utah Associated Municipal Power Systems' internal control over financial reporting and compliance.

Ernst + Young LLP

July 18, 2019

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, 2019, 2018, and 2017.

Description of Business

UAMPS is a political subdivision of the state of Utah (the State). Its 46 members (the Members) include public power utilities in Utah, Idaho, Nevada, New Mexico, California, and Wyoming. UAMPS' purposes include the planning, financing, developing, acquiring, constructing, improving, bettering, operating, and maintaining projects or ownership interests or capacity rights therein for the generation, transmission, and distribution of electric energy for the benefit of its Members. UAMPS is governed by its Board of Directors (the Board). The Board consists of directors representing Members that have entitlement shares in the various projects undertaken by UAMPS. UAMPS is a project-based organization and presently operates 16 separate projects that provide a variety of power supply, transmission and other services to the Members that participate in them. The Members make their own elections to participate in UAMPS' projects and are not obligated to participate in any particular project. In general, UAMPS and its Members that elect to participate in a project enter into a contract that specifies the services or product to be provided to UAMPS from the project, the payments to be made by participating Members in respect of the costs of the project and other matters relating to the project.

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

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

Highlights

UAMPS posted a change in net position for the years ended March 31, 2019, 2018, and 2017, of \$7.4 million, \$4.4 million, and \$3.0 million, respectively. The Members may elect to receive refunds of the 2019 excess of revenues over expenses during fiscal year 2020.

Overview of the Financial Statements

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

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

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

Financial Analysis

Total cash and invested assets at March 31, 2019, 2018, and 2017, were \$80.7 million, \$79.0 million, and 73.3 million, respectively.

The increase of \$1.7 million from March 31, 2018 to March 31, 2019, is due to changes within several accounts. Overhaul funds for several projects saw both increases and decreases. Hunter overhaul decreased by \$1.4 million due to consumption of funds for a planned outage. Central-St. George project had an increase in the Project Account of \$1.6 million for new construction. Payson and San Juan overhaul funds increased by \$1.2 million and \$1.0 million, respectively. Cash decreased by \$2.4 million, based upon the timing of items presented for payment. Finally, Member funds increased overall by \$1.6 million.

The increase of \$5.7 million from March 31, 2017 to March 31, 2018, is due to fluctuations in several accounts. Accounts for changes in the Energy Imbalance Market and Billing Escrow increased \$4.1 million. Member funds on hand increased \$1.0 million. Unrestricted cash increased \$1.6 million due to timing of cash disbursements. Veyo Capital Contributions decreased \$1.9 million as the unspent proceeds were disbursed. Payson Project overhaul decreased \$1.8 million due the consumption of funds for the purchase of planned maintenance items. Horse Butte Wind Project Debt Service Reserve Funds decreased overall by \$0.6 million due to refunding activity. San Juan Project Reclamation Trust Fund increased by \$2.4 million due to the required annual contribution. Finally, Horse Butte Wind Project overhaul account increased by \$1.6 million.

Financial Analysis (continued)

The components of investments at March 31, 2019, 2018, and 2017, consisted of the following:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Investment in U.S. Treasury notes	13.4%	14.3%	15.6%
Investment in Debenture issued by Government Sponsored Enterprise	0.0	0.0	0.6
Utah Public Treasurer's Investment Fund	86.6	85.7	83.8
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

At March 31, 2019, 2018, and 2017, accounts receivable totaled \$26.4 million, \$22.1 million, and \$22.3 million, respectively. The increase from March 31, 2018 to March 31, 2019, is due to a few larger member accounts receivable balances at year-end, compared to the prior year, as well as third party related accounts receivable for one counterparty that cumulatively added to the increase. The change from March 31, 2017 to March 31, 2018, was minimal, as the balances were very consistent over those two years. The table below summarizes UAMPS' net position at March 31, 2019, 2018, and 2017:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Capital assets, net	\$ 195,539	\$ 217,377	\$ 141,549
Other assets	114,105	107,690	188,518
	<u>309,644</u>	<u>325,067</u>	<u>330,067</u>
Deferred outflows of resources	3,717	4,182	3,581
Total assets and deferred outflows of resources	<u>\$ 313,361</u>	<u>\$ 329,249</u>	<u>\$ 333,648</u>
Current liabilities	\$ 42,374	\$ 41,727	\$ 39,369
Long-term liabilities	199,142	213,221	211,807
Other liabilities	47,667	47,982	49,944
Total liabilities	<u>289,182</u>	<u>302,930</u>	<u>301,120</u>
Deferred inflows of resources	11,841	17,513	25,447
Net position:			
Net investment in capital assets	21,527	23,792	29,009
Restricted	6,822	6,146	7,618
Unrestricted	(16,012)	(21,132)	(29,546)
	<u>12,337</u>	<u>8,806</u>	<u>7,081</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 313,361</u>	<u>\$ 329,249</u>	<u>\$ 333,648</u>

Financial Analysis of Operations

Operating revenue from power sales for the years ended March 31, 2019, 2018, and 2017, was \$203.2 million, \$192.9 million, and \$189.1 million, respectively. The increase of \$10.3 million is due to fluctuations in revenue in several projects. First, Horse Butte Wind Project had a decrease in production revenue of \$2.5 million, as the project was purchased, and no longer had to purchase the energy. This decrease was offset by an insurance settlement of \$1.2 million for lightning damage and business interruption. Secondly, both Pool Project and Payson Project had increased production revenue of \$6.3 million and \$6.2 million, respectively, due to higher MWh in the projects. Finally, the San Juan Project had a decline in production revenue due to decreased MWh.

The increase of \$3.8 million in fiscal year 2018 from fiscal year 2017 is due to increased revenue in the Pool Project due to increased MWh. San Juan Project also saw an increase of \$0.7 million due to higher MWh output. These increases were offset by decreased MWh and revenue at Payson Project of \$2.0 million. The Firm Power Project also saw a decrease of \$1.8 million due to the conclusion of specific contracts.

Investment income or (expense) for March 31, 2019, 2018, and 2017, was \$1.3 million, (\$0.1 million), and \$0.3 million, respectively. The increase in investment income from March 31, 2018 to March 31, 2019, came from higher interest rates for the cash accounts related to the various projects debt service and major overhaul cash accounts. The expense associated with March 31, 2018, is related to the expensing of bond issuance costs related to the Debt Refunding in the Horse Butte Wind Project.

The table below summarizes UAMPS' total revenues and expenses for fiscal years 2019, 2018, and 2017:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenue:			
Power sales	\$ 203,197	\$ 192,895	\$ 189,123
Investment and other income (expense)	1,288	(119)	276
Other income	742	1,882	1,863
	<u>205,227</u>	<u>194,658</u>	<u>191,262</u>
Expenses:			
Cost of power	155,155	155,926	151,856
Other expenses	42,654	34,345	36,390
	<u>197,809</u>	<u>190,271</u>	<u>188,246</u>
Change in net position	7,418	4,387	3,016
Net position at beginning of year	8,806	7,080	7,349
Distributions	(3,886)	(2,661)	(3,285)
Net position at end of year	<u>\$ 12,338</u>	<u>\$ 8,806</u>	<u>\$ 7,080</u>

Cash Flow and Liquidity

UAMPS' sources of cash include power sales, services, issuance of debt and investment income. The cash balance at March 31, 2019, 2018, and 2017, was \$1.4 million, \$3.8 million, and \$2.2 million, respectively. The amount will fluctuate primarily due to timing of the transfer from the revolving line of credit and cash transfers.

To manage cash flow requirements, UAMPS has a revolving line of credit with two financial institutions with total available cash lines of \$25.0 million. The rates from both financial institutions are variable with both being in relation to LIBOR. Of the combined \$25.0 million available on the revolving lines of credit, the outstanding balance was \$5.3 million, \$13.1 million, and \$9.8 million, as of March 31, 2019, 2018, and 2017, 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

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

In late 2017 the Central-St. George project began work to re-route and upgrade the 69kV Creek Transmission Line to interconnect to the PacifiCorp Purgatory Flats Substation. The project was still in progress at March 31, 2019.

On March 31, 2019, 2018, and 2017, the construction work-in-progress balance was \$0.7 million, \$0.0 million, and \$0.4 million, respectively. The balance at March 31, 2019, consists of a computer software upgrade (\$0.2 million) and Central-St. George Project Purgatory Flats Substation (\$0.5 million). The balance at March 31, 2017, which consisted of computer equipment upgrades was placed in service, reducing the balance to \$0.0 million at March 31, 2018.

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

On April 27, 2018, UAMPS issued the Central-St. George Transmission Revenue Bonds Series 2018 (totaling \$2.2 million) at 3.85% interest to fund the construction of Purgatory Flats Project, the Debt Service Reserve requirement, and the associated costs of issuance. UAMPS may prepay the Bonds in whole or in part, in a minimum principal amount of \$0.5 million or in increments of \$1 in excess thereof, on any principal repayment date of December 1 in the years 2018 through 2027 with payments of accrued and unpaid interest, and the applicable prepayment premium. Principal prepaid shall be applied to reduce remaining principal payments on the Series 2018 Bonds in reverse chronological order.

UAMPS may, at its election, prepay the loan in part, upon UAMPS determination, in its sole discretion, that it has or will have proceeds of the Series 2018 Bonds that will not be applied to the cost of construction of Purgatory Flats Project, or other purposes for which the Series 2018 Bonds have been authorized to be issued. Such extraordinary optional prepayment shall be made in a single prepayment in a maximum principal amount of \$0.5 million, or any lesser principal amount, including accrued interest, without premium or penalty. Principal prepaid shall be applied to reduce remaining principal payments on the Series 2018 Bonds in reverse chronological order.

Western Electric Energy Markets

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

Requests for Information

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

Utah Associated Municipal Power Systems

Statements of Net Position

	March 31	
	2019	2018
Assets		
Current assets:		
Cash	\$ 1,399,021	\$ 3,815,705
Receivables	26,394,583	22,110,667
Prepaid expenses and deposits	6,939,458	6,486,188
Investments	20,266,831	18,691,772
	54,999,893	51,104,332
Restricted assets:		
Interest receivable	46,143	45,658
Investments	59,059,174	56,540,284
	59,105,317	56,585,942
Capital assets:		
Generation	406,967,291	403,862,720
Transmission	85,168,040	84,669,469
Furniture and equipment	1,853,533	1,828,449
	493,988,864	490,360,638
Less accumulated depreciation	(299,179,789)	(272,983,887)
	194,809,075	217,376,751
Construction work-in-progress	729,675	—
	195,538,750	217,376,751
 Deferred outflows of resources		
Defeasance costs	3,716,735	4,182,124
 Total assets and deferred outflows of resources	\$313,360,695	\$329,249,149

Utah Associated Municipal Power Systems

Statements of Net Position (continued)

	March 31	
	2019	2018
Liabilities		
Current liabilities:		
Accounts payable	\$ 22,244,285	\$ 14,523,548
Accrued liabilities	11,754,522	11,130,002
Lines of credit	5,300,000	13,050,000
Current portion of unearned revenue	3,075,519	3,023,716
	<u>42,374,326</u>	<u>41,727,266</u>
Liabilities payable from restricted assets:		
Accrued interest payable	2,103,660	2,255,393
Current portion of long-term debt	16,195,457	15,217,464
	<u>18,299,117</u>	<u>17,472,857</u>
Long-term debt:		
Bonds payable, less current portion	182,295,478	194,301,000
Unamortized bond discount	-	(2,576)
Unamortized bond premium	16,846,207	18,922,162
	<u>199,141,685</u>	<u>213,220,586</u>
Other liabilities:		
Unearned revenue, less current portion	29,367,136	30,508,989
Deferred inflows of resources		
Net costs advanced from billings to members	11,841,086	17,513,639
Net position		
Net investment in capital assets	21,527,120	23,792,290
Restricted for project costs	6,822,119	6,145,445
Unrestricted	(16,011,894)	(21,131,923)
	<u>12,337,345</u>	<u>8,805,812</u>
Total liabilities, deferred inflows of resources, and net position	<u><u>\$313,360,695</u></u>	<u><u>\$329,249,149</u></u>

See accompanying notes.

Utah Associated Municipal Power Systems

Statements of Revenues and Expenses and Changes in Net Position

	Year Ended March 31	
	2019	2018
Operating revenues:		
Power sales	\$203,196,700	\$192,895,364
Other	741,535	1,882,408
	203,938,235	194,777,772
Operating expenses:		
Cost of power	155,155,281	155,925,969
In lieu of ad valorem taxes	650,821	639,302
Depreciation	26,447,549	22,759,223
General and administrative	13,234,790	11,193,567
	195,488,441	190,518,061
Operating income	8,449,794	4,259,711
Nonoperating revenues (expenses):		
Interest expense	(7,992,627)	(7,687,467)
Investment and other income (expense), net	1,287,778	(119,019)
Recognition of deferred costs and revenues	5,672,553	7,933,593
Total nonoperating expenses, net	(1,032,296)	127,107
Change in net position	7,417,498	4,386,818
Net position at beginning of year	8,805,812	7,080,299
Distributions to members	(3,885,965)	(2,661,305)
Net position at end of year	\$ 12,337,345	\$ 8,805,812

See accompanying notes.

Utah Associated Municipal Power Systems

Statements of Cash Flows

	Year Ended March 31	
	2019	2018
Operating activities		
Cash received from customers	\$ 196,703,438	\$ 192,038,817
Cash payments to suppliers for goods and services	(153,507,393)	(154,189,340)
Cash payments to employees for services	(6,956,894)	(7,115,004)
Cash payments for ad valorem taxes	(684,618)	(510,400)
Unearned revenue	1,860,831	2,434,393
Net cash provided by operating activities	37,415,364	32,658,467
Capital and related financing activities		
Disbursements for utility plant and equipment	(4,609,548)	(19,118,563)
Refund of excess construction proceeds	–	(1,833,062)
Proceeds from issuance of long-term debt	2,236,374	87,254,263
Disbursement for bond refunding	–	(65,970,000)
Principal disbursement on revenue bonds	(13,663,818)	(13,009,000)
Interest disbursement on revenue bonds	(9,352,435)	(14,721,799)
Bond issuance costs	(89,700)	(874,901)
Distribution	(3,885,965)	(2,661,307)
Net cash used in capital and related financing activities	(29,365,092)	(30,934,369)
Noncapital and related financing activities		
Draws on lines of credit	144,222,061	166,517,422
Disbursements on lines of credit	(151,972,061)	(163,267,422)
Net cash provided by (used in) noncapital and related financing activities	(7,750,000)	3,250,000

See accompanying notes.

Utah Associated Municipal Power Systems

Statements of Cash Flows (continued)

	Year Ended March 31	
	2019	2018
Investing activities		
Cash paid for investments	\$ (1,575,058)	\$ (5,284,377)
Restricted assets:		
Cash received from investments	2,743,225	7,127,947
Cash paid for investments	(5,413,969)	(6,311,946)
Interest income received	1,528,847	1,123,498
Net cash used in investing activities	<u>(2,716,956)</u>	<u>(3,344,878)</u>
Increase (decrease) in cash	(2,416,684)	1,629,220
Cash at beginning of year	3,815,705	2,186,485
Cash at end of year	<u>\$ 1,399,021</u>	<u>\$ 3,815,705</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 8,449,794	\$ 4,259,711
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	26,447,549	22,759,223
Amortization of unearned revenue	(2,950,881)	(2,955,162)
Amortization of prepaid energy	-	6,600,471
Unearned revenue	1,860,830	2,434,393
Decrease (increase) in current receivables	(4,283,916)	216,207
Decrease (increase) in prepaid expenses and deposits	(453,270)	272,063
Increase (decrease) in accounts payable	7,720,737	(1,564,934)
Increase in accrued liabilities	624,520	636,495
Net cash provided by operating activities	<u>\$ 37,415,364</u>	<u>\$ 32,658,467</u>

See accompanying notes.

Utah Associated Municipal Power Systems

Notes to Financial Statements

March 31, 2019

1. Summary of Significant Accounting Policies

Organization and Purpose

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

Recent Accounting Developments

GASB Statement No. 83

In November of 2016, the Governmental Accounting Standards Board (GASB) released GASB 83. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for certain asset retirement obligations (AROs). This Statement requires that recognition occur when the liability is both incurred and

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

reasonably estimable. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The Company is currently evaluating the effects the adoption of this statement will have on the financial statements.

GASB Statement No. 87

In June of 2017, the Governmental Accounting Standards Board (GASB) released GASB 87, which requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after January 15, 2019. The Company is currently evaluating the effects the adoption of this statement will have on the financial statements.

GASB Statement No. 88

In March of 2018, the Governmental Accounting Standards Board (GASB) released guidance designed to enhance debt-related disclosures in notes to financial statements, including those addressing direct borrowings and direct placements. Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include in their note disclosures related to debt. This Statement requires that all debt disclosures present direct borrowings and direct placements of debt separately from other types of debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The Company is currently evaluating the effects the adoption of this statement will have on the financial statements.

GASB Statement No. 89

In June of 2018, the Governmental Accounting Standards Board (GASB) released GASB 89. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The Company is currently evaluating the effects the adoption of this statement will have on the financial statements.

GASB Statement No. 90

In August of 2018, the Governmental Accounting Standards Board (GASB) released Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This statement is effective for UAMPS in fiscal year 2020. The implementation of this statement is not expected to have an impact on UAMPS's financial statements.

GASB Statement No. 91

In May of 2019, the Governmental Accounting Standards Board (GASB) released GASB 91. This statement clarifies the existing definition of a conduit debt obligation, establishes that a conduit debt obligation is not a liability of the issuer, establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations, and improves required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The Company is currently evaluating the effects the adoption of this statement will have on the financial statements.

Revenue

UAMPS distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations of the organization. The principal operating revenues and expenses of UAMPS 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.

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Investments

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

Receivables

Receivables consist primarily of current power billings to Members.

Capital Assets

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

Net Costs Advanced or to be Recovered Through Billings to Members

Billings to Members are designed to recover power costs as defined by the power sales contracts, which principally include current operating expenses, scheduled debt principal, and interest and deposits into certain funds. Pursuant to GASB Re10, *Regulated Operations*, expenses determined in accordance with GAAP, which are not currently billable as power costs, or amounts billed as power costs and recovered in advance of being recognized for GAAP are recorded as deferred inflows of resources in the accompanying statements of net position. For a company to report 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.

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

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.

Unearned Revenue

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

Risk Management

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

Net Position

Net position is classified into three components:

- Net investment in capital assets: This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, other long-term borrowings, or deferred outflows of resources that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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, 2019 and 2018, 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 5 municipalities to provide transmission capabilities from the Central-St. George Project to deliver electric power to the Purchasers. Each contract term extends, at a minimum, to the date all principal and interest on the Series 2009, 2011, 2012, 2016, and 2018 Bonds have been paid.
- UAMPS has contracted with 15 municipalities and 1 electric service district in the San Juan Project to supply power from the generating unit. Each contract term extends, at a minimum, to the date all principal and interest on the Series 2008 and 2011 Bonds have been paid.
- UAMPS has contracted with 14 municipalities, 1 public utility district, and 1 electric service district in the Payson Project to supply power from the generating unit. Each contract term extends, at a minimum, to the date all principal and interest on the 2012 and 2013 Bonds have been paid.

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

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

- UAMPS has contracted with 21 municipalities, 1 joint action agency, 1 co-op, and 1 public utility district in the Horse Butte Wind Project to supply power from the project. Each contract term extends, at a minimum, to the date all principal and interest on the 2012 and 2017 Bonds have been paid.
- UAMPS has contracted with 6 municipal utilities of one California public utility district in the Veyo Heat Recovery Project to supply power from the project. Each contract term extends, at a minimum, to the date all principal and interest on the 2014 bonds have been paid.

3. Net Costs Advanced From Billings to Members

	For the Years Ended		Accumulated Total as of	
	2019	2018	2019	2018
Items in accordance with GAAP not currently billable to members				
Depreciation, accretion and amortization of bond issuance costs	\$ 26,537,249	\$ 23,634,123	\$354,341,117	\$327,803,868
Refunding charge on refunding/defeasance of revenue bonds	–	163,333	40,273,931	40,273,931
Principal collected from certain receivables	–	–	8,151,148	8,151,148
Excess bond proceeds (used to pay Interest/CWIP)	–	14,695	13,604,822	13,604,822
Principal amounts of notes	–	–	1,750,000	1,750,000
Cost recovery on off-system sales losses	–	–	40,640,144	40,640,144
Estimated future loss on contracts	–	–	10,384,038	10,384,038
Amortization of unearned revenue	(2,950,881)	(2,955,162)	(38,070,386)	(35,119,505)
Utility plant renewals and replacements	(4,402,166)	(5,566,622)	(105,768,587)	(101,366,421)
Plant inventory	(17,082)	33,224	(599,737)	(582,655)
Principal amounts of debt service	(13,882,326)	(13,407,457)	(342,769,031)	(328,886,705)
Amortization of bond premium	(1,673,464)	(1,672,591)	(16,318,142)	(14,644,678)
Major overhaul reserve payments	1,414,559	308,222	(14,890,239)	(16,304,798)
Unrealized gain/loss on investment	151,854	359,808	(104,411)	(256,265)
Amortization of defeased debt costs	465,388	435,067	1,848,649	1,383,261
Amortization of prepaid energy	–	6,600,471	35,106,577	35,106,577
Accrued personal leave	29,422	(13,518)	579,021	549,599
Net costs advanced from billings to members	\$ 5,672,553	\$ 7,933,593	\$ (11,841,086)	\$ (17,513,639)

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

4. Capital Assets

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

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

The Central-St. George Project, located in Washington County, Utah, owned and operated by UAMPS, consists of 138 kV transmission facilities, including a 345/138 kV electric substation, approximately 25 miles of 138 kV transmission line, a 138 kV switching yard, a 138/69 kV electric substation, and approximately 16 miles of 69 kV transmission line to provide service to four of its Members in Washington County. Pursuant to the terms of the Joint Operating Agreement, UAMPS and PacifiCorp have undertaken the Phase 3 upgrade to this system, which is the reconstruction of an existing line. The line has been removed, and replaced with 20 miles of new double circuit 345 kV transmission line. The line has been constructed at 345 kV standards and initially operating at 138 kV. The project was placed into service in April 2010.

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

In late 2017, the Central-St. George Project began work to re-route and upgrade the 69kV Creek Transmission Line to interconnect to the PacifiCorp Purgatory Flats Substation. The project was still in progress at March 31, 2019.

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

4. Capital Assets (continued)

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

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

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

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

UAMPS purchased the Horse Butte Wind Farm in March 2018. The project is a 57.6 MW wind project comprised of 32 Vestas V100 wind turbine generators rated at 1.8MW each, located in Bonneville County, Idaho. This project had been completed in August of 2012, and UAMPS had previously been purchasing the output of the project under a Power Purchase Agreement with the former owner.

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

4. Capital Assets (continued)

	Generation	Transmission	Furniture and Equipment	Construction Work-In- Progress	Total
Balance, April 1, 2018	\$ 403,862,720	\$ 84,669,469	\$ 1,828,449	\$ –	\$ 490,360,638
Capital additions	3,170,163	498,571	211,138	729,675	4,609,547
Sales, retirements	(65,593)	–	(186,053)	–	(251,646)
Balance, March 31, 2019	\$ 406,967,290	\$ 85,168,040	\$ 1,853,534	\$ 729,675	\$ 494,718,539
Accumulated depreciation, April 1, 2018	\$ (213,539,395)	\$ (58,627,487)	\$ (817,005)	\$ –	\$ (272,983,887)
Depreciation expense	(22,661,132)	(3,316,296)	(470,122)	–	(26,447,549)
Retirements	54,635	–	197,012	–	251,647
Accumulated depreciation, March 31, 2019	\$ (236,145,892)	\$ (61,943,783)	\$ (1,090,115)	\$ –	\$ (299,179,789)
Average depreciation rate	5.6%	3.9%	25.5%	0.0%	5.4%

	Generation	Transmission	Furniture and Equipment	Construction Work-In- Progress	Total
Balance, April 1, 2017	\$ 305,845,678	\$ 84,669,469	\$ 1,014,537	\$ 400,000	\$ 391,929,684
Capital additions	98,462,872	–	947,811	–	99,410,683
Sales, retirements	(445,830)	–	(133,899)	(400,000)	(979,729)
Balance, March 31, 2018	\$ 403,862,720	\$ 84,669,469	\$ 1,828,449	\$ –	\$ 490,360,638
Accumulated depreciation, April 1, 2017	\$ (194,442,170)	\$ (55,338,890)	\$ (599,431)	\$ –	\$ (250,380,491)
Depreciation expense	(19,119,153)	(3,288,597)	(351,473)	–	(22,759,223)
Retirements	21,928	–	133,899	–	155,827
Accumulated depreciation, March 31, 2018	\$ (213,539,395)	\$ (58,627,487)	\$ (817,005)	\$ –	\$ (272,983,887)
Average depreciation rate	5.4%	3.9%	24.7%	0.0%	5.2%

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

5. Investments

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

	Year Ended March 31	
	2019	2018
Restricted:		
Utah Public Treasurers' Investment Fund	\$ 48,469,147	\$ 45,797,897
U.S. Treasury Note	10,590,027	10,742,387
Total	\$ 59,059,174	\$ 56,540,284
Current:		
Utah Public Treasurers' Investment Fund	\$ 20,266,831	\$ 18,691,772
Total	\$ 20,266,831	\$ 18,691,772

UAMPS categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. As of March 31, 2019 and 2018, UAMPS had fair value measurements as shown below:

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fiscal year 2019				
Utah Public Treasurers' Investment Fund	\$ 68,735,978	\$ -	\$ -	\$ 68,735,978
U.S. Treasury Note	10,590,027	-	10,590,027	-
	\$ 79,326,005	\$ -	\$ 10,590,027	\$ 68,735,978
Fiscal year 2018				
Utah Public Treasurers' Investment Fund	\$ 64,489,669	\$ -	\$ -	\$ 64,489,669
U.S. Treasury Note	10,742,387	-	10,742,387	-
	\$ 75,232,056	\$ -	\$ 10,742,387	\$ 64,489,669

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

5. Investments (continued)

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

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 Treasurers' Investment Fund (PTIF), certificates of deposit and bankers acceptances of banks meeting certain minimum requirements and repurchase agreements.

The PTIF operates and reports to the participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. The PTIF was unrated at March 31, 2019.

At March 31, 2019 and 2018, UAMPS' investments held the following quality ratings:

	Value	Quality Rating	
		AAA/Aaa/ AA+	Unrated
Fiscal Year 2019			
Utah Public Treasurers' Investment Fund	\$ 68,735,978	\$ -	\$ 68,735,978
U.S. Treasury Notes	10,590,027	10,590,027	-
Total	<u>\$ 79,326,005</u>	<u>\$ 10,590,027</u>	<u>\$ 68,735,978</u>
Fiscal Year 2018			
Utah Public Treasurers' Investment Fund	\$ 64,489,669	\$ -	\$ 64,489,669
U.S. Treasury Notes	10,742,387	10,742,387	-
Total	<u>\$ 75,232,056</u>	<u>\$ 10,742,387</u>	<u>\$ 64,489,669</u>

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

5. Investments (continued)

Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance, and are not collateralized, are collateralized by the pledging financial institution, or is collateralized by the pledging financial institution's trust department or agent, but not in the depositor governments' name. UAMPS deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation. At March 31, 2019, UAMPS had \$1.1 million exposed to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect 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.

At March 31, 2019, UAMPS had the following debt investment balances by investment type and maturity:

	2019	Less Than 1	1-5	6-10	More Than 10
U.S. Treasury Note	\$10,590,027	\$10,590,027	\$ -	\$ -	\$ -
	\$10,590,027	\$10,590,027	\$ -	\$ -	\$ -

6. Cash

The cash balance at March 31, 2019, of \$1.4 million and at March 31, 2018, of \$3.8 million consisted of deposits with banks.

As of March 31, 2019 and 2018, there was no balance in restricted cash.

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

7. Debt

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

Series	Original Issue	Interest Rate	Original Maturity Date	Principal Outstanding March 31	
				2019	2018
Horse Butte Wind 2012A					
Serial	\$ 67,860,000	0.05%–5.00%	2013–2032	\$ 11,845,000	\$ 14,460,000
Horse Butte Wind 2017A:					
Serial	38,480,000	5.00%	2023-2032	38,480,000	38,480,000
Horse Butte Wind 2017B:					
Serial	32,455,000	5.00%	2026-2037	32,455,000	32,455,000
Horse Butte Wind 2017C:					
Taxable component	165,000	2.05%	2019	165,000	165,000
Taxable component	170,000	2.20%	2020	170,000	170,000
Taxable component	170,000	2.45%	2021	170,000	170,000
Taxable component	180,000	2.60%	2022	180,000	180,000
Taxable component	460,000	2.85%	2023	460,000	460,000
Term	480,000	3.05%	2024	480,000	480,000
Term	495,000	3.05%	2025	495,000	495,000
	2,120,000				

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

7. Debt (continued)

Series	Original Issue	Interest Rate	Original Maturity Date	Principal Outstanding March 31	
				2019	2018
San Juan 2008A Serial	\$ 2,345,000	3.50%–4.50%	2009–2022	\$ 815,000	\$ 1,000,000
San Juan 2011 Serial	22,165,000	2.00%–5.50%	2011–2023	10,060,000	12,000,000
Central–St. George 2009 Serial	2,350,000	4.00%–5.00%	2010–2019	290,000	565,000
Central–St. George 2011 Term	3,800,000	2.65%	2011–2019	520,000	1,025,000
Central–St. George 2012 Serial	11,240,000	2.32%	2012–2019	1,510,000	2,985,000
Central–St. George 2016 Term	25,880,000	2.53%	2016–2027	24,510,000	24,910,000
Central–St. George 2018 Term	2,236,374	3.85%	2018–2027	2,116,556	-
Payson 2012 Serial	74,885,000	2.00%–5.00%	2013–2026	47,010,000	52,085,000
Payson 2013 Serial	2,025,000	1.76%	2014–2023	1,065,000	1,265,000
Veyo 2014 Serial	12,990,000	3.00%–5.00%	2017–2034	11,480,000	12,005,000
Term	1,060,000	4.00%	2035	1,060,000	1,060,000
Term	1,100,000	4.00%	2036	1,100,000	1,100,000
Term	1,145,000	4.00%	2037	1,145,000	1,145,000
Term	1,190,000	4.00%	2038	1,190,000	1,190,000
Term	1,240,000	5.00%	2039	1,240,000	1,240,000
Term	1,300,000	5.00%	2040	1,300,000	1,300,000
Term	<u>1,365,000</u>	5.00%	2041	1,365,000	1,365,000
	8,400,000				

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

7. Debt (continued)

Series	Original Issue	Interest Rate	Original Maturity Date	Principal Outstanding	
				2019	March 31 2018
Hurricane City – 2013					
Term	\$ 2,009,000	2.30%	2014–2027	\$ 1,365,000	\$ 1,500,000
Washington City – 2013					
Term	996,000	2.30%	2014–2027	676,000	743,000
Washington City – 2016					
Term	1,968,000	2.59%	2017–2029	1,700,000	1,847,000
				196,417,556	207,845,000
			Less unamortized bond discount	–	2,576
			Plus unamortized bond premium	16,846,207	18,922,162
			Less current portion (excluding current portion of unamortized bond premium and discount)	14,122,078	13,544,000
				\$ 199,141,685	\$ 213,220,586

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

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

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

7. Debt (continued)

The Horse Butte Wind Revenue Bonds Series 2012A maturing on and after September 1, 2023 (totaling 42.0 million) were redeemed at 100% principal and accrued interest. Accordingly, all amounts related to the defeased Bonds were removed from the balance sheet. All of Series 2012B Bonds were redeemed at 100% principal plus accrued interest. The outstanding principal of the remaining Series 2012A Bonds at March 31, 2019, was \$11.8 million. The outstanding principal of the defeased in substance bonds was \$42.0 million.

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

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

The Central-St. George Transmission Project Revenue and Refunding Bonds, Series 2009, (totaling \$24.8 million), maturing on or after December 1, 2020, were redeemed at 100% principal and accrued interest. Accordingly, all amounts related to the defeased Bonds were removed from the balance sheet. The outstanding principal of the remaining Series 2009 Bonds at March 31, 2019, was \$0.3 million. The outstanding principal of the defeased in substance bonds was \$22.5 million.

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

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

The Central-St. George Transmission Project Revenue and Refunding Bond, Series 2016, (totaling \$25.8 million), at 2.53% interest, may be prepaid in whole or in part without penalty.

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

7. Debt (continued)

On April 27, 2018, UAMPS issued the Central-St. George Transmission Revenue Bonds Series 2018 (totaling \$2.2 million) at 3.85% interest to fund the construction of Purgatory Flats Project, the Debt Service Reserve requirement, and the associated costs of issuance. UAMPS may prepay the Bonds in whole or in part, in a minimum principal amount of \$0.5 million or in increments of \$1 in excess thereof, on any principal repayment date of December 1 in the years 2018 through 2027 with payments of accrued and unpaid interest, and the applicable prepayment premium. Principal prepaid shall be applied to reduce remaining principal payments on the Series 2018 Bonds in reverse chronological order.

UAMPS may, at its election, prepay the loan in part, upon UAMPS determination, in its sole discretion, that it has or will have proceeds of the Series 2018 Bonds that will not be applied to the cost of construction of Purgatory Flats Project, or other purposes for which the Series 2018 Bonds have been authorized to be issued. Such extraordinary optional prepayment shall be made in a single prepayment in a maximum principal amount of \$0.5 million, or any lesser principal amount, including accrued interest, without premium or penalty. Principal prepaid shall be applied to reduce remaining principal payments on the Series 2018 Bonds in reverse chronological order.

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

The Veyo Heat Recovery Project Revenue Bonds Series 2014 (totaling \$21.4 million) maturing on or after March 1, 2026, are subject to redemption prior to maturity on or after March 1, 2025, in whole or in part on any date, at a redemption price equal to 100% of the principal amount or portion plus accrued interest to redemption date. The Series 2014 Bonds maturing on March 1, 2038, are subject to mandatory sinking fund redemption on March 1, 2035, and on each March 1 thereafter to and including March 1, 2037, at a redemption price equal at a redemption price equal to principal amount plus accrued interest to the redemption date. The Series 2014 Bonds maturing on March 1, 2041, are subject to mandatory sinking funds redemption on March 1, 2039 and March 1, 2040, at a redemption price equal to 100% of the principal amount plus accrued interest to the redemption date.

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

7. Debt (continued)

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

The Member Services Project Generator Refunding Revenue Bonds (Washington City Project) Series 2016 (totaling \$2.0 million) at 2.59% interest, maturing on or after July 1, 2024, are subject to redemption prior to maturity, at the election of UAMPS on any interest payment date, on or after July 1, 2023, in whole or in part (and if in part, in inverse order of principal installments), at a redemption price equal to 100% of the principal amounts of the bonds to be redeemed plus accrued interest.

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

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.

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

7. Debt (continued)

The scheduled maturities and related interest, based on scheduled rates for fixed rate bonds and the existing rates at March 31, 2019, 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
2020	\$ 14,122,079	\$ 8,416,502	\$ 22,538,581
2021	14,695,205	7,785,197	22,480,402
2022	15,352,644	7,108,119	22,460,763
2023	16,035,409	6,398,270	22,433,679
2024	15,200,511	5,726,972	20,927,483
2025–2029	58,796,708	19,954,861	78,751,569
2030–2034	29,295,000	11,718,050	41,013,050
2035–2039	30,255,000	3,838,633	34,093,633
2040–2044	2,665,000	190,396	2,855,396
	<u>\$ 196,417,556</u>	<u>\$ 71,137,000</u>	<u>\$ 267,554,556</u>

UAMPS incurred interest costs of \$8.0 million and \$7.7 million for the years ended March 31, 2019 and 2018, respectively.

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

7. Debt (continued)

The table below shows the changes in the net long-term debt balances that occurred during the year ended March 31, 2019.

	March 31 2018	Additions	Reductions	March 31 2019	Amount Due Within One Year
Horse Butte Wind 2012A – Serial	\$ 14,460,000	\$ –	\$ 2,615,000	\$ 11,845,000	\$ 2,750,000
Horse Butte Wind 2017A – Serial	38,480,000	–	–	38,480,000	–
Horse Butte Wind 2017B – Serial	32,455,000	–	–	32,455,000	–
Horse Butte Wind 2017C – Taxable Component	165,000	–	–	165,000	165,000
Horse Butte Wind 2017C – Taxable Component	170,000	–	–	170,000	–
Horse Butte Wind 2017C – Taxable Component	170,000	–	–	170,000	–
Horse Butte Wind 2017C – Taxable Component	180,000	–	–	180,000	–
Horse Butte Wind 2017C – Taxable Component	460,000	–	–	460,000	–
Horse Butte Wind 2017C – Term	480,000	–	–	480,000	–
Horse Butte Wind 2017C – Term	495,000	–	–	495,000	–
San Juan 2008A– Serial	1,000,000	–	185,000	815,000	190,000
San Juan 2011 – Serial	12,000,000	–	1,940,000	10,060,000	2,035,000
Central-St. George 2009 – Serial	565,000	–	275,000	290,000	290,000
Central-St. George 2011 – Serial	1,025,000	–	505,000	520,000	520,000
Central-St. George 2012 – Serial	2,985,000	–	1,475,000	1,510,000	1,510,000
Central-St. George 2016 – Term	24,910,000	–	400,000	24,510,000	410,000
Central-St. George 2018 – Term	–	2,236,374	119,818	2,116,556	211,079
Payson 2012 – Serial	52,085,000	–	5,075,000	47,010,000	4,925,000
Payson 2013 – Serial	1,265,000	–	200,000	1,065,000	205,000
Veyo 2014 – Serial	12,005,000	–	525,000	11,480,000	555,000
Veyo 2014 – Term	1,060,000	–	–	1,060,000	–
Veyo 2014 – Term	1,100,000	–	–	1,100,000	–
Veyo 2014 – Term	1,145,000	–	–	1,145,000	–
Veyo 2014 – Term	1,190,000	–	–	1,190,000	–
Veyo 2014 – Term	1,240,000	–	–	1,240,000	–
Veyo 2014 – Term	1,300,000	–	–	1,300,000	–
Veyo 2014 – Term	1,365,000	–	–	1,365,000	–
Hurricane City 2013 – Term	1,500,000	–	135,000	1,365,000	138,000
Washington City 2013 – Term	743,000	–	67,000	676,000	68,000
Washington 2016 – Term	1,847,000	–	147,000	1,700,000	150,000
	207,845,000	2,236,374	13,663,818	196,417,556	14,122,079
Less unamortized discount	5,153	–	2,576	2,577	2,577
Plus unamortized premium	20,598,203	–	1,676,041	18,922,163	2,075,955
	<u>\$ 228,438,050</u>	<u>\$ 2,236,374</u>	<u>\$ 15,337,283</u>	<u>\$ 215,337,142</u>	<u>\$ 16,195,457</u>

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

7. Debt (continued)

The table below shows the changes in the net long-term debt balances that occurred during the year ended March 31, 2018.

	March 31 2017	Additions	Reductions	March 31 2018	Amount Due Within One Year
Horse Butte Wind 2012A – Serial	\$ 58,950,000	\$ –	\$ 44,490,000	\$ 14,460,000	\$ 2,615,000
Horse Butte Wind 2017A – Serial	–	38,480,000	–	38,480,000	–
Horse Butte Wind 2017B – Serial	–	32,455,000	–	32,455,000	–
Horse Butte Wind 2017C – Taxable Component	–	165,000	–	165,000	–
Horse Butte Wind 2017C – Taxable Component	–	170,000	–	170,000	–
Horse Butte Wind 2017C – Taxable Component	–	170,000	–	170,000	–
Horse Butte Wind 2017C – Taxable Component	–	180,000	–	180,000	–
Horse Butte Wind 2017C – Taxable Component	–	460,000	–	460,000	–
Horse Butte Wind 2017C – Term	–	480,000	–	480,000	–
Horse Butte Wind 2017C – Term	–	495,000	–	495,000	–
San Juan 2008A– Serial	1,175,000	–	175,000	1,000,000	185,000
San Juan 2011 – Serial	13,845,000	–	1,845,000	12,000,000	1,940,000
Central-St. George 2009 – Serial	830,000	–	265,000	565,000	275,000
Central-St. George 2011 – Serial	1,520,000	–	495,000	1,025,000	505,000
Central-St. George 2012 – Serial	4,430,000	–	1,445,000	2,985,000	1,475,000
Central-St. George 2016 – Term	25,300,000	–	390,000	24,910,000	400,000
Payson 2012 – Serial	56,970,000	–	4,885,000	52,085,000	5,075,000
Payson 2013 – Serial	1,465,000	–	200,000	1,265,000	200,000
Veyo 2014 – Serial	12,505,000	–	500,000	12,005,000	525,000
Veyo 2014 – Term	1,060,000	–	–	1,060,000	–
Veyo 2014 – Term	1,100,000	–	–	1,100,000	–
Veyo 2014 – Term	1,145,000	–	–	1,145,000	–
Veyo 2014 – Term	1,190,000	–	–	1,190,000	–
Veyo 2014 – Term	1,240,000	–	–	1,240,000	–
Veyo 2014 – Term	1,300,000	–	–	1,300,000	–
Veyo 2014 – Term	1,365,000	–	–	1,365,000	–
Hurricane City 2013 – Term	1,632,000	–	132,000	1,500,000	135,000
Washington City 2013 – Term	809,000	–	66,000	743,000	67,000
Washington 2016 – Term	1,968,000	–	121,000	1,847,000	147,000
	213,769,000	73,055,000	78,979,000	207,845,000	13,544,000
Less unamortized discount	7,729	–	2,576	5,153	2,576
Plus unamortized premium	12,726,728	14,199,262	6,327,787	20,598,203	1,676,040
	<u>\$ 226,487,999</u>	<u>\$ 87,254,262</u>	<u>\$ 85,304,211</u>	<u>\$ 228,438,050</u>	<u>\$ 15,217,464</u>

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

8. Lines of Credit

The outstanding balance on the combined \$25.0 million available lines of credit was \$5.3 million and \$13.1 million at March 31, 2019 and 2018, respectively. The additional revolving lines of credit were obtained to assist UAMPS with working capital requirements.

9. Commitments and Contingencies

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

UAMPS had the following Purchase Commitments at March 31, 2019:

	<u>Gas</u>	<u>Power</u>
Fiscal year:		
2020	\$ 12,949,831	\$ 46,584,841
2021	13,286,160	47,788,927
2022	13,503,365	46,747,167
2023	12,991,130	3,002,466
2024	837,510	—
Total	<u>\$ 53,567,996</u>	<u>\$ 144,123,401</u>

Under similar agreements UAMPS purchased energy in the amount of \$46.0 million in fiscal years 2019 and \$47.0 million in fiscal year 2018. UAMPS purchased natural gas in the amount of \$15.0 million in fiscal year 2019 and 2018.

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

9. Commitments and Contingencies (continued)

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

Year	Tons	Price per Ton	Total Commitment March 31, 2019	UAMPS Portion of Commitment March 31, 2019
2020	2,800,000	\$ 46.2	\$ 129,360,000	\$ 5,437,000
2021	2,800,000	46.2	129,360,000	5,437,000
2022	1,400,000	46.2	64,680,000	2,719,000

During fiscal years 2019 and 2018, UAMPS incurred minimum coal costs of \$4.8 million and \$4.4 million respectively, and incremental coal costs each year of \$.4 million and \$.1 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 2022. Future minimum lease payments under the operating lease obligation are:

Fiscal year:	
2020	\$ 442,087
2021	<u>336,514</u>
	<u>\$ 778,601</u>

Rent expense for the years ended March 31, 2019 and 2018, was \$0.4 million.

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

9. Commitments and Contingencies (continued)

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

10. Retirement Plan

UAMPS has a noncontributory money purchase defined contribution pension plan, which covers all of its employees. Employees are eligible to participate from the date of employment. Contributions and earnings thereon are always fully vested upon participation in the plan. Contribution levels are established by the Board and are initially equal to 15.3%, increasing to a maximum of 25.0% of each covered employee's compensation. UAMPS' covered payroll amounted to approximately \$5.0 million in 2019 and \$4.5 million in 2018. Contributions, which are approximately 22.94% in 2019 and 24.28% in 2018 of total payroll, totaled approximately \$1.1 million for the years ended March 31, 2019 and 2018. All contributions are invested using an outside pension administrator, ICMA Retirement Corp. (ICMA). ICMA provides the participants with multiple options for their pension investments.

	Year Ended March 31	
	2019	2018
Total covered payroll	\$ 4,970,000	\$ 4,490,000
Contributions	1,140,000	1,090,000
Contributions as a percentage of payroll	22.94%	24.28%

Supplemental Schedules

Utah Associated Municipal Power Systems

Schedules of Project Financial Statements

Balance Sheet

March 31, 2019

	CRSP	Hunter II	San Juan Unit 4	IPP	Firm Power	Horse Butte Wind	Veyo	Craig Mona	Central St. George	Pool	Payson	CFPP	IPP #3	Resource	Gas Project	Government and Public Affairs	Member Services	Totals
Assets																		
Current assets:																		
Cash	\$ (39,682)	\$ 912,364	\$ (1,900,923)	\$ 401,966	\$ 176,146	\$ 1,579,652	\$ (113,834)	\$ 433,675	\$ (2,184,290)	\$ 4,151,167	\$ (2,144,356)	\$ (1,062,986)	\$ 188,503	\$ 1,000,720	\$ (164,135)	\$ 228,093	\$ (63,057)	\$ 1,399,021
Receivables	1,615,427	1,668,964	2,095,047	9,019	651,585	1,676,205	315,602	44,613	888,662	10,771,949	4,963,402	1,147,164	-	173,081	249,252	61,568	63,043	26,394,583
Prepaid expenses and deposits	-	2,479,000	1,350,177	-	-	852,596	-	218,415	-	325,000	1,714,270	-	-	-	-	-	-	6,939,458
Investment	1,490,622	2,271,294	2,027,964	6,468	687,419	1,428,836	377,329	58,374	483,570	7,002,229	3,976,042	191,077	-	94,092	21,367	49,945	100,201	20,266,831
	3,066,367	7,331,622	3,572,265	417,452	1,515,150	5,537,289	579,097	755,077	(812,058)	22,250,345	8,509,358	275,255	188,503	1,267,893	106,484	339,606	100,188	54,999,893
Restricted assets:																		
Cash																		
Interest receivable	-	-	-	-	-	-	-	-	14,908	-	31,235	-	-	-	-	-	-	46,143
Investments	-	8,968,484	10,222,465	-	-	11,495,652	1,996,529	-	6,610,468	-	18,321,960	-	-	-	-	-	1,443,616	59,059,174
	-	8,968,484	10,222,465	-	-	11,495,652	1,996,529	-	6,625,376	-	18,353,195	-	-	-	-	-	-	59,105,317
Utility plant and equipment:																		
Generation	-	97,266,092	69,042,326	-	-	93,514,019	30,677,605	-	-	-	109,638,266	-	-	-	-	-	6,828,983	406,967,291
Transmission	-	-	-	-	-	-	-	17,492,388	57,153,915	-	10,521,737	-	-	-	-	-	-	85,168,040
Furniture and equipment	74,851	230,630	176,949	60,038	38,775	197,685	18,228	18,219	59,843	-	387,718	152,490	-	235,901	77,004	110,868	14,334	1,853,533
	74,851	97,496,722	69,219,275	60,038	38,775	93,711,704	30,695,833	17,510,607	57,213,758	-	120,547,721	152,490	-	235,901	77,004	110,868	6,843,317	493,988,864
Less accumulated depreciation																		
	(46,704)	(90,463,326)	(56,230,605)	(41,353)	(29,935)	(7,145,761)	(3,100,766)	(16,914,770)	(44,068,802)	-	(76,763,959)	(88,740)	-	(149,924)	(48,933)	(77,356)	(4,008,855)	(299,179,789)
	28,147	7,033,396	12,988,670	18,685	8,840	86,565,943	27,595,067	595,837	13,144,956	-	43,783,762	63,750	-	85,977	28,071	33,512	2,834,462	194,809,075
Construction work-in-progress																		
	7,268	23,789	10,786	-	5,494	7,412	2,132	-	478,175	166,966	27,653	-	-	-	-	-	-	729,675
	35,415	7,057,185	12,999,456	18,685	14,334	86,573,355	27,597,199	595,837	13,623,131	166,966	43,811,415	63,750	-	85,977	28,071	33,512	2,834,462	195,538,750
Deferred outflows of resources																		
	-	-	99,283	-	-	942,281	-	-	2,648,784	-	26,387	-	-	-	-	-	-	3,716,735
	\$ 3,101,782	\$ 23,357,291	\$ 26,893,469	\$ 436,137	\$ 1,529,484	\$ 104,548,577	\$ 30,172,825	\$ 1,350,914	\$ 22,085,233	\$ 22,417,311	\$ 70,700,355	\$ 339,005	\$ 188,503	\$ 1,353,870	\$ 134,555	\$ 373,118	\$ 4,378,266	\$ 313,360,695

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

Balance Sheet

March 31, 2019

	CRSP	Hunter II	San Juan Unit 4	IPP	Firm Power	Horse Butte Wind	Veyo	Craig Mona	Central St. George	Pool	Payson	CFPP	IPP #3	Resource	Gas Project	Government and Public Affairs	Member Services	Totals
Membership capital and liabilities																		
Current liabilities:																		
Outstanding checks in excess of transfer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	2,476,699	(1,934,734)	1,236,769	8,186	393,100	3,721,636	142,367	19,033	273,631	12,327,455	2,733,888	754,363	-	43,590	11,920	23,987	12,395	22,244,285
Accrued liabilities	60,012	310,940	414,270	26,777	40,605	(98,065)	34,895	22,596	41,034	10,250,388	280,261	107,908	-	151,820	49,473	61,586	22	11,754,522
Members' advance billings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lines of credit	389,814	593,968	530,335	1,691	179,768	373,656	98,676	15,265	126,459	1,831,160	1,039,780	49,969	-	24,606	5,588	13,061	26,204	5,300,000
Current portion of unearned revenue	-	-	412,772	-	-	1,346,736	382,569	-	167,794	124,638	641,010	-	-	-	-	-	-	3,075,519
	2,926,525	(1,029,826)	2,594,146	36,654	613,473	5,343,963	658,507	56,894	608,918	24,533,641	4,694,939	912,240	-	220,016	66,981	98,634	38,621	42,374,326
Liabilities payable from restricted assets:																		
Accrued interest payable	1,124	1,713	194,384	5	519	350,896	76,372	44	254,832	5,282	1,187,620	144	-	71	16	38	30,600	2,103,660
Current portion of long-term debt	-	-	2,287,737	-	-	4,189,737	647,416	-	2,938,503	-	5,776,064	-	-	-	-	-	356,000	16,195,457
	1,124	1,713	2,482,121	5	519	4,540,633	723,788	44	3,193,335	5,282	6,963,684	144	-	71	16	38	386,600	18,299,117
Long-term debt:																		
Bonds payable, less current portion	-	-	8,650,000	-	-	81,985,000	19,325,000	-	26,005,477	-	42,945,001	-	-	-	-	-	3,385,000	182,295,478
Plus unamortized bond premium	-	-	90,312	-	-	13,499,950	1,146,420	-	-	-	2,109,525	-	-	-	-	-	-	16,846,207
	-	-	8,740,312	-	-	95,484,950	20,471,420	-	26,005,477	-	45,054,526	-	-	-	-	-	3,385,000	199,141,685
Unearned revenue, less current portion	-	-	10,274,750	-	-	23,863,431	9,907,224	-	3,289,073	3,391,468	6,155,626	-	-	-	-	-	-	56,881,572
Accumulated amortization of unearned revenue	-	-	(9,380,408)	-	-	(8,527,220)	(1,905,153)	-	(2,897,336)	-	(4,804,319)	-	-	-	-	-	-	(27,514,436)
Net unearned revenue	-	-	894,342	-	-	15,336,211	8,002,071	-	391,737	3,391,468	1,351,307	-	-	-	-	-	-	29,367,136
Deferred inflows of resources	4,769	20,180,175	11,362,529	12,338	(23,523)	(17,451,746)	27,363	1,119,455	(8,123,652)	(6,337,366)	10,502,557	43,278	-	38,828	17,311	10,534	458,236	11,841,086
Net position	169,363	4,205,227	820,019	387,140	939,016	1,294,566	289,677	174,521	9,419	824,286	2,133,339	(616,657)	188,503	1,094,956	50,248	263,912	109,810	12,337,345
	\$ 3,101,782	\$ 23,357,291	\$ 26,893,469	\$ 436,137	\$ 1,529,484	\$ 104,548,577	\$ 30,172,825	\$ 1,350,914	\$ 22,085,233	\$ 22,417,311	\$ 70,700,355	\$ 339,005	\$ 188,503	\$ 1,353,870	\$ 134,555	\$ 373,118	\$ 4,378,266	\$ 313,360,695

Utah Associated Municipal Power Systems

Schedules of Project Financial Statements

Income Statement

Year Ended March 31, 2019

	CRSP	Hunter II	San Juan Unit 4	IPP	Firm Power	Wind	Vevo	Craig Mona	Central St. George	Pool	Payson	CFPP	IPP #3	Resource	Gas Project	Government and Public Affairs	Member Services	Totals
Operating revenues:																		
Power sales to members	\$ 11,689,335	\$ 17,793,534	\$ 16,285,538	\$ 131,857	\$ 5,859,183	\$ 14,475,548	\$ 2,996,132	\$ 806,706	\$ 4,331,587	\$ 82,701,110	\$ 42,922,467	\$ 1,750,675	\$	\$ 37,943	\$ 183,487	\$ 415,281	\$ 816,317	\$ 203,196,700
Other	(13,926)	(49,102)	(25,728)	80	(11,843)	(16,649)	(5,311)	27	123	(316,713)	(47,422)	324	-	1,227,341	149	185	-	741,535
	11,675,409	17,744,432	16,259,810	131,937	5,847,340	14,458,899	2,990,821	806,733	4,331,710	82,384,397	42,875,045	1,750,999	-	1,265,284	183,636	415,466	816,317	203,938,235
Operating expenses:																		
Cost of power	11,314,817	15,045,096	10,355,786	-	5,476,322	4,878,041	722,030	385,919	137,750	77,666,223	28,419,915	-	-	441,070	-	78,741	233,571	155,155,281
In lieu of ad valorem taxes	-	408,546	190,517	-	-	51,758	-	-	-	-	-	-	-	-	-	-	-	650,821
Depreciation	16,792	6,278,894	4,260,651	15,658	10,918	4,728,175	1,213,997	597,654	2,740,924	-	6,110,346	51,484	-	54,845	20,202	29,904	317,105	26,447,549
General and administrative	291,626	699,923	524,497	102,493	200,629	968,139	348,686	65,231	231,479	2,901,322	3,364,002	2,546,250	-	494,023	152,028	321,925	22,537	13,234,790
	11,623,235	22,432,459	15,331,451	118,151	5,687,869	10,626,113	2,284,713	1,048,804	3,110,153	80,567,545	37,894,263	2,597,734	-	989,938	172,230	430,570	573,213	195,488,441
Operating income (loss)	52,174	(4,688,027)	928,359	13,786	159,471	3,832,786	706,108	(242,071)	1,221,557	1,816,852	4,980,781	(846,735)	-	275,347	11,406	(15,104)	243,104	8,449,794
Nonoperating revenues (expenses):																		
Interest expense	(13,038)	(19,866)	(566,918)	(57)	(6,012)	(3,546,496)	(814,516)	(511)	(1,173,239)	(61,245)	(1,694,524)	(1,671)	-	(823)	(187)	(437)	(93,087)	(7,992,627)
Investment and other income (expense)	-	264,138	235,892	-	-	324,734	60,017	-	21,938	-	348,028	-	-	-	-	-	33,031	1,287,778
Deferred outflows of resources – net costs advanced	2,642	6,611,393	91,019	3,083	105	178,043	204,747	592,343	105,688	-	(1,982,392)	(8,179)	-	4,793	1,515	4,754	(137,001)	5,672,553
	(10,396)	6,855,665	(240,007)	3,026	(5,907)	(3,043,719)	(549,752)	591,832	(1,045,613)	(61,245)	(3,328,888)	(9,850)	-	3,970	1,328	4,317	(197,057)	(1,032,296)
Change in net position	\$ 41,778	\$ 2,167,638	\$ 688,352	\$ 16,812	\$ 153,564	\$ 789,067	\$ 156,356	\$ 349,761	\$ 175,944	\$ 1,755,607	\$ 1,651,893	\$ (856,585)	\$ -	\$ 279,317	\$ 12,734	\$ (10,787)	\$ 46,047	\$ 7,417,498

Reports Required by the Uniform Guidance



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

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

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Utah Associated Municipal Power Systems, which comprise the statement of net position as of March 31, 2019, and the related statements of revenues and expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 18, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Ernst + Young LLP

July 18, 2019



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

Management and the Board of Directors
Utah Associated Municipal Power Systems

Report on Compliance for the Major Federal Program

We have audited Utah Associated Municipal Power Systems' (UAMPS) compliance with the types of compliance requirements described in the US Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on UAMPS's major federal program for the year ended March 31, 2019. UAMPS's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on the Major Federal Program

In our opinion, UAMPS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended March 31, 2019.

Report on Internal Control Over Compliance

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

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

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



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

Ernst + Young LLP

July 18, 2019

Supplementary Information Required by the Uniform Guidance

Utah Associated Municipal Power Systems

Schedule of Expenditures of Federal Awards

Year Ended March 31, 2019

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Total Current Year Expenditures
Nuclear Energy Research, Development, and Demonstration			
Passed through NuScale Power, LLC – Site Permitting and Licensing of the NuScale Small Modular Reactor	81.121	DE-NE0008369	\$ 1,130,630
Total Federal Expenditures			<u>\$ 1,130,630</u>

See Notes to Schedule of Expenditures of Federal Awards

Utah Associated Municipal Power Systems

Notes to Schedule of Expenditures of Federal Awards

March 31, 2019

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of Utah Associated Municipal Power Systems (UAMPS) under programs of the federal government for the year ended March 31, 2019. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because the schedule presents only a selected portion of the operations of UAMPS, it is not intended to and does not present the financial position, changes in net assets or cash flows of UAMPS.

2. Summary of Significant Accounting Policies

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

3. Indirect Cost Rate

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

Schedule Required by the Uniform Guidance

Utah Associated Municipal Power Systems

Schedule of Findings and Questioned Costs

Year Ended March 31, 2019

Section I—Summary of Auditor’s Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ yes	<u> x </u> no
Significant deficiency(ies) identified?	_____ yes	<u> x </u> none reported
Noncompliance material to financial statements noted?	_____ yes	<u> x </u> no

Federal Awards

Internal control over major federal program:

Material weakness(es) identified?	_____ yes	<u> x </u> no
Significant deficiency(ies) identified?	_____ yes	<u> x </u> none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ **yes** x **no**

Identification of major federal program:

CFDA number

81.121

Name of federal program or cluster

Nuclear Energy Research, Development and Demonstration

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

\$ 750,000

Auditee qualified as low-risk auditee?

_____ **yes** x **no**

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

Year Ended March 31, 2019

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Finding and Questioned Costs

No matters were reported.

Other Report



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

The Board of Directors
Utah Associated Municipal Power Systems

Report on Compliance

We have audited Utah Associated Municipal Power Systems' compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, that could have a direct and material effect on Utah Associated Municipal Power Systems for the year ended March 31, 2019.

State compliance requirements were tested for the year ended March 31, 2019, in the following areas:

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

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each state compliance requirement referred to above. However, our audit does not provide a legal determination of Utah Associated Municipal Power Systems' compliance with those requirements.

Opinion on Compliance

In our opinion, Utah Associated Municipal Power Systems complied, in all material respects, with the state compliance requirements referred to above for the year ended March 31, 2019.

Report on Internal Control Over Compliance

Management of Utah Associated Municipal Power Systems is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered Utah Associated Municipal Power Systems' internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Utah Associated Municipal Power Systems' internal control over compliance.

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

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



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

Ernst + Young LLP

July 18, 2019

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