

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, 2020 and 2019  
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, 2020 and 2019

### Contents

|                                                                                                                                                                                                                                         |    |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| Report of Independent Auditors.....                                                                                                                                                                                                     | 1  |
| Management’s Discussion and Analysis.....                                                                                                                                                                                               | 4  |
| Financial Statements                                                                                                                                                                                                                    |    |
| Statements of Net Position.....                                                                                                                                                                                                         | 11 |
| Statements of Revenues and Expenses and Changes in Net Position.....                                                                                                                                                                    | 13 |
| Statements of Cash Flows.....                                                                                                                                                                                                           | 14 |
| Notes to Financial Statements.....                                                                                                                                                                                                      | 16 |
| Supplemental Schedules                                                                                                                                                                                                                  |    |
| Schedules of Project Financial Statements – Balance Sheet.....                                                                                                                                                                          | 42 |
| Schedules of Project Financial Statements – Income Statement.....                                                                                                                                                                       | 44 |
| Reports Required by the Uniform Guidance                                                                                                                                                                                                |    |
| Report of Independent Auditors on Internal Control Over Financial Reporting and on<br>Compliance and Other Matters Based on an Audit of Financial Statements Performed in<br>Accordance with <i>Government Auditing Standards</i> ..... | 45 |
| Report of Independent Auditors on Compliance for the Major Federal Program and Report on<br>Internal Control Over Compliance Required by the Uniform Guidance.....                                                                      | 47 |
| Supplementary Information Required by the Uniform Guidance                                                                                                                                                                              |    |
| Schedule of Expenditures of Federal Awards.....                                                                                                                                                                                         | 50 |
| Notes to Schedule of Expenditures of Federal Awards.....                                                                                                                                                                                | 51 |
| Schedule Required by the Uniform Guidance                                                                                                                                                                                               |    |
| Schedule of Findings and Questioned Costs.....                                                                                                                                                                                          | 52 |
| Other Report                                                                                                                                                                                                                            |    |
| Independent Auditor’s Report on Compliance and Report on Internal Control over<br>Compliance as Required by the <i>State Compliance Audit Guide</i> .....                                                                               | 54 |



Ernst & Young LLP  
Suite 1800  
15 West South Temple  
Salt Lake City, UT 84101

Tel: +1 801 350 3300  
Fax: +1 801 350 3456  
ey.com

## Report of Independent Auditors

Management and the Board of Directors  
Utah Associated Municipal Power Systems

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Utah Associated Municipal Power Systems as of and for the years ended March 31, 2020 and 2019, 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, 2020 and 2019, 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 4 through 10 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 and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Utah Associated Municipal Power System's basic financial statements. 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.

The schedules of project financial statements and Schedule of Expenditures of Federal Awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to

the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedules of project financial statements 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 15, 2020 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 15, 2020

# 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, 2020, 2019, and 2018.

### **Description of Business**

UAMPS is a political subdivision of the state of Utah (the State). Its 47 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, 2020, 2019, and 2018 of \$5.2 million, \$7.4 million, and \$4.4 million, respectively. The Members may elect to receive refunds of the 2020 excess of revenues over expenses during fiscal year 2021.

## 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, 2020, 2019, and 2018, were \$68.0 million, \$80.7 million, and \$79.0 million, respectively.

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

The 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. Unrestricted cash decreased by \$2.4 million, based upon the timing of items presented for payment. Finally, Member funds increased overall by \$1.6 million.

## Financial Analysis (continued)

The components of investments at March 31, 2020, 2019, and 2018, consisted of the following:

|                                         | <b>2020</b>   | <b>2019</b> | <b>2018</b> |
|-----------------------------------------|---------------|-------------|-------------|
| Investment in U.S. Treasury notes       | <b>0.0%</b>   | 13.4%       | 14.3%       |
| Utah Public Treasurer's Investment Fund | <b>100.0</b>  | 86.6        | 85.7        |
|                                         | <b>100.0%</b> | 100.0%      | 100.0%      |

At March 31, 2020, 2019, and 2018, accounts receivable totaled \$24.2 million, \$26.4 million, and \$22.1 million, respectively. The decrease of \$2.2 million from March 31, 2019 to March 31, 2020 is due to timing of payment from one of the larger members accounts. Similarly, 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. Additionally, third party related accounts receivable for one counterparty that cumulatively added to the increase.

The table summarizes UAMPS' net position at March 31, 2020, 2019, and 2018:

|                                                                    | <b>2020</b>           | <b>2019</b> | <b>2018</b> |
|--------------------------------------------------------------------|-----------------------|-------------|-------------|
|                                                                    | <i>(In Thousands)</i> |             |             |
| Capital assets, net                                                | <b>\$ 180,924</b>     | \$ 195,539  | \$ 217,377  |
| Other assets                                                       | <b>98,998</b>         | 114,105     | 107,690     |
|                                                                    | <b>279,922</b>        | 309,644     | 325,067     |
| Deferred outflows of resources                                     | <b>3,869</b>          | 3,717       | 4,182       |
| Total assets and deferred outflows of resources                    | <b>\$ 283,791</b>     | \$ 313,361  | \$ 329,249  |
| Current liabilities                                                | <b>\$ 44,976</b>      | \$ 42,374   | \$ 41,727   |
| Long-term liabilities                                              | <b>175,261</b>        | 199,142     | 213,221     |
| Other liabilities                                                  | <b>43,583</b>         | 47,667      | 47,982      |
| Total liabilities                                                  | <b>263,820</b>        | 289,183     | 302,930     |
| Deferred inflows of resources                                      | <b>9,945</b>          | 11,841      | 17,513      |
| Net position:                                                      |                       |             |             |
| Net investment in capital assets                                   | <b>18,090</b>         | 21,527      | 23,792      |
| Restricted                                                         | <b>8,820</b>          | 6,822       | 6,146       |
| Unrestricted                                                       | <b>(16,884)</b>       | (16,012)    | (21,132)    |
|                                                                    | <b>10,026</b>         | 12,337      | 8,806       |
| Total liabilities, deferred inflows of resources, and net position | <b>\$ 283,791</b>     | \$ 313,361  | \$ 329,249  |



## Financial Analysis of Operations

Operating revenue from power sales for the years ended March 31, 2020, 2019, and 2018, was \$187.2 million, \$203.2 million, and \$192.9 million, respectively.

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

The increase of \$10.3 million from March 31, 2018 to March 31, 2019 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.

Investment income (expense) for March 31, 2020, 2019, and 2018, was \$0.8 million, \$1.3 million, and \$(0.1 million), respectively.

The decrease in investment income from March 31, 2019 to March 31, 2020 is due to lower cash balances in some accounts as well as declining interest earnings on State PTIF funds. Additionally, there were higher interest expenses due to the costs of issuance associated with the Payson 2019 Revenue Refunding Bonds.

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.

## Financial Analysis of Operations (continued)

The table below summarizes UAMPS' total revenues and expenses for fiscal years 2020, 2019, and 2018:

|                                       | <b>2020</b>           | <b>2019</b> | <b>2018</b> |
|---------------------------------------|-----------------------|-------------|-------------|
|                                       | <i>(In Thousands)</i> |             |             |
| Revenue:                              |                       |             |             |
| Power sales                           | <b>\$ 187,236</b>     | \$ 203,197  | \$ 192,895  |
| Investment and other income (expense) | <b>776</b>            | 1,288       | (119)       |
| Other income                          | <b>504</b>            | 742         | 1,882       |
|                                       | <b>188,516</b>        | 205,227     | 194,658     |
| Expenses:                             |                       |             |             |
| Cost of power                         | <b>142,414</b>        | 155,155     | 155,926     |
| Other expenses                        | <b>40,853</b>         | 42,654      | 34,345      |
|                                       | <b>183,267</b>        | 197,809     | 190,271     |
| Change in net position                | <b>5,249</b>          | 7,418       | 4,387       |
| Net position at beginning of year     | <b>12,337</b>         | 8,806       | 7,080       |
| Distributions                         | <b>(7,561)</b>        | (3,886)     | (2,661)     |
| Net position at end of year           | <b>\$ 10,025</b>      | \$ 12,338   | \$ 8,806    |

## Cash Flow and Liquidity

UAMPS' sources of cash include power sales, services, issuance of debt and investment income. The cash balance at March 31, 2020, 2019, and 2018, was \$1.1 million, \$1.4 million, and \$3.8 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 London Interbank Offered Rate (LIBOR). Of the combined \$25.0 million available on the revolving lines of credit, the outstanding balance was \$7.7 million, \$5.3 million, and \$13.1 million, as of March 31, 2020, 2019, and 2018, 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 late 2017, the Central-St. George project began work to re-route and upgrade the 69 kilovolts (kV) Creek Transmission Line to interconnect to the PacifiCorp Purgatory Flats Substation. The project was placed in service December 2019.

In 2020, the Central-St. George Transmission Revenue Bonds Series 2018 (totaling \$2.2 million) at 3.85% interest, were partially prepaid at UAMPS election. The Series 2018 Bonds allowed for a single prepayment in a maximum principal amount of \$0.5 million, or any lesser principal amount, including accrued interest, without premium or penalty. Principal prepaid shall be applied to reduce remaining principal payments on the Series 2018 Bonds in reverse chronological order. UAMPS applied the prepayment of \$0.8 million to the Bonds maturing December 1, 2024 and after.

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

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

On October 23, 2019, the Payson Power Project Refunding Revenue Bonds, Series 2012 maturing on or after April 1, 2021 (totaling \$31.5 million) were redeemed at 100% principal and accrued interest. Accordingly, all amounts related to the defeased Bonds were removed from the balance sheet, which resulted in an increase in the deferred refunding charge on the defeasance of debt of \$1.0 million. The refunding reduced total debt service payments by \$9.5 million and results in an economic gain (i.e., the difference between the present value of the debt service payments on the old and the new debt) of \$1.0 million. The outstanding principal of the remaining Series 2012 bonds at March 31, 2020 was \$10.6 million.

## **Western Electric Energy Markets**

The CAISO Energy Imbalance Market (EIM) has continued to expand. By 2022 the EIM will include 21 western balancing authorities and account for 82% of the WECC footprint. The SPP alternative, Western Energy Imbalance Service (WEIS) is still planning a 2021 go live with its participants. This mainly includes the WAPA Area Colorado Missouri balancing authority which includes utilities like Tri-State, Basin Electric, Black Hills Power and WAPA's merchant arms CRSP and LAPT.

Prices in the west continue to be driven by renewables in the shoulder seasons and natural gas in the summer and winter. We saw a major coal plant retirement this year for the Navajo Generation Station of 2,250 MW in December 2019. Coal retirement announcements are starting to include more solidified dates.

Loads in the UAMPS footprint continue to grow in the 1%–2% range. Only one member has had higher growth in the last few years. Due to the COVID-19 pandemic, we have seen significant load changes and reductions while the long-term effects of the pandemic remain to be seen.

### **Requests for Information**

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

Utah Associated Municipal Power Systems

Statements of Net Position

|                                                 | <b>March 31</b>              |                              |
|-------------------------------------------------|------------------------------|------------------------------|
|                                                 | <b>2020</b>                  | <b>2019</b>                  |
| <b>Assets</b>                                   |                              |                              |
| Current assets:                                 |                              |                              |
| Cash                                            | \$ 1,054,106                 | \$ 1,399,021                 |
| Receivables                                     | 24,235,598                   | 26,394,583                   |
| Prepaid expenses and deposits                   | 6,802,803                    | 6,939,458                    |
| Investments                                     | 20,846,564                   | 20,266,831                   |
|                                                 | <u>52,939,071</u>            | <u>54,999,893</u>            |
| Restricted assets:                              |                              |                              |
| Interest receivable                             | 869                          | 46,143                       |
| Investments                                     | 46,058,619                   | 59,059,174                   |
|                                                 | <u>46,059,488</u>            | <u>59,105,317</u>            |
| Capital assets:                                 |                              |                              |
| Generation                                      | 411,876,905                  | 406,967,291                  |
| Transmission                                    | 86,300,615                   | 85,168,040                   |
| Furniture and equipment                         | 1,777,122                    | 1,853,533                    |
|                                                 | <u>499,954,642</u>           | <u>493,988,864</u>           |
| Less accumulated depreciation                   | <u>(319,652,171)</u>         | <u>(299,179,789)</u>         |
|                                                 | 180,302,471                  | 194,809,075                  |
| Construction work-in-progress                   | 621,500                      | 729,675                      |
|                                                 | <u>180,923,971</u>           | <u>195,538,750</u>           |
| <b>Deferred outflows of resources</b>           |                              |                              |
| Defeasance costs                                | 3,868,450                    | 3,716,735                    |
| <br>                                            |                              |                              |
| Total assets and deferred outflows of resources | <u><u>\$ 283,790,980</u></u> | <u><u>\$ 313,360,695</u></u> |

Utah Associated Municipal Power Systems

Statements of Net Position (continued)

|                                                                       | <b>March 31</b>       |                       |
|-----------------------------------------------------------------------|-----------------------|-----------------------|
|                                                                       | <b>2020</b>           | <b>2019</b>           |
| <b>Liabilities</b>                                                    |                       |                       |
| Current liabilities:                                                  |                       |                       |
| Accounts payable                                                      | \$ 20,864,813         | \$ 22,244,285         |
| Accrued liabilities                                                   | 12,324,855            | 11,754,522            |
| Lines of credit                                                       | 7,700,000             | 5,300,000             |
| Current portion of unearned revenue                                   | 4,086,676             | 3,075,519             |
|                                                                       | <u>44,976,344</u>     | <u>42,374,326</u>     |
| Liabilities payable from restricted assets:                           |                       |                       |
| Accrued interest payable                                              | 1,337,523             | 2,103,660             |
| Current portion of long-term debt                                     | 16,777,874            | 16,195,457            |
|                                                                       | <u>18,115,397</u>     | <u>18,299,117</u>     |
| Long-term debt:                                                       |                       |                       |
| Bonds payable, less current portion                                   | 161,700,273           | 182,295,478           |
| Unamortized bond premium                                              | 13,560,341            | 16,846,207            |
|                                                                       | <u>175,260,614</u>    | <u>199,141,685</u>    |
| Other liabilities:                                                    |                       |                       |
| Unearned revenue, less current portion                                | 25,468,666            | 29,367,136            |
| <b>Deferred inflows of resources</b>                                  |                       |                       |
| Net costs advanced from billings to members                           | 9,944,863             | 11,841,086            |
| <b>Net position</b>                                                   |                       |                       |
| Net investment in capital assets                                      | 18,089,859            | 21,527,120            |
| Restricted for project costs                                          | 8,819,676             | 6,822,119             |
| Unrestricted                                                          | (16,884,439)          | (16,011,894)          |
|                                                                       | <u>10,025,096</u>     | <u>12,337,345</u>     |
| Total liabilities, deferred inflows of resources,<br>and net position | <u>\$ 283,790,980</u> | <u>\$ 313,360,695</u> |

See accompanying notes.

## Utah Associated Municipal Power Systems

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

|                                            | <b>Year Ended March 31</b> |                |
|--------------------------------------------|----------------------------|----------------|
|                                            | <b>2020</b>                | <b>2019</b>    |
| Operating revenues:                        |                            |                |
| Power sales                                | <b>\$ 187,236,111</b>      | \$ 203,196,700 |
| Other                                      | <b>504,085</b>             | 741,535        |
|                                            | <b>187,740,196</b>         | 203,938,235    |
| Operating expenses:                        |                            |                |
| Cost of power                              | <b>142,414,298</b>         | 155,155,281    |
| In lieu of ad valorem taxes                | <b>676,838</b>             | 650,821        |
| Depreciation                               | <b>21,121,565</b>          | 26,447,549     |
| General and administrative                 | <b>14,601,660</b>          | 13,234,790     |
|                                            | <b>178,814,361</b>         | 195,488,441    |
| Operating income                           | <b>8,925,835</b>           | 8,449,794      |
| Nonoperating revenues (expenses):          |                            |                |
| Interest expense                           | <b>(6,349,337)</b>         | (7,992,627)    |
| Investment and other income (expense), net | <b>776,276</b>             | 1,287,778      |
| Recognition of deferred costs and revenues | <b>1,896,223</b>           | 5,672,553      |
| Total nonoperating expenses, net           | <b>(3,676,838)</b>         | (1,032,296)    |
| Change in net position                     | <b>5,248,997</b>           | 7,417,498      |
| Net position at beginning of year          | <b>12,337,345</b>          | 8,805,812      |
| Distributions to members                   | <b>(7,561,246)</b>         | (3,885,965)    |
| Net position at end of year                | <b>\$ 10,025,096</b>       | \$ 12,337,345  |

*See accompanying notes.*

# Utah Associated Municipal Power Systems

## Statements of Cash Flows

|                                                                            | <b>Year Ended March 31</b> |                |
|----------------------------------------------------------------------------|----------------------------|----------------|
|                                                                            | <b>2020</b>                | <b>2019</b>    |
| <b>Operating activities</b>                                                |                            |                |
| Cash received from customers                                               | \$ 187,097,904             | \$ 196,703,438 |
| Cash payments to suppliers for goods and services                          | (150,656,613)              | (153,507,393)  |
| Cash payments to employees for services                                    | (6,998,032)                | (6,956,894)    |
| Cash payments for ad valorem taxes                                         | (710,635)                  | (684,618)      |
| Unearned revenue                                                           | (86,036)                   | 1,860,831      |
| Net cash provided by operating activities                                  | 28,646,588                 | 37,415,364     |
| <b>Capital and related financing activities</b>                            |                            |                |
| Disbursements for utility plant and equipment                              | (6,506,784)                | (4,609,548)    |
| Proceeds from issuance of long-term debt                                   | 26,770,000                 | 2,236,374      |
| Disbursement for bond refunding                                            | (31,485,000)               | -              |
| Principal disbursement on revenue bonds                                    | (14,932,079)               | (13,663,818)   |
| Interest disbursement on revenue bonds                                     | (10,918,765)               | (9,352,435)    |
| Bond issuance costs                                                        | (425,193)                  | (89,700)       |
| Distribution                                                               | (7,561,245)                | (3,885,965)    |
| Net cash used in capital and related financing activities                  | (45,059,066)               | (29,365,092)   |
| <b>Noncapital and related financing activities</b>                         |                            |                |
| Draws on lines of credit                                                   | 121,680,613                | 144,222,061    |
| Disbursements on lines of credit                                           | (119,280,613)              | (151,972,061)  |
| Net cash provided by (used in) noncapital and related financing activities | 2,400,000                  | (7,750,000)    |
| <b>Investing activities</b>                                                |                            |                |
| Cash received from investments                                             | 869,769                    | -              |
| Cash paid for investments                                                  | (1,449,503)                | (1,575,058)    |
| Restricted assets:                                                         |                            |                |
| Cash received from investments                                             | 15,695,542                 | 2,743,225      |
| Cash paid for investments                                                  | (2,799,398)                | (5,413,969)    |
| Interest income received                                                   | 1,351,153                  | 1,528,847      |
| Net cash provided by (used in) investing activities                        | 13,667,563                 | (2,716,955)    |
| Decrease in cash                                                           | (344,915)                  | (2,416,683)    |
| Cash at beginning of year                                                  | 1,399,021                  | 3,815,705      |
| Cash at end of year                                                        | \$ 1,054,106               | \$ 1,399,022   |



Utah Associated Municipal Power Systems

Statements of Cash Flows (continued)

|                                                                                         | <b>Year Ended March 31</b> |                      |
|-----------------------------------------------------------------------------------------|----------------------------|----------------------|
|                                                                                         | <b>2020</b>                | <b>2019</b>          |
| <b>Reconciliation of operating income to net cash provided by operating activities</b>  |                            |                      |
| Operating income                                                                        | \$ 8,925,835               | \$ 8,449,794         |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                            |                      |
| Depreciation                                                                            | 21,121,565                 | 26,447,550           |
| Amortization of unearned revenue                                                        | (2,801,277)                | (2,950,881)          |
| Unearned revenue                                                                        | (86,036)                   | 1,860,830            |
| Decrease (increase) in current receivables                                              | 2,158,985                  | (4,283,916)          |
| Decrease (increase) in prepaid expenses and deposits                                    | 136,655                    | (453,270)            |
| (Decrease) increase in accounts payable                                                 | (1,379,472)                | 7,720,737            |
| Increase in accrued liabilities                                                         | 570,333                    | 624,520              |
| Net cash provided by operating activities                                               | <u>\$ 28,646,588</u>       | <u>\$ 37,415,364</u> |

*See accompanying notes.*

# Utah Associated Municipal Power Systems

## Notes to Financial Statements

March 31, 2020

### 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, 4 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 2016, the 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 reasonably estimable. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

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

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, 2019. The Company is currently evaluating the effects the adoption of this statement will have on the financial statements.

#### *GASB Statement No. 87*

In June 2017, the 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 December 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 2018, the 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 adopted the standard April 1 2019 and determined that it did not have a material impact on the financial statements.

#### *GASB Statement No. 89*

In June 2018, the GASB released GASB 89. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The 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.

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

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

#### *GASB Statement No. 90*

In August 2018, the GASB issued GASB 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 2019, the GASB issued GASB 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement is effective for UAMPS in fiscal year 2021.

#### *GASB Statement No. 92*

In January 2020, GASB issued GASB 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This statement is effective for UAMPS in fiscal year 2021.

#### *GASB Statement No. 93*

In March 2020, GASB issued GASB 93, *Replacement of Interbank Offered Rates*. The objectives of this Statement are to address accounting and financial reporting implications that result in the replacement of an interbank offer rate, including LIBOR. The majority of the requirements of this Statement, are effective for reporting periods beginning after June 15, 2021 (delayed for one year). The Company is currently evaluating the effects the adoption of this statement will have on the financial statements.

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

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

#### *GASB Statement No. 95*

In May 2020, GASB issued GASB 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement postpones the effective date of the following pronouncements for one year: Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 84, *Fiduciary Activities*, Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No. 90, *Majority Equity Interests*, Statement No. 91, *Conduit Debt Obligations*, Statement No. 92, *Omnibus 2020*, Statement No. 93, *Replacement of Interbank Offered Rates*, Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*, Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*, Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*, and Implementation Guide No. 2019-2, *Fiduciary Activities*.

#### **Revenue**

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

#### **Investments**

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

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

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

#### Receivables

Receivables consist primarily of current power billings to Members.

#### Capital Assets

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

#### Net Costs Advanced or to be Recovered Through Billings to Members

Billings to Members are designed to recover power costs as defined by the power sales contracts, which principally include current operating expenses, scheduled debt principal, and interest and deposits into certain funds. Pursuant to GASB Re10, *Regulated Operations*, expenses determined in accordance with GAAP, which are not currently billable as power costs, or amounts billed as power costs and recovered in advance of being recognized for GAAP are recorded as deferred inflows of resources in the accompanying statements of net position. For a company to report under GASB Re10, a company's rates must be designed to recover its costs of providing services, and the company must be able to collect those rates from customers. If it were determined, whether due to competition or regulatory action, that these standards no longer applied, UAMPS could be required to write off its regulatory deferred inflows. Management believes that UAMPS currently meets the criteria for continued application of GASB Re10, but will continue to evaluate significant changes in the regulatory and competitive environment to assess continuing applicability of the criteria.

#### Income Taxes

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

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

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

#### Unearned Revenue

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

#### Risk Management

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

#### Net Position

Net position is classified into three components:

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

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

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

- Restricted: This component of net position consists of amounts subject to external constraints on their use imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted: This component of net position consists of amounts that do not meet the definition of “restricted” or “net investment in capital assets”. As of March 31, 2020 and 2019, UAMPS reported a negative balance in unrestricted net position. The deficit is a result of a long-term prepayment of future power sales.

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

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

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

- UAMPS has contracted with five municipalities to provide transmission capabilities from the Central-St. George project to deliver electric power to the Purchasers. Each contract term extends, at a minimum, to the date all principal and interest on the Series 2016 and 2018 Bonds have been paid.
- UAMPS has contracted with 15 municipalities and 1 electric service district in the San Juan project to supply power from the generating unit. Each contract term extends, at a minimum, to the date all principal and interest on the Series 2008 and 2011 Bonds have been paid.
- UAMPS has contracted with 14 municipalities, 1 public utility district, and 1 electric service district in the Payson project to supply power from the generating unit. Each contract term extends, at a minimum, to the date all principal and interest on the 2012, 2013 and 2019 Bonds have been paid.
- UAMPS has contracted with 21 municipalities, 1 joint action agency, 1 co-op, and 1 public utility district in the Horse Butte Wind project to supply power from the project. Each contract term extends, at a minimum, to the date all principal and interest on the 2012 and 2017 Bonds have been paid.



## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

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

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

#### 3. Net Costs Advanced From Billings to Members

|                                                                        | For the Years Ended |                     | Accumulated Total as of |                        |
|------------------------------------------------------------------------|---------------------|---------------------|-------------------------|------------------------|
|                                                                        | 2020                | 2019                | 2020                    | 2019                   |
| <b>Items in accordance with GAAP not currently billable to members</b> |                     |                     |                         |                        |
| Depreciation, accretion and amortization of bond issuance costs        | \$ 21,546,758       | \$ 26,537,249       | \$ 375,887,875          | \$ 354,341,117         |
| Refunding charge on refunding/defeasance of revenue bonds              | –                   | –                   | 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)                       | –                   | –                   | 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                                       | (2,801,277)         | (2,950,881)         | (40,871,663)            | (38,070,386)           |
| Utility plant renewals and replacements                                | (5,907,248)         | (4,402,166)         | (111,675,835)           | (105,768,587)          |
| Plant inventory                                                        | (205,836)           | (17,082)            | (805,573)               | (599,737)              |
| Principal amounts of debt service                                      | (14,954,618)        | (13,882,326)        | (357,723,649)           | (342,769,031)          |
| Amortization of bond premium                                           | (2,073,378)         | (1,673,464)         | (18,391,520)            | (16,318,142)           |
| Major overhaul reserve payments                                        | 5,606,581           | 1,414,559           | (9,283,658)             | (14,890,239)           |
| Unrealized gain/loss on investment                                     | 104,411             | 151,854             | –                       | (104,411)              |
| Amortization of defeased debt costs                                    | 461,717             | 465,388             | 2,310,366               | 1,848,649              |
| Amortization of prepaid energy                                         | –                   | –                   | 35,106,577              | 35,106,577             |
| Accrued personal leave                                                 | 119,113             | 29,422              | 698,134                 | 579,021                |
| Net costs advanced from billings to members                            | <b>\$ 1,896,223</b> | <b>\$ 5,672,553</b> | <b>\$ (9,944,863)</b>   | <b>\$ (11,841,086)</b> |

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### 4. Capital Assets

UAMPS' interest in two generating units represents a 14.6% and a 7.0% undivided interest in the PacifiCorp Hunter II and the Public Service Company of New Mexico San Juan Unit IV electric generating units (the Generating Units), respectively. The interest is recorded based on UAMPS' acquisition cost. The estimated operating life has been extended to 2042, based upon a third-party review.

UAMPS has a 15.0% entitlement share in the transmission capability of a 105-mile 345 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 138 kV lines at Red Butte/Central, and these were shifted to terminate the 4th circuit at Central and energize it at 138 kV. The existing Red Butte/Central substation was configured to accommodate the two UAMPS 138 kV lines out of Red Butte to St. George and the remaining two joint-owned 345 kV (energized at 138 kV) lines out of Central to St. George. At the Red Butte Substation, a new 138 kV circuit breaker was added to allow the shifting of the 3 existing circuits and the addition of the 4th circuit. At St. George substation a limited duration 138 kV line was constructed and one 138 kV circuit breaker was added.

In late 2017, the Central-St. George project began work to re-route and upgrade the 69 kV Creek Transmission Line to interconnect to the PacifiCorp Purgatory Flats Substation. The project was placed in service in December 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 1.8 MW each, located in Bonneville County, Idaho. This project had been completed in August 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)**

|                                             | <b>Generation</b>       | <b>Transmission</b>    | <b>Furniture<br/>and<br/>Equipment</b> | <b>Construction<br/>Work-In-<br/>Progress</b> | <b>Total</b>            |
|---------------------------------------------|-------------------------|------------------------|----------------------------------------|-----------------------------------------------|-------------------------|
| Balance, April 1, 2019                      | \$ 406,967,291          | \$ 85,168,040          | \$ 1,853,533                           | \$ 729,675                                    | \$ 494,718,539          |
| Capital additions                           | 5,316,066               | 1,132,575              | 166,319                                | 370,000                                       | 6,984,960               |
| Sales, retirements                          | (406,452)               | –                      | (242,730)                              | (478,175)                                     | (1,127,357)             |
| Balance, March 31, 2020                     | <u>\$ 411,876,905</u>   | <u>\$ 86,300,615</u>   | <u>\$ 1,777,122</u>                    | <u>\$ 621,500</u>                             | <u>\$ 500,576,142</u>   |
| Accumulated depreciation,<br>April 1, 2019  | \$ (236,145,892)        | \$ (61,943,783)        | \$ (1,090,114)                         | \$ –                                          | \$ (299,179,789)        |
| Depreciation expense                        | (17,264,500)            | (3,414,078)            | (442,986)                              | –                                             | (21,121,565)            |
| Retirements                                 | 406,452                 | –                      | 242,730                                | –                                             | 649,182                 |
| Accumulated depreciation,<br>March 31, 2020 | <u>\$ (253,003,940)</u> | <u>\$ (65,357,861)</u> | <u>\$ (1,290,370)</u>                  | <u>\$ –</u>                                   | <u>\$ (319,652,171)</u> |
| Average depreciation rate                   | <u>5.6%</u>             | <u>3.9%</u>            | <u>25.5%</u>                           | <u>0.0%</u>                                   | <u>5.4%</u>             |

|                                             | <b>Generation</b>       | <b>Transmission</b>    | <b>Furniture<br/>and<br/>Equipment</b> | <b>Construction<br/>Work-In-<br/>Progress</b> | <b>Total</b>            |
|---------------------------------------------|-------------------------|------------------------|----------------------------------------|-----------------------------------------------|-------------------------|
| 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                     | <u>\$ 406,967,290</u>   | <u>\$ 85,168,040</u>   | <u>\$ 1,853,534</u>                    | <u>\$ 729,675</u>                             | <u>\$ 494,718,539</u>   |
| Accumulated depreciation,<br>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,<br>March 31, 2019 | <u>\$ (236,145,892)</u> | <u>\$ (61,943,783)</u> | <u>\$ (1,090,115)</u>                  | <u>\$ –</u>                                   | <u>\$ (299,179,789)</u> |
| Average depreciation rate                   | <u>5.6%</u>             | <u>3.9%</u>            | <u>25.5%</u>                           | <u>0.0%</u>                                   | <u>5.4%</u>             |

## 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:

|                                         | <b>Year Ended March 31</b> |                      |
|-----------------------------------------|----------------------------|----------------------|
|                                         | <b>2020</b>                | <b>2019</b>          |
| Restricted:                             |                            |                      |
| U.S. Treasury Note                      | \$ —                       | \$ 10,590,027        |
| Utah Public Treasurers' Investment Fund | <b>46,058,619</b>          | 48,469,147           |
| <b>Total</b>                            | <b>\$ 46,058,619</b>       | <b>\$ 59,059,174</b> |
| Current:                                |                            |                      |
| Utah Public Treasurers' Investment Fund | <b>\$ 20,846,564</b>       | \$ 20,266,831        |
| <b>Total</b>                            | <b>\$ 20,846,564</b>       | <b>\$ 20,266,831</b> |

UAMPS categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. As of March 31, 2020 and 2019, 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) |
| <b>Fiscal year 2020</b>                 |                               |                                                                |                                               |                                           |
| Utah Public Treasurers' Investment Fund | <b>\$ 66,905,183</b>          | \$ —                                                           | \$ —                                          | <b>\$ 66,905,183</b>                      |
|                                         | <b>\$ 66,905,183</b>          | \$ —                                                           | \$ —                                          | <b>\$ 66,905,183</b>                      |
| <b>Fiscal year 2019</b>                 |                               |                                                                |                                               |                                           |
| U.S. Treasury Note                      | \$ 10,590,027                 | \$ —                                                           | \$ 10,590,027                                 | \$ —                                      |
| Utah Public Treasurers' Investment Fund | 68,735,978                    | —                                                              | —                                             | 68,735,978                                |
|                                         | <b>\$ 79,326,005</b>          | \$ —                                                           | \$ 10,590,027                                 | <b>\$ 68,735,978</b>                      |

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### 5. Investments (continued)

##### Credit Risk

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

The PTIF operates and reports to the participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participant’s average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. The PTIF was unrated at March 31, 2020.

At March 31, 2020 and 2019, UAMPS’ investments held the following quality ratings:

|                                         | Value                | Quality Rating       |                      |
|-----------------------------------------|----------------------|----------------------|----------------------|
|                                         |                      | AAA/Aaa/AA+          | Unrated              |
| <b>Fiscal year 2020</b>                 |                      |                      |                      |
| Utah Public Treasurers’ Investment Fund | \$ 66,905,183        | \$ –                 | \$ 66,905,183        |
| Total                                   | <u>\$ 66,905,183</u> | <u>\$ –</u>          | <u>\$ 66,905,183</u> |
| <b>Fiscal year 2019</b>                 |                      |                      |                      |
| U.S. Treasury Notes                     | \$ 10,590,027        | \$ 10,590,027        | \$ –                 |
| Utah Public Treasurers’ Investment Fund | 68,735,978           | –                    | 68,735,978           |
| Total                                   | <u>\$ 79,326,005</u> | <u>\$ 10,590,027</u> | <u>\$ 68,735,978</u> |

##### 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, 2020, UAMPS had \$0.8 million exposed to custodial credit risk.

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

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

##### **Interest Rate Risk**

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

##### **Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of an entities investment in a single issuer. UAMPS investments are in Investment in U.S. Treasury Note, Debentures issued by Government Sponsored Enterprise, and the Utah Public Treasurer's Investment Fund, were 23%, 1%, and 76%, respectively.

#### **6. Cash**

The cash balance at March 31, 2020 and 2019, of \$1.1 million and \$1.4 million, respectively, consisted of deposits with banks.

As of March 31, 2020 and 2019, 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<br>Maturity Date | Principal Outstanding<br>March 31 |               |
|------------------------------------------|----------------|---------------|---------------------------|-----------------------------------|---------------|
|                                          |                |               |                           | 2020                              | 2019          |
| <b>Horse Butte Wind 2012A</b><br>Serial  | \$ 67,860,000  | 0.05%–5.00%   | 2013–2032                 | \$ 9,095,000                      | \$ 11,845,000 |
| <b>Horse Butte Wind 2017A</b><br>Serial  | 38,480,000     | 5.00%         | 2023-2032                 | <b>38,480,000</b>                 | 38,480,000    |
| <b>Horse Butte Wind 2017B</b><br>Serial  | 32,455,000     | 5.00%         | 2026-2037                 | <b>32,455,000</b>                 | 32,455,000    |
| <b>Horse Butte Wind 2017C</b>            |                |               |                           |                                   |               |
| Taxable component                        | 165,000        | 2.05%         | 2019                      | –                                 | 165,000       |
| Taxable component                        | 170,000        | 2.20%         | 2020                      | <b>170,000</b>                    | 170,000       |
| Taxable component                        | 170,000        | 2.45%         | 2021                      | <b>170,000</b>                    | 170,000       |
| Taxable component                        | 180,000        | 2.60%         | 2022                      | <b>180,000</b>                    | 180,000       |
| Taxable component                        | 460,000        | 2.85%         | 2023                      | <b>460,000</b>                    | 460,000       |
| Term                                     | 480,000        | 3.05%         | 2024                      | <b>480,000</b>                    | 480,000       |
| Term                                     | 495,000        | 3.05%         | 2025                      | <b>495,000</b>                    | 495,000       |
|                                          | 2,120,000      |               |                           |                                   |               |
| <b>San Juan 2008A</b><br>Serial          | 2,345,000      | 3.50%–4.50%   | 2009–2022                 | <b>625,000</b>                    | 815,000       |
| <b>San Juan 2011</b><br>Serial           | 22,165,000     | 2.00%–5.50%   | 2011–2023                 | <b>8,025,000</b>                  | 10,060,000    |
| <b>Central–St. George 2009</b><br>Serial | 2,350,000      | 4.00%–5.00%   | 2010–2019                 | –                                 | 290,000       |
| <b>Central–St. George 2011</b><br>Term   | 3,800,000      | 2.65%         | 2011–2019                 | –                                 | 520,000       |
| <b>Central–St. George 2012</b><br>Serial | 11,240,000     | 2.32%         | 2012–2019                 | –                                 | 1,510,000     |



# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 7. Debt (continued)

| Series                                 | Original Issue | Interest Rate | Original<br>Maturity Date | Principal Outstanding<br>March 31 |                |
|----------------------------------------|----------------|---------------|---------------------------|-----------------------------------|----------------|
|                                        |                |               |                           | 2020                              | 2019           |
| <b>Central–St. George 2016</b><br>Term | \$ 25,880,000  | 2.53%         | 2016–2027                 | \$ 24,100,000                     | \$ 24,510,000  |
| <b>Central–St. George 2018</b><br>Term | 2,236,374      | 3.85%         | 2018–2027                 | 1,095,479                         | 2,116,556      |
| <b>Payson 2012</b><br>Serial           | 74,885,000     | 2.00%–5.00%   | 2013–2026                 | 10,600,000                        | 47,010,000     |
| <b>Payson 2013</b><br>Serial           | 2,025,000      | 1.76%         | 2014–2023                 | 860,000                           | 1,065,000      |
| <b>Payson 2019</b><br>Serial           | 26,770,000     | 2.05%–2.50%   | 2020–2025                 | 26,770,000                        | –              |
| <b>Veyo 2014</b><br>Serial             | 12,990,000     | 3.00%–5.00%   | 2017–2034                 | 10,925,000                        | 11,480,000     |
| Term                                   | 1,060,000      | 4.00%         | 2035                      | 1,060,000                         | 1,060,000      |
| Term                                   | 1,100,000      | 4.00%         | 2036                      | 1,100,000                         | 1,100,000      |
| Term                                   | 1,145,000      | 4.00%         | 2037                      | 1,145,000                         | 1,145,000      |
| Term                                   | 1,190,000      | 4.00%         | 2038                      | 1,190,000                         | 1,190,000      |
| Term                                   | 1,240,000      | 5.00%         | 2039                      | 1,240,000                         | 1,240,000      |
| Term                                   | 1,300,000      | 5.00%         | 2040                      | 1,300,000                         | 1,300,000      |
| Term                                   | 1,365,000      | 5.00%         | 2041                      | 1,365,000                         | 1,365,000      |
|                                        | 8,400,000      |               |                           |                                   |                |
| <b>Hurricane City – 2013</b><br>Term   | 2,009,000      | 2.30%         | 2014–2027                 | 1,227,000                         | 1,365,000      |
| <b>Washington City – 2013</b><br>Term  | 996,000        | 2.30%         | 2014–2027                 | 608,000                           | 676,000        |
| <b>Washington City – 2016</b><br>Term  | 1,968,000      | 2.59%         | 2017–2029                 | 1,550,000                         | 1,700,000      |
|                                        |                |               |                           | 176,770,479                       | 196,417,556    |
|                                        |                |               |                           | 13,560,341                        | 16,846,207     |
|                                        |                |               |                           | 15,070,206                        | 14,122,078     |
|                                        |                |               |                           | \$ 175,260,614                    | \$ 199,141,685 |

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

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

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.

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, 2020 was \$9.1 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.

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### 7. Debt (continued)

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, 2020 was \$0. 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, fully matured on December 1, 2019. There is no remaining outstanding principal.

The Central-St. George Transmission Project Revenue and Refunding Bond, Series 2012 (totaling \$11.2 million), at 2.32% interest, fully matured on December 1, 2019. There is no remaining outstanding principal.

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

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

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

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

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

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

The Payson Power Project Refunding Revenue Bonds, Series 2012 maturing on or after April 1, 2021 (totaling \$31.5 million), were redeemed at 100% principal and accrued interest. Accordingly, all amounts related to the defeased Bonds were removed from the balance sheet, which resulted in an increase in the deferred refunding charge on the defeasance of debt of \$1.0 million. The refunding reduced total debt service payments by \$9.5 million and results in an economic gain (i.e., the difference between the present value of the debt service payments on the old and the new debt) of \$1.0 million. The outstanding principal of the remaining Series 2012 bonds at March 31, 2020 was \$10.6 million.

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

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

## 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, 2020, for variable rate bonds, of long-term debt are as follows:

| <b>Year ending March 31</b> | <b>Revenue and<br/>Refunding<br/>Revenue Bonds</b> | <b>Interest</b>      | <b>Total Debt<br/>Service<br/>Requirements</b> |
|-----------------------------|----------------------------------------------------|----------------------|------------------------------------------------|
| 2021                        | \$ 15,070,205                                      | \$ 6,802,890         | \$ 21,873,095                                  |
| 2022                        | 15,892,644                                         | 6,114,202            | 22,006,846                                     |
| 2023                        | 16,585,409                                         | 5,551,852            | 22,137,261                                     |
| 2024                        | 15,600,511                                         | 5,029,757            | 20,630,268                                     |
| 2025                        | 14,522,708                                         | 4,563,592            | 19,086,300                                     |
| 2026–2030                   | 42,199,000                                         | 17,367,196           | 59,566,196                                     |
| 2031–2035                   | 30,730,000                                         | 10,245,504           | 40,975,504                                     |
| 2036–2040                   | 24,805,000                                         | 2,534,908            | 27,339,908                                     |
| 2041–2045                   | 1,365,000                                          | 62,563               | 1,427,563                                      |
|                             | <u>\$ 176,770,477</u>                              | <u>\$ 58,272,464</u> | <u>\$ 235,042,941</u>                          |

UAMPS incurred interest costs of \$6.3 million and \$8.0 million for the years ended March 31, 2020 and 2019, 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, 2020.

|                                            | March 31<br>2019      | Additions            | Reductions           | March 31<br>2020      | Amount<br>Due Within<br>One Year |
|--------------------------------------------|-----------------------|----------------------|----------------------|-----------------------|----------------------------------|
| Horse Butte Wind 2012A – Serial            | \$ 11,845,000         | \$ –                 | \$ 2,750,000         | \$ 9,095,000          | \$ 2,885,000                     |
| Horse Butte Wind 2017A – Serial            | 38,480,000            | –                    | –                    | 38,480,000            | –                                |
| Horse Butte Wind 2017B – Serial            | 32,455,000            | –                    | –                    | 32,455,000            | –                                |
| Horse Butte Wind 2017C – Taxable component | 165,000               | –                    | 165,000              | –                     | –                                |
| Horse Butte Wind 2017C – Taxable component | 170,000               | –                    | –                    | 170,000               | 170,000                          |
| Horse Butte Wind 2017C – Taxable component | 170,000               | –                    | –                    | 170,000               | –                                |
| Horse Butte Wind 2017C – Taxable component | 180,000               | –                    | –                    | 180,000               | –                                |
| Horse Butte Wind 2017C – Taxable component | 460,000               | –                    | –                    | 460,000               | –                                |
| Horse Butte Wind 2017C – Term              | 480,000               | –                    | –                    | 480,000               | –                                |
| Horse Butte Wind 2017C – Term              | 495,000               | –                    | –                    | 495,000               | –                                |
| San Juan 2008A– Serial                     | 815,000               | –                    | 190,000              | 625,000               | 200,000                          |
| San Juan 2011 – Serial                     | 10,060,000            | –                    | 2,035,000            | 8,025,000             | 2,150,000                        |
| Central-St. George 2009 – Serial           | 290,000               | –                    | 290,000              | –                     | –                                |
| Central-St. George 2011 – Serial           | 520,000               | –                    | 520,000              | –                     | –                                |
| Central-St. George 2012 – Serial           | 1,510,000             | –                    | 1,510,000            | –                     | –                                |
| Central-St. George 2016 – Term             | 24,510,000            | –                    | 410,000              | 24,100,000            | 2,755,000                        |
| Central-St. George 2018 – Term             | 2,116,556             | –                    | 1,021,079            | 1,095,479             | 219,206                          |
| Payson 2012 – Serial                       | 47,010,000            | –                    | 36,410,000           | 10,600,000            | 5,170,000                        |
| Payson 2013 – Serial                       | 1,065,000             | –                    | 205,000              | 860,000               | 210,000                          |
| Payson 2019 – Serial                       | –                     | 26,770,000           | –                    | 26,770,000            | 375,000                          |
| Veyo 2014 – Serial                         | 11,480,000            | –                    | 555,000              | 10,925,000            | 570,000                          |
| Veyo 2014 – Term                           | 1,060,000             | –                    | –                    | 1,060,000             | –                                |
| Veyo 2014 – Term                           | 1,100,000             | –                    | –                    | 1,100,000             | –                                |
| Veyo 2014 – Term                           | 1,145,000             | –                    | –                    | 1,145,000             | –                                |
| Veyo 2014 – Term                           | 1,190,000             | –                    | –                    | 1,190,000             | –                                |
| Veyo 2014 – Term                           | 1,240,000             | –                    | –                    | 1,240,000             | –                                |
| Veyo 2014 – Term                           | 1,300,000             | –                    | –                    | 1,300,000             | –                                |
| Veyo 2014 – Term                           | 1,365,000             | –                    | –                    | 1,365,000             | –                                |
| Hurricane City 2013 – Term                 | 1,365,000             | –                    | 138,000              | 1,227,000             | 141,000                          |
| Washington City 2013 – Term                | 676,000               | –                    | 68,000               | 608,000               | 70,000                           |
| Washington 2016 – Term                     | 1,700,000             | –                    | 150,000              | 1,550,000             | 155,000                          |
|                                            | <u>196,417,556</u>    | <u>26,770,000</u>    | <u>46,417,079</u>    | <u>176,770,479</u>    | <u>15,070,206</u>                |
| Less unamortized discount                  | 2,577                 | –                    | 2,577                | –                     | –                                |
| Plus unamortized premium                   | 18,922,163            | –                    | 3,654,152            | 15,268,009            | 1,707,668                        |
|                                            | <u>\$ 215,337,142</u> | <u>\$ 26,770,000</u> | <u>\$ 50,068,654</u> | <u>\$ 192,038,488</u> | <u>\$ 16,777,874</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, 2019.

|                                            | March 31<br>2018     | Additions           | Reductions           | March 31<br>2019     | Amount<br>Due Within<br>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)

#### 8. Lines of Credit

The outstanding balance on the combined \$25.0 million available lines of credit was \$7.7 million and \$5.3 million at March 31, 2020 and 2019, 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, 2020:

|              | <u>Gas</u>           | <u>Power</u>         |
|--------------|----------------------|----------------------|
| Fiscal year: |                      |                      |
| 2021         | \$ 13,286,160        | \$ 48,967,871        |
| 2022         | 13,503,365           | 46,747,167           |
| 2023         | 12,991,130           | 3,002,466            |
| 2024         | 837,510              | —                    |
| 2025         | 627,840              | —                    |
| Total        | <u>\$ 41,246,005</u> | <u>\$ 98,717,504</u> |

Under similar agreements UAMPS purchased energy in the amount of \$48.3 million and \$46.0 million in fiscal years 2020 and 2019, respectively. UAMPS purchased natural gas in the amount of \$14.0 million in fiscal year 2020 and \$15.0 million in fiscal year 2019.

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:

|      | <u>Tons</u> | <u>Price<br/>per Ton</u> | <u>Total<br/>Commitment<br/>March 31,<br/>2020</u> | <u>UAMPS<br/>Portion of<br/>Commitment<br/>March 31,<br/>2020</u> |
|------|-------------|--------------------------|----------------------------------------------------|-------------------------------------------------------------------|
| 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 2020 and 2019, UAMPS incurred minimum coal costs of \$5.4 million and \$4.8 million, respectively, and incremental coal costs each year of \$0.2 million and \$0.4 million, respectively, as its portion of the existing San Juan Operating Agreement. Incremental coal costs are comprised of variable costs for the purchase of coal in excess of the minimum purchase requirement and can be negative due to consumption being less than the base purchase requirement.

UAMPS leases office space under a ten-year operating lease expiring in fiscal year 2022. Future minimum lease payments under the operating lease obligation are:

|              |                     |
|--------------|---------------------|
| Fiscal year: |                     |
| 2021         | \$ 484,203          |
| 2022         | 593,708             |
| 2023         | 605,582             |
| 2024         | 617,694             |
| 2025         | 630,048             |
| Thereafter   | <u>5,526,356</u>    |
|              | <u>\$ 8,457,591</u> |

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 9. Commitments and Contingencies (continued)

Rent expense for the years ended March 31, 2020 and 2019, were \$0.5 million and \$0.4 million, respectively.

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

### 10. Retirement Plan

UAMPS has a noncontributory money purchase defined contribution pension plan, which covers all of its employees. Employees are eligible to participate from the date of employment. Contributions and earnings thereon are always fully vested upon participation in the plan. Contribution levels are established by the Board and are initially equal to 15.3%, increasing to 25.0% of each covered employee's compensation. UAMPS' covered payroll amounted to approximately \$5.2 million in 2020 and \$5.0 million in 2019. Contributions, which are approximately 22.99% in 2020 and 22.94% in 2019 of total payroll, totaled approximately \$1.2 million in 2020 and \$1.1 million in 2019. All contributions are invested using an outside pension administrator, ICMA Retirement Corp. (ICMA). ICMA provides the participants with multiple options for their pension investments.

|                                          | <b>Year Ended March 31</b> |              |
|------------------------------------------|----------------------------|--------------|
|                                          | <b>2020</b>                | <b>2019</b>  |
| Total covered payroll                    | \$ 5,220,000               | \$ 4,970,000 |
| Contributions                            | 1,200,000                  | 1,140,000    |
| Contributions as a percentage of payroll | 22.99%                     | 22.94%       |

# Supplemental Schedules

Utah Associated Municipal Power Systems

Schedules of Project Financial Statements

Balance Sheet

March 31, 2020

|                                                        | CRSP                | Hunter II            | San Juan<br>Unit 4   | IPP               | Firm<br>Power       | Horse<br>Butte<br>Wind | Veyo                 | Craig<br>Mona     | Central-<br>St. George | Pool                 | Payson               | CFPP                  | IPP #3            | Resource            | Gas<br>Project    | Government<br>and Public<br>Affairs | Member<br>Services  | Totals                |
|--------------------------------------------------------|---------------------|----------------------|----------------------|-------------------|---------------------|------------------------|----------------------|-------------------|------------------------|----------------------|----------------------|-----------------------|-------------------|---------------------|-------------------|-------------------------------------|---------------------|-----------------------|
| <b>Assets</b>                                          |                     |                      |                      |                   |                     |                        |                      |                   |                        |                      |                      |                       |                   |                     |                   |                                     |                     |                       |
| <b>Current assets:</b>                                 |                     |                      |                      |                   |                     |                        |                      |                   |                        |                      |                      |                       |                   |                     |                   |                                     |                     |                       |
| Cash                                                   | \$ (1,345,778)      | \$ 1,584,690         | \$ (1,753,163)       | \$ 406,640        | \$ 500,015          | \$ 708,427             | \$ 233,226           | \$ 572,095        | \$ (1,923,644)         | \$ 5,167,380         | \$ (2,001,575)       | \$ (2,560,018)        | \$ 188,503        | \$ 1,051,584        | \$ (29,246)       | \$ 296,046                          | \$ (41,076)         | \$ 1,054,106          |
| Receivables                                            | 1,589,261           | 2,514,376            | 1,912,831            | 9,031             | 851,065             | 1,524,429              | 389,603              | 55,608            | 544,189                | 7,198,161            | 3,985,709            | —                     | —                 | 90,617              | 15,344            | 61,741                              | 104,599             | 20,846,564            |
| Prepaid expenses and deposits                          | 1,947,179           | 2,402,754            | 1,570,913            | 10,246            | 344,837             | 1,878,117              | 385,729              | 114,744           | 401,985                | 9,346,851            | 3,922,053            | 1,492,509             | —                 | 167,504             | 137,178           | 76,023                              | 36,976              | 24,235,598            |
| Investments                                            | —                   | 1,893,000            | 1,641,080            | —                 | —                   | 774,633                | 51,450               | 186,451           | —                      | 325,000              | 1,931,189            | —                     | —                 | —                   | —                 | —                                   | —                   | 6,802,803             |
|                                                        | 2,190,662           | 8,394,820            | 3,371,661            | 425,917           | 1,695,917           | 4,885,606              | 1,060,008            | 928,898           | (977,470)              | 22,037,392           | 7,837,376            | (1,067,509)           | 188,503           | 1,309,705           | 123,276           | 433,810                             | 100,499             | 52,939,071            |
| <b>Restricted assets:</b>                              |                     |                      |                      |                   |                     |                        |                      |                   |                        |                      |                      |                       |                   |                     |                   |                                     |                     |                       |
| Interest receivable                                    | —                   | 5,690,106            | 8,942,847            | —                 | —                   | 10,860,763             | 2,044,000            | —                 | 4,925,567              | —                    | 12,074,731           | —                     | —                 | —                   | —                 | —                                   | 1,520,605           | 46,058,619            |
| Investments                                            | 66                  | 105                  | 80                   | —                 | 35                  | 64                     | 16                   | 2                 | 23                     | 300                  | 166                  | —                     | —                 | 4                   | 1                 | 3                                   | 4                   | 869                   |
|                                                        | 66                  | 5,690,211            | 8,942,927            | —                 | 35                  | 10,860,827             | 2,044,016            | 2                 | 4,925,590              | 300                  | 12,074,897           | —                     | —                 | 4                   | 1                 | 3                                   | 1,520,609           | 46,059,488            |
| <b>Capital assets:</b>                                 |                     |                      |                      |                   |                     |                        |                      |                   |                        |                      |                      |                       |                   |                     |                   |                                     |                     |                       |
| Generation                                             | —                   | 99,426,378           | 69,481,454           | —                 | —                   | 93,971,461             | 30,680,922           | —                 | —                      | —                    | 111,487,707          | —                     | —                 | —                   | —                 | —                                   | 6,828,983           | 411,876,905           |
| Transmission                                           | —                   | —                    | —                    | —                 | —                   | —                      | —                    | 17,492,388        | 58,286,489             | —                    | 10,521,738           | —                     | —                 | —                   | —                 | —                                   | —                   | 86,300,615            |
| Furniture and equipment                                | 70,401              | 221,039              | 168,791              | 54,229            | 37,206              | 188,179                | 12,236               | 16,811            | 58,641                 | —                    | 377,912              | 151,800               | —                 | 234,431             | 71,134            | 99,977                              | 14,335              | 1,777,122             |
|                                                        | 70,401              | 99,647,417           | 69,650,245           | 54,229            | 37,206              | 94,159,640             | 30,693,158           | 17,509,199        | 58,345,130             | —                    | 122,387,357          | 151,800               | —                 | 234,431             | 71,134            | 99,977                              | 6,843,318           | 499,954,642           |
| Less accumulated depreciation                          | (49,942)            | (90,851,478)         | (60,641,183)         | (35,727)          | (35,496)            | (11,876,244)           | (4,390,972)          | (17,507,856)      | (46,896,510)           | —                    | (82,588,064)         | (142,050)             | —                 | (172,216)           | (58,195)          | (80,286)                            | (4,325,952)         | (319,652,171)         |
|                                                        | 20,459              | 8,795,939            | 9,009,062            | 18,502            | 1,710               | 82,283,396             | 26,302,186           | 1,343             | 11,448,620             | —                    | 39,799,293           | 9,750                 | —                 | 62,215              | 12,939            | 19,691                              | 2,517,366           | 180,302,471           |
| Construction work-in-progress                          | 19,300              | 60,456               | 24,142               | —                 | 15,379              | 19,984                 | 6,266                | —                 | —                      | 412,250              | 63,723               | —                     | —                 | —                   | —                 | —                                   | —                   | 621,500               |
|                                                        | 39,759              | 8,856,395            | 9,033,204            | 18,502            | 17,089              | 82,303,380             | 26,308,452           | 1,343             | 11,448,620             | 412,250              | 39,863,016           | 9,750                 | —                 | 62,215              | 12,939            | 19,691                              | 2,517,366           | 180,923,971           |
| <b>Deferred outflows of resources</b>                  |                     |                      |                      |                   |                     |                        |                      |                   |                        |                      |                      |                       |                   |                     |                   |                                     |                     |                       |
| Defeasance costs                                       | —                   | —                    | 68,734               | —                 | —                   | 872,049                | —                    | —                 | 2,347,383              | —                    | 580,284              | —                     | —                 | —                   | —                 | —                                   | —                   | 3,868,450             |
| <b>Total assets and deferred outflows of resources</b> | <b>\$ 2,230,487</b> | <b>\$ 22,941,426</b> | <b>\$ 21,416,526</b> | <b>\$ 444,419</b> | <b>\$ 1,713,041</b> | <b>\$ 98,921,862</b>   | <b>\$ 29,412,476</b> | <b>\$ 930,243</b> | <b>\$ 17,744,123</b>   | <b>\$ 22,449,942</b> | <b>\$ 60,355,573</b> | <b>\$ (1,057,759)</b> | <b>\$ 188,503</b> | <b>\$ 1,371,924</b> | <b>\$ 136,216</b> | <b>\$ 453,504</b>                   | <b>\$ 4,138,474</b> | <b>\$ 283,790,980</b> |

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

Balance Sheet

March 31, 2020

|                                                                    | CRSP         | Hunter II      | San Juan<br>Unit 4 | IPP        | Firm<br>Power | Horse<br>Butte<br>Wind | Veyo          | Craig<br>Mona | Central-<br>St. George | Pool          | Payson        | CFPP           | IPP #3     | Resource     | Gas<br>Project | Government<br>and Public<br>Affairs | Member<br>Services | Totals         |            |
|--------------------------------------------------------------------|--------------|----------------|--------------------|------------|---------------|------------------------|---------------|---------------|------------------------|---------------|---------------|----------------|------------|--------------|----------------|-------------------------------------|--------------------|----------------|------------|
| <b>Liabilities</b>                                                 |              |                |                    |            |               |                        |               |               |                        |               |               |                |            |              |                |                                     |                    |                |            |
| Current liabilities:                                               |              |                |                    |            |               |                        |               |               |                        |               |               |                |            |              |                |                                     |                    |                |            |
| Accounts payable                                                   | \$ 1,364,547 | \$ (1,098,157) | \$ 1,185,807       | \$ 8,373   | \$ 382,673    | \$ 3,029,844           | \$ 495,966    | \$ 51,192     | \$ 90,713              | \$ 11,065,954 | \$ 3,728,647  | \$ 474,160     | \$ -       | \$ 61,523    | \$ 5,562       | \$ 12,561                           | \$ 5,448           | \$ 20,864,813  |            |
| Accrued liabilities                                                | 91,123       | 331,923        | 598,007            | 27,440     | 48,724        | (110,758)              | 245,274       | 13,466        | 50,870                 | 10,316,704    | 316,011       | 150,975        | -          | 157,087      | 16,344         | 71,645                              | 20                 | 12,324,855     |            |
| Lines of credit                                                    | 587,018      | 928,724        | 706,534            | 3,336      | 314,354       | 563,071                | 143,906       | 20,540        | 201,004                | 2,658,752     | 1,472,183     | -              | -          | 33,471       | 5,667          | 22,805                              | 38,635             | 7,700,000      |            |
| Current portion of unearned revenue                                | -            | -              | 412,772            | -          | -             | 1,346,736              | 382,569       | -             | 180,583                | 1,285,399     | 478,617       | -              | -          | -            | -              | -                                   | -                  | 4,086,676      |            |
|                                                                    | 2,042,688    | 162,490        | 2,903,120          | 39,149     | 745,751       | 4,828,893              | 1,267,715     | 85,198        | 523,170                | 25,326,809    | 5,995,458     | 625,135        | -          | 252,081      | 27,573         | 107,011                             | 44,103             | 44,976,344     |            |
| Liabilities payable from restricted assets:                        |              |                |                    |            |               |                        |               |               |                        |               |               |                |            |              |                |                                     |                    |                |            |
| Accrued interest payable                                           | 670          | 1,059          | 157,051            | 4          | 359           | 338,720                | 74,863        | 23            | 217,984                | 3,033         | 516,060       | -              | -          | 38           | 6              | 26                                  | 27,627             | 1,337,523      |            |
| Current portion of long-term debt                                  | -            | -              | 2,396,779          | -          | -             | 4,360,363              | 659,863       | -             | 2,974,205              | -             | 6,020,664     | -              | -          | -            | -              | -                                   | -                  | 366,000        | 16,777,874 |
|                                                                    | 670          | 1,059          | 2,553,830          | 4          | 359           | 4,699,083              | 734,726       | 23            | 3,192,189              | 3,033         | 6,536,724     | -              | -          | 38           | 6              | 26                                  | 393,627            | 18,115,397     |            |
| Long-term debt:                                                    |              |                |                    |            |               |                        |               |               |                        |               |               |                |            |              |                |                                     |                    |                |            |
| Bonds payable, less current portion                                | -            | -              | 6,300,000          | -          | -             | 78,930,000             | 18,755,000    | -             | 22,221,272             | -             | 32,475,000    | -              | -          | -            | -              | -                                   | 3,019,001          | 161,700,273    |            |
| Unamortized bond premium                                           | -            | -              | 43,533             | -          | -             | 12,194,587             | 1,056,557     | -             | -                      | -             | 265,664       | -              | -          | -            | -              | -                                   | -                  | 13,560,341     |            |
|                                                                    | -            | -              | 6,343,533          | -          | -             | 91,124,587             | 19,811,557    | -             | 22,221,272             | -             | 32,740,664    | -              | -          | -            | -              | -                                   | 3,019,001          | 175,260,614    |            |
| Other liabilities:                                                 |              |                |                    |            |               |                        |               |               |                        |               |               |                |            |              |                |                                     |                    |                |            |
| Unearned revenue, less current portion                             | -            | -              | 10,274,750         | -          | -             | 23,863,431             | 9,907,223     | -             | 3,276,284              | 2,144,671     | 4,477,537     | -              | -          | -            | -              | -                                   | -                  | 53,943,896     |            |
| Accumulated amortization of unearned revenue                       | -            | -              | (9,793,181)        | -          | -             | (9,873,956)            | (2,287,722)   | -             | (3,077,920)            | -             | (3,442,451)   | -              | -          | -            | -              | -                                   | -                  | (28,475,230)   |            |
| Net unearned revenue                                               | -            | -              | 481,569            | -          | -             | 13,989,475             | 7,619,501     | -             | 198,364                | 2,144,671     | 1,035,086     | -              | -          | -            | -              | -                                   | -                  | 25,468,666     |            |
| <b>Deferred inflows of resources</b>                               |              |                |                    |            |               |                        |               |               |                        |               |               |                |            |              |                |                                     |                    |                |            |
| Net costs advanced from billings to members                        | 4,494        | 19,016,136     | 8,708,316          | 10,470     | (24,801)      | (16,829,295)           | (157,274)     | 526,082       | (8,147,072)            | (6,337,366)   | 12,356,321    | 33,330         | -          | 40,565       | 18,467         | 8,626                               | 717,864            | 9,944,863      |            |
| <b>Net position</b>                                                | 182,635      | 3,761,741      | 426,159            | 394,797    | 991,733       | 1,109,118              | 136,252       | 318,939       | (243,801)              | 1,312,796     | 1,691,320     | (1,716,224)    | 188,503    | 1,079,240    | 90,168         | 337,841                             | (36,121)           | 10,025,096     |            |
| Total liabilities, deferred inflows of resources, and net position | \$ 2,230,487 | \$ 22,941,426  | \$ 21,416,527      | \$ 444,420 | \$ 1,713,042  | \$ 98,921,861          | \$ 29,412,477 | \$ 930,242    | \$ 17,744,122          | \$ 22,449,943 | \$ 60,355,573 | \$ (1,057,759) | \$ 188,503 | \$ 1,371,924 | \$ 136,214     | \$ 453,504                          | \$ 4,138,474       | \$ 283,790,980 |            |

Utah Associated Municipal Power Systems

Schedules of Project Financial Statements

Income Statement

Year Ended March 31, 2020

|                                                     | CRSP          | Hunter II     | San Juan Unit 4 | IPP        | Firm Power   | Horse Butte Wind | Veyo         | Craig Mona | Central-St. George | Pool          | Payson        | CFPP           | IPP #3 | Resource   | Gas Project | Government and Public Affairs | Member Services | Totals         |
|-----------------------------------------------------|---------------|---------------|-----------------|------------|--------------|------------------|--------------|------------|--------------------|---------------|---------------|----------------|--------|------------|-------------|-------------------------------|-----------------|----------------|
| <b>Operating revenues:</b>                          |               |               |                 |            |              |                  |              |            |                    |               |               |                |        |            |             |                               |                 |                |
| Power sales                                         | \$ 12,132,347 | \$ 18,913,908 | \$ 13,601,451   | \$ 152,446 | \$ 7,429,641 | \$ 13,627,784    | \$ 3,282,542 | \$ 833,365 | \$ 4,242,487       | \$ 71,714,592 | \$ 37,636,327 | \$ 2,058,432   | \$ -   | \$ 59,515  | \$ 151,520  | \$ 492,058                    | \$ 907,696      | \$ 187,236,111 |
| Other                                               | (14,705)      | (51,941)      | (27,349)        | 76         | (12,522)     | (17,608)         | (5,610)      | 37         | 141                | (334,676)     | (50,128)      | 418            | -      | 1,017,707  | 45          | 200                           | -               | 504,085        |
|                                                     | 12,117,642    | 18,861,967    | 13,574,102      | 152,522    | 7,417,119    | 13,610,176       | 3,276,932    | 833,402    | 4,242,628          | 71,379,916    | 37,586,199    | 2,058,850      | -      | 1,077,222  | 151,565     | 492,258                       | 907,696         | 187,740,196    |
| <b>Operating expenses:</b>                          |               |               |                 |            |              |                  |              |            |                    |               |               |                |        |            |             |                               |                 |                |
| Cost of power                                       | 11,710,286    | 17,151,976    | 10,634,814      | -          | 6,865,372    | 3,802,573        | 817,932      | 257,614    | 241,845            | 66,498,373    | 23,714,159    | -              | -      | 336,970    | -           | 144,485                       | 237,899         | 142,414,298    |
| In lieu of ad valorem taxes                         | -             | 393,221       | 108,392         | -          | -            | 175,225          | -            | -          | -                  | -             | -             | -              | -      | -          | -           | -                             | -               | 676,838        |
| Depreciation                                        | 15,364        | 414,555       | 4,437,504       | 12,628     | 10,368       | 4,761,406        | 1,290,205    | 597,020    | 2,837,768          | -             | 6,277,056     | 53,309         | -      | 51,896     | 18,724      | 26,655                        | 317,107         | 21,121,565     |
| General and administrative                          | 333,325       | 759,581       | 544,837         | 119,063    | 286,760      | 1,087,020        | 641,518      | 78,287     | 399,648            | 2,706,867     | 3,661,021     | 3,115,057      | -      | 500,825    | 80,462      | 257,672                       | 29,717          | 14,601,660     |
|                                                     | 12,058,975    | 18,719,333    | 15,725,547      | 131,691    | 7,162,500    | 9,826,224        | 2,749,655    | 932,921    | 3,479,261          | 69,205,240    | 33,652,236    | 3,168,366      | -      | 889,691    | 99,186      | 428,812                       | 584,723         | 178,814,361    |
| Operating income (loss)                             | 58,667        | 142,634       | (2,151,445)     | 20,831     | 254,619      | 3,783,952        | 527,277      | (99,519)   | 763,367            | 2,174,676     | 3,933,963     | (1,109,516)    | -      | 187,531    | 52,379      | 63,446                        | 322,973         | 8,925,835      |
| <b>Nonoperating revenues (expenses):</b>            |               |               |                 |            |              |                  |              |            |                    |               |               |                |        |            |             |                               |                 |                |
| Interest expense                                    | -             | 158,249       | 214,048         | -          | -            | 288,113          | 58,891       | -          | 115,410            | -             | (91,712)      | -              | -      | -          | -           | -                             | 33,277          | 776,276        |
| Investment and other income (expense)               | (10,894)      | (17,236)      | (467,965)       | (62)       | (5,834)      | (2,921,578)      | (790,330)    | (381)      | (985,354)          | (49,343)      | (1,014,867)   | -              | -      | (621)      | (105)       | (423)                         | (84,344)        | (6,349,337)    |
| Deferred outflows of resources – net costs advanced | 275           | 1,164,039     | 2,654,213       | 1,868      | 1,278        | (622,451)        | 184,638      | 593,372    | 23,420             | -             | (1,853,764)   | 9,949          | -      | (1,737)    | (1,156)     | 1,908                         | (259,629)       | 1,896,223      |
| Total nonoperating expenses                         | (10,619)      | 1,305,052     | 2,400,296       | 1,806      | (4,556)      | (3,255,916)      | (546,801)    | 592,991    | (846,524)          | (49,343)      | (2,960,343)   | 9,949          | -      | (2,358)    | (1,261)     | 1,485                         | (310,696)       | (3,676,838)    |
| Change in net position                              | \$ 48,048     | \$ 1,447,686  | \$ 248,851      | \$ 22,637  | \$ 250,063   | \$ 528,036       | \$ (19,524)  | \$ 493,472 | \$ (83,157)        | \$ 2,125,333  | \$ 973,620    | \$ (1,099,567) | \$ -   | \$ 185,173 | \$ 51,118   | \$ 64,931                     | \$ 12,277       | \$ 5,248,997   |

# Reports Required by the Uniform Guidance





Ernst & Young LLP  
Suite 1800  
15 West South Temple  
Salt Lake City, UT 84101

Tel: +1 801 350 3300  
Fax: +1 801 350 3456  
ey.com

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

Management and the Board of Directors  
Utah Associated Municipal Power Systems

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Utah Associated Municipal Power Systems, which comprise the statement of net position as of March 31, 2020, 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 15, 2020.

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

*Ernst + Young LLP*

July 15, 2020



Ernst & Young LLP  
Suite 1800  
15 West South Temple  
Salt Lake City, UT 84101

Tel: +1 801 350 3300  
Fax: +1 801 350 3456  
ey.com

## 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, 2020. 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, 2020.

### **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 15, 2020

Supplementary Information  
Required by the Uniform Guidance

Utah Associated Municipal Power Systems  
 Schedule of Expenditures of Federal Awards

Year Ended March 31, 2020

| <b>Federal Grantor/Pass-Through<br/>Grantor/Program Title</b>                                                | <b>Federal<br/>CFDA<br/>Number</b> | <b>Pass-Through<br/>Entity<br/>Identifying<br/>Number</b> | <b>Total<br/>Current Year<br/>Expenditures</b> |
|--------------------------------------------------------------------------------------------------------------|------------------------------------|-----------------------------------------------------------|------------------------------------------------|
| <b>Nuclear Energy Research, Development, and<br/>Demonstration</b>                                           |                                    |                                                           |                                                |
| Passed through NuScale Power, LLC – Site<br>Permitting and Licensing of the NuScale Small<br>Modular Reactor | 81.121                             | DE-NE0008369                                              | \$ 1,354,257                                   |
| Total federal expenditures                                                                                   |                                    |                                                           | <u>\$ 1,354,257</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, 2020

### **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, 2020. 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, 2020

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 No

Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal program:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes 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 No

Identification of major federal program:

CFDA Number Name of Federal Program or Cluster

81.121 Nuclear Energy Research, Development and Demonstration

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

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

Year Ended March 31, 2020

**Section II – Financial Statement Findings**

No matters were reported.

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

No matters were reported.

# Other Report

## 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, 2020.

State compliance requirements were tested for the year ended March 31, 2020, 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, 2020.

### ***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 15, 2020

**About EY**

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via [ey.com/privacy](https://ey.com/privacy). For more information about our organization, please visit [ey.com](https://ey.com).

© 2020 Ernst & Young LLP.  
All Rights Reserved.

**[ey.com](https://ey.com)**