



FINANCIAL STATEMENTS AND  
SUPPLEMENTAL SCHEDULES

Utah Associated Municipal Power Systems  
Years Ended March 31, 2013 and 2012  
With Report of Independent Auditors

Ernst & Young LLP

 **ERNST & YOUNG**

Utah Associated Municipal Power Systems  
Financial Statements and Supplemental Schedules

Years Ended March 31, 2013 and 2012

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# 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, 2013, 2012 and 2011.

### **Description of Business**

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

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

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

### **Highlights**

UAMPS posted an excess of revenues over expenses for the years ended March 31, 2013, 2012, and 2011 of \$18.7 million, \$3.6 million, and \$3.9 million, respectively. The increase at March 31, 2013 from March 31, 2012 is attributable largely to a \$17.0 million fee earned by

# Utah Associated Municipal Power Systems

## Management's Discussion and Analysis (continued)

UAMPS, acting as Developer of the Horse Butte Wind project, which was completed and began commercial operation during fiscal year 2013. The development fee was distributed during fiscal year 2013 and was applied to pay costs of the project not funded by the Horse Butte Wind Project Revenue Bonds described below. The Members may elect to receive refunds of the remaining 2013 excess of revenues over expenses during fiscal year 2014.

### **Overview of the Financial Statements**

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

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

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

### **Financial Analysis**

Total cash and invested assets at March 31, 2013, 2012, and 2011 were \$52.3 million, \$42.5 million, and \$42.6 million, respectively. The increase of \$9.8 million from March 31, 2012 to March 31, 2013 is due to a few key items. First, as the Horse Butte Wind Project began commercial operation, there were increases totaling \$11.8 million for debt service, liquidity, and operation accounts. Second, there was an increase of \$2.4 million in the Hunter Project overhaul account. Third, these increases were offset by a decrease of \$3.9 million in the member funds, retained at their request, for future use. There were other minor account fluctuations due to refinancing and overhaul fund usage. The slight decrease from March 31, 2011 to March 31, 2012 was due to activity in major maintenance reserve accounts.

## Utah Associated Municipal Power Systems

### Management's Discussion and Analysis (continued)

The components of investments at March 31, 2013, 2012, and 2011, consisted of the following:

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Money market funds invested in U.S.			
government securities	<b>0.0%</b>	0.0%	1.0%
Investment in U.S. Treasury notes	<b>23.0</b>	28.0	31.0
Investment in Debenture issued by Government			
Sponsored Enterprise	<b>1.0</b>	1.0	8.0
Utah Public Treasurer's Investment Fund	<b>76.0</b>	71.0	60.0
	<b>100.0%</b>	100.0%	100.0%

At March 31, 2013, 2012, and 2011, accounts receivable totaled \$21.7 million, \$20.6 million, and \$24.3 million, respectively. The \$1.1 million increase from March 31, 2012 to March 31, 2013 is predominantly the result of increase billing amounts due to the Horse Butte Wind Project beginning commercial operation during fiscal year 2013. The \$3.7 million decrease between March 31, 2011 and March 31, 2012, is due to cumulative decreases in billings to membership and smaller outstanding balances at March 31, 2012, due to lower electricity and gas prices, and the expiration of a contractual arrangement, which reduced callback from the IPP project.

The table below summarizes UAMPS' total assets and total liabilities at March 31, 2013, 2012, and 2011:

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Current assets	\$ <b>38,054</b>	\$ 34,621	\$ 39,754
Capital assets, net	<b>166,304</b>	176,791	181,332
Other assets	<b>156,498</b>	36,707	35,044
Total assets	<b>360,856</b>	248,119	256,130
Current liabilities	<b>29,391</b>	25,628	35,104
Long-term liabilities	<b>237,069</b>	149,776	157,807
Other liabilities	<b>89,331</b>	64,256	55,907
Total liabilities	<b>355,791</b>	239,660	248,818
Net position:			
Net investment in capital assets	<b>9,993</b>	691	866
Restricted	<b>7,324</b>	4,472	8,202
Unrestricted	<b>(12,252)</b>	3,296	(1,756)
	<b>5,065</b>	8,459	7,312
Total liabilities and net position	<b>\$ 360,856</b>	\$ 248,119	\$ 256,130

## Utah Associated Municipal Power Systems

### Management's Discussion and Analysis (continued)

#### **Financial Analysis of Operations**

Operating revenue from power sales for the years ended March 31, 2013, 2012, and 2011 was \$161.0 million, \$167.9 million, and \$192.2 million, respectively. The decrease of \$6.9 million in fiscal year 2013 from fiscal year 2012 is due to fluctuations in several projects. The largest contributor to the decrease is the decline in revenue for the IPP project of \$37.5 million due to the reduction in megawatt hours (MWh) scheduled. Hunter project revenues decreased \$5.5 million largely due the decline in debt service resulting from the maturity of all outstanding debt. CRSP project revenues decreased \$2.6 million due to reduced hydroelectric generation within this project as a result of a drought conditions in the Colorado River Basin. These declines were offset by increases in the Horse Butte Wind project revenues, which increased \$9.2 million as a result of the commencement of commercial operation in August 2012. Pool project had increased MWh, resulting in increased revenue of \$25.1 million. And finally, Payson project also had increased MWh, resulting in an increase in revenues of \$4.6 million due to favorable natural gas prices and market conditions. The decrease of \$24.3 million from fiscal year 2011 to fiscal year 2012 is due to several factors. IPP project revenue decreased \$4.5 million due to a reduction in MWh scheduled, and a forced outage on one of the units. Pool project revenue decreased \$9.3 million due to reduced forecasts and off-system sales. Nebo project revenue decreased by approximately \$4.0 million due to lower MWh generation. IPP#3 settlement revenue was not present in fiscal year 2012, as the settlement concluded in fiscal year 2011, which resulted in a reduction in revenue of \$9.5 million. Resource project had a decline of \$0.8 million, as one sub-project concluded. These decreases were offset by increases in the CRSP project of \$2.3 million due to high water volume, and Hunter project for \$1.6 million, as the unit was online after a major outage coupled with environmental upgrades.

Other income for March 31, 2013, 2012 and 2011 was \$18.6 million, \$0.8 million, and \$1.6 million, respectively. The increase of \$17.8 million from fiscal year 2012 to fiscal year 2013 is due to fee income earned by UAMPS, acting as developer for the Horse Butte Wind project. The decrease of \$0.8 million from fiscal year 2011 to fiscal year 2012 is due the completion of a sub-project within the Resource project.

Investment income for March 31, 2013, 2012, and 2011 was \$0.9 million, \$1.7 million, and \$0.9 million, respectively. The decrease of \$0.8 million from fiscal year 2012 to fiscal year 2013 is due to smaller unrealized gains on investments UAMPS held at March 31, 2013. Similarly, the increase of \$0.8 million from fiscal year 2011 to fiscal year 2012 is due to unrealized gain on investments UAMPS held at March 31, 2012 of \$1.2 million, offset by other minor fluctuations.

## Utah Associated Municipal Power Systems

### Management's Discussion and Analysis (continued)

The table below summarizes UAMPS' total revenues and expenses for fiscal years 2013, 2012, and 2011:

	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Revenue:</b>			
Power sales	\$ <b>160,969</b>	\$ 167,933	\$ 192,225
Investment income	<b>856</b>	1,669	850
Other income	<b>18,553</b>	805	1,606
	<b>180,378</b>	170,407	194,681
<b>Expenses:</b>			
Cost of power	<b>131,199</b>	128,098	151,823
Other expenses	<b>31,673</b>	29,405	29,898
	<b>162,872</b>	157,503	181,721
Excess of revenues over expenses before net costs advanced through billings to Members	<b>17,506</b>	12,904	12,960
Change in net costs to be recovered from billings to Members	<b>1,186</b>	(9,278)	(9,093)
	<b>18,693</b>	3,626	3,867
Net position at beginning of year	<b>8,459</b>	7,312	9,295
Distributions	<b>(22,086)</b>	(2,479)	(5,850)
Net position at end of year	<b>\$ 5,065</b>	\$ 8,459	\$ 7,312

### **Cash Flow and Liquidity**

UAMPS' sources of cash include power sales, services, issuance of debt and investment income. The cash balance at March 31, 2013, 2012, and 2011 was \$0.02 million, \$0.0 million, and \$0.7 million, respectively. The amount will fluctuate primarily due to timing of the transfer from the revolving line of credit and cash transfers.

In order to manage cash flow requirements, UAMPS has a revolving line of credit with two financial institutions with total available cash lines of \$25.0 million. The rates from both financial institutions are variable with one being in relation to the prime rate and the other in relation to LIBOR. Of the combined \$25.0 million available on the revolving lines of credit, the outstanding balance was \$9.4 million, \$7.6 million, and \$14.8 million, as of March 31, 2013, 2012, and 2011, respectively.

# Utah Associated Municipal Power Systems

## Management's Discussion and Analysis (continued)

### **Budgets and Billing**

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

### **Significant Capital Assets and Long-Term Debt Activity**

On March 31, 2013 and 2012, the construction work-in-progress balance was \$0. The balance outstanding on March 31, 2011 of \$20.1 million related to outage and environmental upgrades for the Hunter project were completed and placed in service during fiscal year 2012.

On April 12, 2012, UAMPS issued Payson Power Project Refunding Revenue Bonds, Series 2012, (totaling \$74.9 million) maturing April 1, 2026 at 2.00%-5.00% interest. The bonds maturing on or after April 1, 2022 are subject to redemption on or after October 1, 2021 in whole or in part on any date, at a redemption price of par. The bonds were issued to refund all of the outstanding principal amounts of the Series 2003A Bonds and the Series 2007 Bonds. Proceeds from the Series 2012 Bonds were also used to pay certain costs related to the issuance of the Bonds.

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

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

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



# Utah Associated Municipal Power Systems

## Management's Discussion and Analysis (continued)

### **Western Electric Energy Markets**

The energy markets in the Western Interconnection have remained fairly stable due to low natural gas prices and general economic conditions. The rate for participants from Western Area Power Administration (WAPA) remained stable from fiscal year 2012 into fiscal year 2013. Energy amounts returned to normal after receiving almost 50% more energy in fiscal year 2012 due to a high water year.

While the current national economic conditions continue to be essentially flat, Utah's economic indicators are positive. UAMPS' loads have recovered to 2007 levels and appear to be growing in the 1%-2% range. UAMPS continues efforts to evaluate new generation resources and also in working with the various regional transmission providers in order to see that the needed transmission infrastructure is built in a timely fashion.

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

### **Requests for Information**

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

## Report of Independent Auditors

The Board of Directors of  
Utah Associated Municipal Power Systems

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

We have audited the accompanying financial statements of Utah Associated Municipal Power Systems, as of and for the years ended March 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the 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, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

## **Required Supplementary Information**

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 3 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

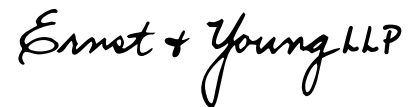
## **Supplementary Information**

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

The schedules of project financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedules of project financial statements are fairly stated, in all material respects, in relation to the 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 16, 2013 on our consideration of the Utah Associated Municipal Power Systems' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Utah Associated Municipal Power Systems' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads 'Ernst & Young LLP'.

July 16, 2013

# Utah Associated Municipal Power Systems

## Statements of Net Position

	<b>March 31</b>	
	<b>2013</b>	<b>2012</b>
<b>Assets</b>		
Current assets:		
Cash	\$ 26,490	\$ –
Receivables	21,678,180	20,624,782
Prepaid expenses and deposits	5,857,972	5,278,569
Investments	4,766,809	8,717,804
Current portion of energy prepayment	5,724,341	–
	<b>38,053,792</b>	<b>34,621,155</b>
Restricted assets:		
Interest receivable	52,863	53,858
Investments	47,466,226	33,828,558
	<b>47,519,089</b>	<b>33,882,416</b>
Capital assets:		
Generation	261,347,204	255,686,727
Transmission	84,669,469	84,669,469
Furniture and equipment	1,171,210	1,089,876
	<b>347,187,883</b>	<b>341,446,072</b>
Less accumulated depreciation	(180,884,163)	(164,655,364)
	<b>166,303,720</b>	<b>176,790,708</b>
Other assets:		
Unamortized bond issuance costs (net of accumulated amortization of \$403,000 and \$1,323,000, respectively)	3,531,051	2,825,201
Energy prepayment, less current portion	105,448,353	–
	<b>108,979,404</b>	<b>2,825,201</b>
Total assets	<b>\$ 360,856,005</b>	<b>\$ 248,119,480</b>

	<b>March 31</b>	
	<b>2013</b>	<b>2012</b>
<b>Liabilities</b>		
Current liabilities:		
Outstanding checks in excess of transfers	\$ —	\$ 887,662
Accounts payable	12,753,532	9,770,134
Accrued liabilities	5,240,595	6,666,377
Lines of credit	9,401,418	7,550,000
Current portion of deferred revenue	1,995,179	754,028
	<u>29,390,724</u>	<u>25,628,201</u>
Liabilities payable from restricted assets:		
Accrued interest payable	3,050,175	3,106,527
Current portion of long-term debt	12,315,541	8,246,561
	<u>15,365,716</u>	<u>11,353,088</u>
Long-term debt:		
Bonds payable, less current portion	221,460,000	144,879,000
Unamortized bond discount	(280,406)	(308,487)
Unamortized bond premium	16,626,379	5,896,690
Deferred refunding charges	(737,246)	(690,943)
	<u>237,068,727</u>	<u>149,776,260</u>
Other liabilities:		
Deferred revenue, less current portion	27,945,757	5,696,773
Net costs advanced through billings to Members	46,020,089	47,205,781
	<u>73,965,846</u>	<u>52,902,554</u>
Total liabilities	<u>355,791,013</u>	<u>239,660,103</u>
<b>Net position</b>		
Net investment in capital assets	9,993,129	690,718
Restricted	7,324,005	4,472,478
Unrestricted	(12,252,142)	3,296,181
	<u>\$ 5,064,992</u>	<u>\$ 8,459,377</u>
Total net position	<u>\$ 5,064,992</u>	<u>\$ 8,459,377</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>2013</b>	<b>2012</b>
Operating revenues:		
Power sales	<b>\$ 160,969,130</b>	\$ 167,932,886
Other	<b>18,553,445</b>	805,422
	<b>179,522,575</b>	168,738,308
Operating expenses:		
Cost of power	<b>131,199,044</b>	128,097,625
In lieu of ad valorem taxes	<b>727,137</b>	915,068
Depreciation	<b>16,409,897</b>	14,454,925
General and administrative	<b>7,407,758</b>	6,230,536
	<b>155,743,836</b>	149,698,154
Operating income	<b>23,778,739</b>	19,040,154
Nonoperating revenues (expenses):		
Interest income	<b>855,920</b>	1,668,639
Interest expense	<b>(6,917,286)</b>	(7,527,250)
Amortization of bond issuance costs	<b>(210,595)</b>	(276,902)
	<b>(6,271,961)</b>	(6,135,513)
Excess of revenues over expenses before net costs advanced through billings to Members	<b>17,506,778</b>	12,904,641
Increase (decrease) in net costs advanced through billings to Members	<b>1,185,691</b>	(9,278,185)
Excess of revenues over expenses	<b>18,692,469</b>	3,626,456
Net position at beginning of year	<b>8,459,377</b>	7,311,639
Distributions to Members	<b>(22,086,854)</b>	(2,478,718)
Net position at end of year	<b>\$ 5,064,992</b>	\$ 8,459,377

*See accompanying notes.*

# Utah Associated Municipal Power Systems

## Statements of Cash Flows

	<b>Year Ended March 31</b>	
	<b>2013</b>	<b>2012</b>
<b>Operating activities</b>		
Cash received from customers	\$ 177,032,306	\$ 171,649,807
Cash payments to suppliers for goods and services	(130,092,747)	(134,316,747)
Cash payments to employees for services	(4,142,074)	(3,661,730)
Cash payments for ad valorem taxes	(718,804)	(918,401)
Deferred revenue	24,927,005	—
Net cash provided by operating activities	67,005,686	32,752,929
<b>Capital and related financing activities</b>		
Additions to utility plant and equipment	(5,922,909)	(9,913,116)
Proceeds from issuance of long-term debt	83,936,531	44,296,722
Payments for bond refunding	(83,583,513)	(39,492,035)
Principal payments on refunding revenue bonds	(7,843,000)	(11,889,000)
Interest payments on refunding revenue bonds	(8,481,419)	(8,145,804)
Bond issuance costs	(2,591,569)	(537,511)
Distribution	(4,965,442)	(2,478,718)
Net cash used in capital and related financing activities	(29,451,321)	(28,159,462)
<b>Noncapital and related financing activities</b>		
Draws on lines of credit	160,881,214	152,434,284
Payment on lines of credit	(159,029,796)	(159,684,284)
Outstanding checks in excess of transfers	(887,662)	887,662
Proceeds from issuance of long-term debt	102,034,334	—
Distribution	(17,121,412)	—
Payment for energy prepayment	(114,574,795)	—
Net cash used in noncapital and related financing activities	(28,698,117)	(6,362,338)
<b>Investing activities</b>		
Net decrease in investments	3,950,995	1,362,184
Restricted assets:		
Net decrease in restricted cash	657,391	5,729,344
Net increase in investments	(14,007,204)	(6,534,240)
Investment income received	569,060	522,165
Net cash (used in) provided by investing activities	(8,829,758)	1,079,453
Increase (decrease) in cash	26,490	(689,418)
Cash at beginning of year	—	689,418
Cash at end of year	\$ 26,490	\$ —



## Utah Associated Municipal Power Systems

### Statements of Cash Flows (continued)

	<b>Year Ended March 31</b>	
	<b>2013</b>	<b>2012</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 23,778,739	\$ 19,040,154
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	16,409,897	14,454,925
Amortization of deferred revenue	(1,436,871)	(725,432)
Deferred revenue	24,927,005	
Amortization of prepaid energy	3,402,101	
(Increase) decrease in current receivables	(1,053,398)	3,636,931
Increase in prepaid expenses and deposits	(579,403)	(556,031)
Increase (decrease) in accounts payable	2,983,398	(519,872)
Decrease in accrued liabilities	(1,425,782)	(2,577,746)
Net cash provided by operating activities	\$ 67,005,686	\$ 32,752,929

*See accompanying notes.*

# Utah Associated Municipal Power Systems

## Notes to Financial Statements

March 31, 2013

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

#### **Organization and Purpose**

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

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

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

#### **Basis of Accounting**

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

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

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

#### Recent Accounting Developments

##### *GASB Statement No. 61*

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

##### *GASB Statement No. 62*

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Statement supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. The Statement allows those who prepare or audit financial statements to access applicable guidance with greater ease and certainty by consolidating the accounting and financial reporting provisions that apply to state and local governments into a single publication. Statement 62 was effective for financial statements prepared for periods beginning after December 15, 2011, with earlier application encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The Company made the election to early adopt the provisions of GASB 62. The Company is complying with the new codification standards.

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

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

#### *GASB Statement No. 63*

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

#### *GASB Statement No. 65*

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

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

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

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

#### *GASB Statement No. 66*

In March 2012, the GASB issued Statement No. 66, *Technical Corrections–2012—an amendment of FASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. The Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchase loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity*

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

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

*Transfers of Assets and Future Revenues*, respectively. The Statement is effective for financial statements prepared for periods beginning after December 15, 2012, with earlier application encouraged. The Company has reviewed the requirements of GASB 66 and does not expect its adoption to impact financial position, results of operations or cash flows.

#### **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, interest expense, and the amortization of bond issuance costs, are reported as nonoperating revenues and expenses.

#### **Investments**

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

#### **Receivables**

Receivables consist primarily of current power billings to Members.

#### **Capital Assets**

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

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

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

#### **Unamortized Bond Issuance Costs**

Unamortized bond issuance costs related to the issuance of the Horse Butte Wind Project Revenue and Variable Rate Demand Revenue Bonds, Hunter II Project Revenue and Refunding Bonds, the Central-St. George Transmission Project Revenue and Refunding Bonds, the San Juan Project Revenue and Refunding Bonds, and the Payson Power Project Revenue and Refunding Bonds are being amortized over the terms of the bonds using the straight-line method, the impact of which approximates the effective interest method.

#### **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 deferred 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 assets and liabilities. 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.

#### **Deferred Revenue**

Certain participants of the Payson project, the San Juan project, the Hunter II Project, the Central-St. George project, and the Horse Butte Wind project have elected to prepay certain costs of acquisition and debt service during the refinancing and/or construction of their projects. These prepayments, which represent the portion of Debt Service Costs that would be applicable to the

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

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

participant's entitlement share in each of the respective projects future power generation capability, have been treated as deferred 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; and Travel insurance.

#### **Net Position**

Net position is classified into three components:

- Net investment in capital assets: This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- Restricted: This component of net position consists of amounts subject to external constraints on their use imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.



# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

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

- 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, 2013, UAMPS reported a negative balance in unrestricted net position. The deficit is a result of a long-term prepayment of future power sales. At March 31, 2012, UAMPS reported a positive balance in unrestricted net position.

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

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

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

- UAMPS has contracted with five municipalities to provide transmission capabilities from the Central-St. George project to deliver electric power to the purchasers. Each contract term extends, at a minimum, to the date all principal and interest on the Series 2009, 2011 and 2012 Bonds have been paid.
- UAMPS has contracted with 15 municipalities and one electric service district in the San Juan project to supply power from the generating unit. Each contract term extends, at a minimum, to the date all principal and interest on the Series 2008 and 2011 Bonds have been paid.
- UAMPS has contracted with 14 municipalities, one public utility district, and one electric service district in the Payson project to supply power from the generating unit. Each contract term extends, at a minimum, to the date all principal and interest on the 2012 Bonds have been paid.
- UAMPS has contracted with 21 municipalities, one joint action agency, one co-op, and one public utility district in the Horse Butte Wind Project to supply power from the project. UAMPS executed a 20-year power purchase agreement, prepaying for the expected minimum energy output of the project (known as the P99 output). UAMPS will also purchase all additional energy produced as well as all RECs associated with the prepaid and additional energy on a pay-as-you-go basis. The prepayment of the energy output has been recorded as energy prepayment on the statement of net position.

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### 3. Net Costs Advanced or to Be Recovered Through Billings to Members

Net costs advanced or to be recovered through billings to Members for the years ended March 31, 2013 and 2012, consisted of the following:

	<b>For the Year Ended</b>	
	<b>2013</b>	<b>2012</b>
Balance at beginning of year	\$ (47,205,781)	\$ (37,927,596)
Depreciation, accretion, and amortization of bond issuance costs	<b>16,620,491</b>	14,731,827
Excess bond proceeds	<b>369,370</b>	-
Amortization of deferred revenue	<b>(1,436,871)</b>	(725,432)
Capital asset renewals and replacements	<b>(5,917,958)</b>	(4,601,320)
Principal amounts of debt service	<b>(9,687,886)</b>	(13,771,289)
Amortization of bond premium	<b>(1,613,257)</b>	(388,687)
Major overhaul reserve payments	<b>(386,097)</b>	(3,464,446)
Unrealized gain on investment	<b>(287,855)</b>	(1,161,945)
Amortization of defeased debt costs	<b>105,476</b>	89,118
Amortization of energy prepayment	<b>3,402,101</b>	-
Accrued personal leave	<b>18,178</b>	13,989
Balance at end of year	<b>\$ (46,020,089)</b>	<b>\$ (47,205,781)</b>

#### 4. Capital Assets

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

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

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

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

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

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

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

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

Utah Associated Municipal Power Systems

Notes to Financial Statements (continued)

**4. Capital Assets (continued)**

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

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

	<b>Generation</b>	<b>Transmission</b>	<b>Furniture and Equipment</b>	<b>Construction Work-in- Progress</b>	<b>Total</b>
Balance, April 1, 2011	\$ 226,012,106	\$ 84,669,469	\$ 1,227,499	\$ 20,114,283	\$ 332,023,357
Capital additions	29,898,372	–	129,027	9,757,314	39,784,713
Transfers, sales, and retirements	(223,751)	–	(266,650)	(29,871,597)	(30,361,998)
Balance, March 31, 2012	<u>\$ 255,686,727</u>	<u>\$ 84,669,469</u>	<u>\$ 1,089,876</u>	<u>\$ –</u>	<u>\$ 341,446,072</u>
Accumulated depreciation, April 1, 2011	\$ (114,463,734)	\$ (35,607,308)	\$ (619,798)	\$ –	\$ (150,690,840)
Depreciation expense	(10,943,424)	(3,288,597)	(222,904)	–	(14,454,925)
Retirements	223,751	–	266,650	–	490,401
Accumulated depreciation, March 31, 2012	<u>\$ (125,183,407)</u>	<u>\$ (38,895,905)</u>	<u>\$ (576,052)</u>	<u>\$ –</u>	<u>\$ (164,655,364)</u>
Average depreciation rate	4.5%	3.9%	19.2%	–	4.3%

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### 5. Investments

At March 31, UAMPS had the following total investments:

	2013	2012
Restricted:		
Investment in U.S. Treasury Note	\$ 12,181,255	\$ 11,894,012
Investment in debentures issued by Government Sponsored Enterprise	526,924	533,635
Utah Public Treasurer's Investment Fund	34,758,047	21,400,911
	\$ 47,466,266	\$ 33,828,558
Current:		
Utah Public Treasurer's Investment Fund	\$ 4,766,809	\$ 8,717,804
	\$ 4,766,809	\$ 8,717,804

#### 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 PTIF, certificates of deposit and banker's acceptances of banks meeting certain minimum requirements and repurchase agreements.

The PTIF operates and reports to the participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. The PTIF was unrated at March 31, 2013 and 2012.

At March 31, 2013 and 2012, one investment held by UAMPS had a split rating (AAA: Moody's and AA+: S&P).

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 5. Investments (continued)

At March 31, 2013, UAMPS had the following investments and quality ratings:

	<b>Total</b>	<b>AAA/AA+</b>	<b>Unrated</b>
Investment in U.S. Treasury Note	\$ 12,181,255	\$ –	\$ 12,181,255
Investment in debentures issued by Government Sponsored Enterprise	526,924	526,924	–
Utah Public Treasurer's Investment Fund	39,524,856	–	39,524,856
	<u>\$ 52,233,035</u>	<u>\$ 526,924</u>	<u>\$ 51,706,111</u>

During the year ended March 31, 2013 and 2012, UAMPS recorded unrealized gains on investments of \$0.3 million and \$1.2 million, respectively.

### Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance, and are not collateralized, are collateralized by the pledging financial institution, or is collateralized by the pledging financial institution's trust department or agent, but not in the depositor government's name. UAMPS deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation. At March 31, 2013 and 2012, UAMPS did not have any deposits exposed to custodial credit risk. State statutes do not require that such amounts be collateralized.

### Interest Rate Risk

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

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

#### 5. Investments (continued)

At March 31, 2013, UAMPS had the following debt investment balances by investment type and maturity:

	Total	Less than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Investment in U.S. Treasury Notes	\$ 12,181,255	\$ -	\$ -	\$ 12,181,255	\$ -
Investment in debentures issued by Government Sponsored Enterprise	526,924	-	526,924	-	-
	\$ 12,708,179	\$ -	\$ 526,924	\$ 12,181,255	\$ -

#### 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 in U.S. Treasury Notes, Debentures issued by Government Sponsored Enterprise, and the PTIF, were 23%, 1%, and 76%, respectively.

#### 6. Cash

The cash balance of \$0.02 million at March 31, 2013, consisted of deposits with banks. As of March 31, 2012, there was no cash balance.

As of March 31, 2013 and 2012, there was no restricted cash.

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 7. Debt

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

Series	Original Issue	Interest Rate	Original Maturity Date	Principal Outstanding – March 31	
				2013	2012
<b>Horse Butte Wind 2012A</b>					
Serial	\$ 67,860,000	0.05%–5.00%	2013–2032	\$ 67,860,000	\$ –
<b>Horse Butte Wind 2012B</b>					
<b>Variable Rate Demand</b>					
Term	2,065,000	Variable	2023	<b>2,065,000</b>	–
Term	2,135,000	Variable	2024	<b>2,135,000</b>	–
Term	2,205,000	Variable	2025	<b>2,205,000</b>	–
Term	2,275,000	Variable	2026	<b>2,275,000</b>	–
Term	2,350,000	Variable	2027	<b>2,350,000</b>	–
Term	2,425,000	Variable	2028	<b>2,425,000</b>	–
Term	2,505,000	Variable	2029	<b>2,505,000</b>	–
Term	2,585,000	Variable	2030	<b>2,585,000</b>	–
Term	2,670,000	Variable	2031	<b>2,670,000</b>	–
Term	2,755,000	Variable	2032	<b>2,755,000</b>	–
	<u>23,970,000</u>				
<b>San Juan 2008A</b>					
Serial	2,345,000	3.50%–4.50%	2009–2022	<b>1,810,000</b>	1,955,000
<b>San Juan 2011</b>					
Serial	22,165,000	2.00%–5.50%	2011–2023	<b>20,390,000</b>	21,855,000
<b>Central-St.George 2009</b>					
Serial	2,350,000	4.00%–5.00%	2010–2019	<b>1,765,000</b>	1,970,000
Term	2,335,000	5.25%	2020	<b>2,335,000</b>	2,335,000
	2,455,000	5.25%	2021	<b>2,455,000</b>	2,455,000
	2,585,000	5.25%	2022	<b>2,585,000</b>	2,585,000
	2,720,000	5.25%	2023	<b>2,720,000</b>	2,720,000
	2,865,000	5.25%	2024	<b>2,865,000</b>	2,865,000
	3,015,000	5.25%	2025	<b>3,015,000</b>	3,015,000
	3,170,000	5.25%	2026	<b>3,170,000</b>	3,170,000
	<u>3,340,000</u>	5.25%	2027	<b>3,340,000</b>	3,340,000
	22,485,000				



# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 7. Debt (continued)

Series	Original Issue	Interest Rate	Original Maturity Date	Principal Outstanding – March 31	
				2013	2012
<b>Central-St.George 2011</b>					
Term	\$ 3,800,000	2.65%	2011–2019	\$ 3,365,000	\$ 3,800,000
<b>Central-St.George 2012</b>					
Serial	11,240,000	2.32%	2012–2019	9,885,000	11,240,000
<b>Payson 2003</b>					
Serial	100,850,000	3.00%–5.25%	2006–2026	–	81,710,000
<b>Payson 2007</b>					
Serial	2,751,000	3.90%–4.49%	2009–2018	–	2,038,000
<b>Payson 2012</b>					
Serial	74,885,000	2.00%–5.00%	2013–2026	74,885,000	–
<b>Hurricane-Washington 2007A</b>					
Term	430,000	4.15%	2012	–	93,000
Term	533,000	4.40%	2017	533,000	533,000
Term	671,000	4.75%	2022	671,000	671,000
Term	857,000	5.00%	2027	857,000	857,000
	2,491,000				
<b>Hurricane-Washington 2007B</b>					
Term	213,000	4.15%	2012	–	46,000
Term	264,000	4.40%	2017	264,000	264,000
Term	332,000	4.75%	2022	332,000	332,000
Term	425,000	5.00%	2027	425,000	425,000
	1,234,000				
<b>Santa Clara-Washington 2008</b>					
Serial	2,698,000	5.16%	2009–2028	2,356,000	2,448,000
				231,853,000	152,722,000
Less unamortized bond discount				280,406	308,487
Plus unamortized bond premium				16,626,379	5,896,690
Less deferred refunding charge				737,246	690,943
Less current portion (excluding current portion of unamortized bond premium and discount)				10,393,000	7,843,000
				\$ 237,068,727	\$ 149,776,260

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

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

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

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

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

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

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

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 7. Debt (continued)

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

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

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

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

The San Juan Project Refunding Revenue Bonds, Series 2011 (totaling \$22.2 million), maturing June 1, 2023 at 2.00%-5.50% interest, maturing on and after June 1, 2022, are subject to optional maturity on or after June 1, 2021, in whole at any time or in part on any date, at redemption price equal to 100% of the principal amount plus accrued interest.

The Central-St. George Transmission Project Revenue and Refunding Bond, Series 2011, (totaling \$3.8 million), at 2.65% interest, is subject to optional redemption on or after December 1, 2015, at 101% of the principal amount of the Series 2011 Bond to be so redeemed plus accrued interest to the redemption date.

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

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

The Central-St. George Transmission Project Revenue and Refunding Bond, Series 2012, (totaling \$11.2 million), at 2.32% interest, is subject to optional redemption on or after June 1, 2016, at 101% of the principal amount of the Series 2012 Bond to be so redeemed plus accrued interest to the redemption date.

On April 12, 2012, UAMPS issued The Payson Power Project Refunding Revenue Bonds, Series 2012, (totaling \$74.9 million) maturing on April 1, 2026 at 2.00%-5.00% interest. The bonds maturing on or after April 1, 2022 are subject to redemption on or after October 1, 2021 in whole or in part on any date, at a redemption price of 100% of the principal amount of each Series 2012 Bond or portion thereof to be redeemed, plus accrued interest to the redemption date. The bonds were issued to advance refund all of the outstanding principal amount of Series 2003A Bonds, repurchase and refinance all of the outstanding principal amount of the Series 2007 Bonds, and to pay certain costs related to the issuance of the Bonds.

The Payson Project Revenue Bonds Series 2003 (totaling \$100.9 million), maturing on or after April 1, 2013, were advance refunded on April 12, 2012. The funds were placed in escrow for redemption at 100% on April 1, 2013. At March 31, 2013, the balance in escrow was \$79.8 million. The bonds were defeased in substance on April 12, 2012, accordingly, all amounts related to the defeased Bonds were removed from the statement of net position, which resulted in an increase in the deferred refunding charge on defeasance of debt of \$0.1 million. The refunding reduced total debt service payments by \$7.9 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 \$6.3 million. The outstanding principal amount of the Bonds extinguished through advance refunding at March 31, 2013 was \$78.0 million.

The Payson Power Project Special Obligation Revenue Bonds, Series 2007, (totaling \$2.8 million) were repurchased and refinanced on April 12, 2012. Accordingly, all amounts related to the defeased Bonds were removed from the statement of net position, which resulted in an increase in the deferred refunding charge on defeasance of debt of \$0.1 million. The refunding increased total debt service payments by \$0.3 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 \$0.1 million. The outstanding principal amount of the Bonds extinguished through advance refunding at March 31, 2013 was \$1.8 million.

## Utah Associated Municipal Power Systems

### Notes to Financial Statements (continued)

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

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

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

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

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

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, 2013, for variable rate bonds, of long-term debt are as follows:

<b>Year Ending March 31</b>	<b>Revenue and Refunding Revenue Bonds</b>	<b>Interest</b>	<b>Total Debt Service Requirements</b>
2014	\$ 10,393,000	\$ 9,796,827	\$ 20,189,827
2015	10,519,000	9,411,941	19,930,941
2016	10,962,000	8,963,390	19,925,390
2017	11,409,000	8,495,218	19,904,218
2018	11,894,000	8,006,366	19,900,366
2019–2023	66,208,000	31,223,635	97,431,635
2024–2028	73,767,000	14,099,064	87,866,064
2029–2033	36,701,000	3,444,797	40,145,797
	<u>\$ 231,853,000</u>	<u>\$ 93,441,238</u>	<u>\$ 325,294,237</u>

UAMPS incurred interest costs of \$6.9 million and \$7.5 million for the years ended March 31, 2013 and 2012, respectively.

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 7. Debt (continued)

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

	March 31, 2012	Additions	Reductions	March 31, 2013	Amount Due Within One Year
Horse Butte Wind 2012A – Serial	\$ –	\$ 67,860,000	\$ –	\$ 67,860,000	\$ 2,120,000
Horse Butte Wind 2012B – Term	–	2,065,000	–	2,065,000	–
Horse Butte Wind 2012B – Term	–	2,135,000	–	2,135,000	–
Horse Butte Wind 2012B – Term	–	2,205,000	–	2,205,000	–
Horse Butte Wind 2012B – Term	–	2,275,000	–	2,275,000	–
Horse Butte Wind 2012B – Term	–	2,350,000	–	2,350,000	–
Horse Butte Wind 2012B – Term	–	2,425,000	–	2,425,000	–
Horse Butte Wind 2012B – Term	–	2,505,000	–	2,505,000	–
Horse Butte Wind 2012B – Term	–	2,585,000	–	2,585,000	–
Horse Butte Wind 2012B – Term	–	2,670,000	–	2,670,000	–
Horse Butte Wind 2012B – Term	–	2,755,000	–	2,755,000	–
San Juan 2008A – Serial	1,955,000	–	145,000	1,810,000	150,000
San Juan 2011 – Serial	21,855,000	–	1,465,000	20,390,000	1,525,000
Central-St.George 2009 – Serial	1,970,000	–	205,000	1,765,000	220,000
Central-St.George 2009 – Term	2,335,000	–	–	2,335,000	–
Central-St.George 2009 – Term	2,455,000	–	–	2,455,000	–
Central-St.George 2009 – Term	2,585,000	–	–	2,585,000	–
Central-St.George 2009 – Term	2,720,000	–	–	2,720,000	–
Central-St.George 2009 – Term	2,865,000	–	–	2,865,000	–
Central-St.George 2009 – Term	3,015,000	–	–	3,015,000	–
Central-St.George 2009 – Term	3,170,000	–	–	3,170,000	–
Central-St.George 2009 – Term	3,340,000	–	–	3,340,000	–
Central-St.George 2011 – Serial	3,800,000	–	435,000	3,365,000	445,000
Central-St.George 2012 – Serial	11,240,000	–	1,355,000	9,885,000	1,315,000
Payson 2003	81,710,000	–	81,710,000	–	–
Payson 2007	2,038,000	–	2,038,000	–	–
Payson 2012 – Serial	–	74,885,000	–	74,885,000	4,375,000
Hurricane-Washington 2007A – Term	93,000	–	93,000	–	–
Hurricane-Washington 2007A – Term	533,000	–	–	533,000	98,000
Hurricane-Washington 2007A – Term	671,000	–	–	671,000	–
Hurricane-Washington 2007A – Term	857,000	–	–	857,000	–
Hurricane-Washington 2007B – Term	46,000	–	46,000	–	–
Hurricane-Washington 2007B – Term	264,000	–	–	264,000	48,000
Hurricane-Washington 2007B – Term	332,000	–	–	332,000	–
Hurricane-Washington 2007B – Term	425,000	–	–	425,000	–
Santa Clara-Washington 2008	2,448,000	–	92,000	2,356,000	97,000
	<u>152,722,000</u>	<u>166,715,000</u>	<u>87,584,000</u>	<u>231,853,000</u>	<u>10,393,000</u>
Less unamortized discount	336,783	–	28,295	308,488	28,082
Plus unamortized premium	6,328,548	19,255,865	7,007,412	18,577,001	1,950,622
Less deferred refunding charge	690,944	151,778	105,476	737,246	–
	<u>\$ 158,022,821</u>	<u>\$ 185,819,087</u>	<u>\$ 94,457,641</u>	<u>\$ 249,384,267</u>	<u>\$ 12,315,540</u>

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 7. Debt (continued)

The table below shows the changes in net long-term debt balances that occurred during the year ended March 31, 2012.

	March 31, 2011	Additions	Reductions	March 31, 2012	Amount Due Within One Year
Hunter II 1998	\$ 1,210,000	\$ -	\$ 1,210,000	\$ -	\$ -
Hunter II 2011	-	6,000,000	6,000,000	-	-
San Juan 1998-Serial	7,830,000	-	7,830,000	-	-
San Juan 1998-Term	5,740,000	-	5,740,000	-	-
San Juan 1998-Term	9,125,000	-	9,125,000	-	-
San Juan 2008A - Serial	2,090,000	-	135,000	1,955,000	145,000
San Juan 2011 - Serial	-	22,165,000	310,000	21,855,000	1,465,000
Central-St. George 2000	4,055,000	-	4,055,000	-	-
Central-St. George 2003	12,510,000	-	12,510,000	-	-
Central-St. George 2009 - Serial	2,165,000	-	195,000	1,970,000	205,000
Central-St. George 2009 - Term	2,335,000	-	-	2,335,000	-
Central-St. George 2009 - Term	2,455,000	-	-	2,455,000	-
Central-St. George 2009 - Term	2,585,000	-	-	2,585,000	-
Central-St. George 2009 - Term	2,720,000	-	-	2,720,000	-
Central-St. George 2009 - Term	2,865,000	-	-	2,865,000	-
Central-St. George 2009 - Term	3,015,000	-	-	3,015,000	-
Central-St. George 2009 - Term	3,170,000	-	-	3,170,000	-
Central-St. George 2009 - Term	3,340,000	-	-	3,340,000	-
Central-St. George 2011 - Serial	-	3,800,000	-	3,800,000	435,000
Central-St. George 2012 - Serial	-	11,240,000	-	11,240,000	1,355,000
Payson 2003	85,280,000	-	3,570,000	81,710,000	3,750,000
Payson 2007	2,285,000	-	247,000	2,038,000	257,000
Hurricane-Washington - 2007A - Term	183,000	-	90,000	93,000	93,000
Hurricane-Washington - 2007A - Term	533,000	-	-	533,000	-
Hurricane-Washington - 2007A - Term	671,000	-	-	671,000	-
Hurricane-Washington - 2007A - Term	857,000	-	-	857,000	-
Hurricane-Washington - 2007B - Term	90,000	-	44,000	46,000	46,000
Hurricane-Washington - 2007B - Term	264,000	-	-	264,000	-
Hurricane-Washington - 2007B - Term	332,000	-	-	332,000	-
Hurricane-Washington - 2007B - Term	425,000	-	-	425,000	-
Santa Clara - Washington 2008	2,536,000	-	88,000	2,448,000	92,000
	<u>160,666,000</u>	<u>43,205,000</u>	<u>51,149,000</u>	<u>152,722,000</u>	<u>7,843,000</u>
Less unamortized discount	365,355	-	28,573	336,782	28,295
Plus unamortized premium	5,654,087	1,091,720	417,261	6,328,546	431,856
Less deferred refunding charges	-	763,637	72,694	690,943	-
	<u>\$ 165,954,732</u>	<u>\$ 43,533,083</u>	<u>\$ 51,464,994</u>	<u>\$ 158,022,821</u>	<u>\$ 8,246,561</u>



# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### 8. Lines of Credit

In August 2001, UAMPS obtained a \$3.0 million revolving line of credit for cash flow purposes at a rate of 75% of the financial institution's prime lending rate, which rate was 2.44% as of March 31, 2013. In January 2012, UAMPS obtained an additional \$3.0 million from the same financial institution upon substantially the same terms and conditions. In March 2006, UAMPS obtained a revolving line of credit totaling \$11.0 million at a variable rate in relation to LIBOR, which rate was 1.16% as of March 31, 2013. In September 2006, UAMPS obtained an additional \$8.0 million from the same financial institution upon substantially the same terms and conditions. The outstanding balance on the combined \$25.0 million available lines of credit was \$9.4 million and \$7.5 million at March 31, 2013 and 2012, respectively. The additional revolving lines of credit were obtained to assist UAMPS with working capital requirements.

### 9. Commitments and Contingencies

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

UAMPS had the following Purchase Commitments at March 31, 2013:

Fiscal year:	<u>Gas</u>	<u>Power</u>
2014	\$ 10,072,246	\$ 27,263,598
2015	6,004,739	27,416,030
2016	–	26,629,650
2017	–	25,325,490
2018	–	1,683,000
	<u>\$ 16,076,985</u>	<u>\$ 108,317,768</u>

Under similar agreements UAMPS purchased energy in the amount of \$30.1 million in fiscal year 2013 and \$6.6 million in fiscal year 2012. UAMPS purchased natural gas in the amount of \$11.4 million in fiscal year 2013 and \$8.7 million in fiscal year 2012.

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:

<b>Year</b>	<b>Tons</b>	<b>Total Commitment at the March 31, 2013</b>	<b>UAMPS' Portion of Commitment at March 31, 2013</b>
2013	5,600,000	\$ 321,720,000	\$ 6,977,000
2014	5,600,000	321,720,000	6,977,000
2015	5,600,000	321,720,000	6,977,000
2016	5,600,000	321,720,000	6,977,000
2017	5,600,000	321,720,000	6,977,000

During fiscal years 2013 and 2012, UAMPS incurred minimum coal costs of \$6.3 million and \$6.0 million, respectively, and incremental coal costs of \$0.4 million and \$0.3 million respectively, as its portion of the existing San Juan Operating Agreement. Incremental coal costs are comprised of variable costs for the purchase of coal in excess of the minimum purchase requirement and can be negative due to consumption being less than the base purchase requirement.

UAMPS leases office space under a ten-year operating lease expiring in fiscal year 2021. Future minimum lease payments under the operating lease obligation are:

Fiscal year:	
2014	\$ 386,622
2015	394,354
2016	402,241
2017	410,286
2018	418,492
Thereafter	1,193,684
	<u>\$ 3,205,679</u>

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### **9. Commitments and Contingencies (continued)**

Rent expense for the years ended March 31, 2013 and 2012, were \$0.4 million and \$0.2 million, respectively.

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

In October 2010, construction began on the Horse Butte Wind project. The Horse Butte Wind project is a 57.6 MW wind powered electric generating facility currently under construction in Bonneville County, Idaho. So that the costs of construction of the project can ultimately be funded in part with the cash grant for 30% of the qualifying costs of renewable energy projects provided by the American Recovery and Reinvestment Act of 2009, the project is owned by Horse Butte Wind I, LLC (the Project Owner). The project was completed and began commercial operation during the fiscal year.

Pursuant to a Development Agreement between the Project Owner and UAMPS, UAMPS acted as the developer and agent for the Project Owner with respect to the project and was responsible for all aspects of the development and construction of the project. As the developer, UAMPS, among other things, negotiated the terms of a Construction Loan Agreement (pursuant to which construction financing for the project is being provided), a Turbine Supply Agreement (providing for the acquisition of the wind turbines for the project) and a Balance of Plant (BOP) Contract (providing for all other work necessary to construct the project and place it into commercial operation). In order to enable the project to be economically constructed and financed on favorable terms, UAMPS co-signed these agreements with the Project Owner and has agreed to be primarily liable for making the payments required under these agreements.

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

# Utah Associated Municipal Power Systems

## Notes to Financial Statements (continued)

### **10. Retirement Plan**

UAMPS has a noncontributory money purchase defined contribution pension plan, which covers all of its employees. Employees are eligible to participate from the date of employment. Contributions and earnings thereon are always fully vested upon participation in the plan. Contribution levels are established by the Board and are initially equal to 15.3%, increasing to a maximum of 25% of each covered employee's compensation. UAMPS' covered payroll amounted to approximately \$3.7 million in 2013 and 2012. Contributions, which are approximately 23.5% and 22.5% of total payroll, totaled approximately \$0.9 million and \$0.8 million for the years ended March 31, 2013 and 2012, respectively. All contributions are invested using an outside pension administrator, ICMA Retirement Corp. (ICMA). ICMA provides the participants with multiple options for their pension investments.

### **11. Subsequent Events**

On April 1, 2013, the consolidated line of credit with Wells Fargo Bank, totaling \$19.0 million, was renewed through April 30, 2015.

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

On June 20, 2013, UAMPS issued the Member Services Project Generator Revenue Refunding Bonds (Hurricane City project and Washington City project) Series 2013 Revenue Refunding Bonds (totaling \$2.0 million and \$1.0 million, respectively) at 2.30% interest. The Series 2013 Bonds are subject to redemption prior to maturity, at the election of UAMPS on or after November 1, 2020, in whole (but not in part), at a redemption price equal to 100% of the principal plus accrued interest. The Bonds were issued to refund the outstanding Hurricane-Washington Generating Project Revenue Bonds Series 2007A and B, and to pay costs of issuance.

On July 1, 2013, UAMPS received a preliminary refund of \$1.2 million from PacifiCorp for overcharges due to a settlement of a rate case filed with FERC in 2011 for the transmission rate, ancillary services rates and transmission line losses covering transmission service from June 2012 through the implementation of the respective new rates (March through June 2013). The Company is unable to estimate the final settlement amount that they are expecting to receive.

# Supplemental Schedules

# Utah Associated Municipal Power Systems

## Schedules of Project Financial Statements

### Balance Sheet

March 31, 2013

	CRSP	Hunter II	San Juan Unit 4	IPP	Firm Power	Wind	Craig-Mona	Central- St. George	UAMPS Pool	Payson	IPP #3	Resource	Gas Project	Government and Public Affairs	Member Services	Total
<b>Assets</b>																
<b>Current assets:</b>																
Cash	\$ 30,791	\$ 3,837,453	\$ (591,175)	\$ 1,355,689	\$ 789,599	\$ (60,955)	\$ 944,792	\$ (1,610,846)	\$ (4,748,306)	\$ (1,350,319)	\$ 261,144	\$ 828,722	\$ (157,471)	\$ 409,873	\$ 87,499	\$ 26,490
Receivables	2,020,984	2,545,412	2,035,473	251,773	278,000	1,745,884	(56,411)	649,702	7,404,590	4,156,638	-	207,630	267,762	60,556	110,187	21,678,180
Prepaid expenses and deposits	-	3,705,000	1,062,732	-	-	-	4,759	-	35,000	1,050,481	-	-	-	-	-	5,857,972
Investments	476,139	624,067	594,676	363,477	66,771	321,464	15,627	142,502	1,116,769	975,607	-	23,701	5,236	13,608	27,165	4,766,809
Current portion of energy prepayment	-	-	-	-	-	5,724,341	-	-	-	-	-	-	-	-	-	5,724,341
	<u>2,527,914</u>	<u>10,711,932</u>	<u>3,101,706</u>	<u>1,970,939</u>	<u>1,134,370</u>	<u>7,730,734</u>	<u>908,767</u>	<u>(818,642)</u>	<u>3,808,053</u>	<u>4,832,407</u>	<u>261,144</u>	<u>1,060,053</u>	<u>115,527</u>	<u>484,037</u>	<u>224,851</u>	<u>38,053,792</u>
<b>Restricted assets:</b>																
Interest receivable	-	-	-	-	-	-	-	14,949	-	37,914	-	-	-	-	-	52,863
Investments	-	4,355,321	6,493,434	-	-	11,808,152	-	5,305,768	-	18,848,798	-	-	-	-	654,753	47,466,226
	<u>-</u>	<u>4,355,321</u>	<u>6,493,434</u>	<u>-</u>	<u>-</u>	<u>11,808,152</u>	<u>-</u>	<u>5,320,717</u>	<u>-</u>	<u>18,886,712</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>654,753</u>	<u>47,519,089</u>
<b>Capital assets:</b>																
Generation	-	92,016,824	59,805,097	-	-	-	-	-	-	102,846,300	-	-	-	-	6,678,983	261,347,204
Transmission	-	-	-	-	-	-	17,492,388	56,655,344	-	10,521,737	-	-	-	-	-	84,669,469
Furniture and equipment	50,531	59,198	48,707	30,517	25,101	101,375	18,472	36,181	29,388	534,839	(5,824)	115,110	32,114	81,168	14,333	1,171,210
	<u>50,531</u>	<u>92,076,022</u>	<u>59,853,804</u>	<u>30,517</u>	<u>25,101</u>	<u>101,375</u>	<u>17,510,860</u>	<u>56,691,525</u>	<u>29,388</u>	<u>113,902,876</u>	<u>(5,824)</u>	<u>115,110</u>	<u>32,114</u>	<u>81,168</u>	<u>6,693,316</u>	<u>347,187,883</u>
Less accumulated depreciation	(25,629)	(59,274,737)	(34,498,482)	(7,884)	(21,560)	(39,615)	(13,363,374)	(27,842,034)	(67,637)	(43,508,538)	-	(68,449)	(14,609)	(53,237)	(2,098,378)	(180,884,163)
	<u>24,902</u>	<u>32,801,285</u>	<u>25,355,322</u>	<u>22,633</u>	<u>3,541</u>	<u>61,760</u>	<u>4,147,486</u>	<u>28,849,491</u>	<u>(38,249)</u>	<u>70,394,338</u>	<u>(5,824)</u>	<u>46,661</u>	<u>17,505</u>	<u>27,931</u>	<u>4,594,938</u>	<u>166,303,720</u>
<b>Other assets:</b>																
Unamortized bond issuance costs	-	-	506,364	-	-	1,748,677	-	594,198	-	842,891	-	-	-	-	241,951	3,934,081
Accumulated amortization of bond issuance costs	-	-	(116,964)	-	-	(51,003)	-	(109,997)	-	(60,207)	-	-	-	-	(64,859)	(403,030)
Energy Prepayment, less current portion	-	-	-	-	-	105,448,353	-	-	-	-	-	-	-	-	-	105,448,353
	<u>-</u>	<u>-</u>	<u>389,400</u>	<u>-</u>	<u>-</u>	<u>107,146,027</u>	<u>-</u>	<u>484,201</u>	<u>-</u>	<u>782,684</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>177,092</u>	<u>108,979,404</u>
<b>Total assets</b>	<u>\$ 2,552,816</u>	<u>\$ 47,868,538</u>	<u>\$ 35,339,862</u>	<u>\$ 1,993,572</u>	<u>\$ 1,137,911</u>	<u>\$ 126,746,673</u>	<u>\$ 5,056,253</u>	<u>\$ 33,835,767</u>	<u>\$ 3,769,804</u>	<u>\$ 94,896,141</u>	<u>\$ 255,320</u>	<u>\$ 1,106,714</u>	<u>\$ 133,032</u>	<u>\$ 511,968</u>	<u>\$ 5,651,634</u>	<u>\$ 360,856,005</u>

# Utah Associated Municipal Power Systems

## Schedules of Project Financial Statements

### Balance Sheet (continued)

March 31, 2013

	CRSP	Hunter II	San Juan Unit 4	IPP	Firm Power	Wind	Craig-Mona	Central- St. George	UAMPS Pool	Payson	IPP #3	Resource	Gas Project	Government and Public Affairs	Member Services	Total
<b>Liabilities and net assets</b>																
Current liabilities:																
O/S checks in excess of transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	1,393,291	(170,305)	548,194	262,311	236,378	773,059	441,234	139,184	6,255,799	2,575,254	-	136,856	42,670	111,436	8,171	12,753,532
Accrued liabilities	73,630	328,953	1,496,176	109,441	32,248	217,493	37,284	38,415	2,267,600	390,373	-	97,833	48,417	102,708	24	5,240,595
Lines of credit	939,072	1,230,826	1,172,860	716,874	131,690	634,013	30,821	281,052	2,202,566	1,924,157	-	46,745	10,327	26,839	53,576	9,401,418
Current portion of deferred revenue	-	-	412,772	-	-	1,246,350	-	116,445	44,196	175,416	-	-	-	-	-	1,995,179
	<u>2,405,993</u>	<u>1,389,474</u>	<u>3,630,002</u>	<u>1,088,626</u>	<u>400,316</u>	<u>2,870,915</u>	<u>509,339</u>	<u>575,096</u>	<u>10,770,161</u>	<u>5,065,200</u>	<u>-</u>	<u>281,434</u>	<u>101,414</u>	<u>240,983</u>	<u>61,771</u>	<u>29,390,724</u>
Liabilities payable from restricted assets:																
Accrued interest payable	968	1,269	374,856	739	136	357,852	32	529,362	2,272	1,690,984	-	48	11	28	91,618	3,050,175
Current portion of long-term debt	-	-	1,814,800	-	-	2,907,103	-	1,951,919	-	5,398,719	-	-	-	-	243,000	12,315,541
	<u>968</u>	<u>1,269</u>	<u>2,189,656</u>	<u>739</u>	<u>136</u>	<u>3,264,955</u>	<u>32</u>	<u>2,481,281</u>	<u>2,272</u>	<u>7,089,703</u>	<u>-</u>	<u>48</u>	<u>11</u>	<u>28</u>	<u>334,618</u>	<u>15,365,716</u>
Long-term debt:																
Bonds payable, less current portion	-	-	20,525,000	-	-	89,710,000	-	35,520,000	-	70,510,000	-	-	-	-	5,195,000	221,460,000
Unamortized bond discount	-	-	-	-	-	-	-	(280,406)	-	-	-	-	-	-	-	(280,406)
Unamortized bond premium	-	-	672,626	-	-	8,968,313	-	-	-	6,985,440	-	-	-	-	-	16,626,379
Deferred referred charges	-	-	(282,572)	-	-	-	-	(323,166)	-	(131,508)	-	-	-	-	-	(737,246)
	<u>-</u>	<u>-</u>	<u>20,915,054</u>	<u>-</u>	<u>-</u>	<u>98,678,313</u>	<u>-</u>	<u>34,916,428</u>	<u>-</u>	<u>77,363,932</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,195,000</u>	<u>237,068,727</u>
Deferred revenue, less current portion	-	289,477	10,274,750	-	-	23,680,656	-	2,800,267	-	1,965,068	-	-	-	-	-	39,010,218
Accumulated amortization of deferred revenue	-	(289,477)	(6,903,776)	-	-	(727,038)	-	(2,147,318)	-	(996,852)	-	-	-	-	-	(11,064,461)
Net deferred revenue	<u>-</u>	<u>-</u>	<u>3,370,974</u>	<u>-</u>	<u>-</u>	<u>22,953,618</u>	<u>-</u>	<u>652,949</u>	<u>-</u>	<u>968,216</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,945,757</u>
Net costs advanced or to be recovered through billings to Members	(7,221)	43,886,788	5,313,865	6,387	(32,079)	(1,385,558)	4,663,346	(4,619,953)	(6,336,267)	4,660,209	-	8,493	3,275	(2,936)	(138,260)	46,020,089
Net position	153,076	2,591,007	(79,689)	897,820	769,538	364,430	(116,464)	(170,034)	(666,362)	(251,119)	255,320	816,739	28,332	273,893	198,505	5,064,992
Total liabilities and net position	<u>\$ 2,552,816</u>	<u>\$ 47,868,538</u>	<u>\$ 35,339,862</u>	<u>\$ 1,993,572</u>	<u>\$ 1,137,911</u>	<u>\$ 126,746,673</u>	<u>\$ 5,056,253</u>	<u>\$ 33,835,767</u>	<u>\$ 3,769,804</u>	<u>\$ 94,896,141</u>	<u>\$ 255,320</u>	<u>\$ 1,106,714</u>	<u>\$ 133,032</u>	<u>\$ 511,968</u>	<u>\$ 5,651,634</u>	<u>\$ 360,856,005</u>

# Utah Associated Municipal Power Systems

## Schedules of Project Financial Statements

### Statement of Revenues and Expenses

Year Ended March 31, 2013

	CRSP	Hunter II	San Juan Unit 4	IPP	Firm Power	Wind	Craig-Mona	Central- St. George	UAMPS Pool	Payson	IPP #3	Resource	Gas Project	Government and Public Affairs	Member Services	Total
Operating revenues:																
Power sales	\$ 13,455,038	\$ 17,806,010	\$ 17,181,868	\$ 6,931,469	\$ 2,054,797	\$ 8,595,495	\$ 459,545	\$ 4,232,864	\$ 53,799,218	\$ 35,118,424	\$ -	\$ 3,823	\$ 112,047	\$ 392,360	\$ 826,172	\$ 160,969,130
Other	189	1,367	735	374	111	17,121,885	20	56	6,961	1,562	-	1,419,964	71	150	-	18,553,445
	13,455,227	17,807,377	17,182,603	6,931,843	2,054,908	25,717,380	459,565	4,232,920	53,806,179	35,119,986	-	1,423,787	112,118	392,510	826,172	179,522,575
Operating expenses:																
Cost of power	13,249,901	12,988,038	12,462,526	6,487,104	1,979,306	6,967,891	274,543	309,479	51,970,148	23,511,307	-	744,225	-	44,036	210,540	131,199,044
Payments in lieu of ad valorem taxes	-	311,878	210,504	47,788	-	95,319	61,648	-	-	-	-	-	-	-	-	727,137
Depreciation	7,375	4,638,383	2,725,358	6,557	5,011	19,342	596,098	2,703,717	4,382	5,345,816	-	18,592	6,029	16,133	317,104	16,409,897
General and administrative	154,151	404,968	406,602	210,255	78,489	929,500	60,744	206,814	1,437,733	2,644,547	-	458,256	100,660	309,303	5,736	7,407,758
	13,411,427	18,343,267	15,804,990	6,751,704	2,062,806	8,012,052	993,033	3,220,010	53,412,263	31,501,670	-	1,221,073	106,689	369,472	533,380	155,743,836
Operating income	43,800	(535,890)	1,377,613	180,139	(7,898)	17,705,328	(533,468)	1,012,910	393,916	3,618,316	-	202,714	5,429	23,038	292,792	23,778,739
Nonoperating revenues (expenses):																
Interest income	-	21,004	42,450	-	-	41,792	-	225,463	-	521,823	-	-	-	-	3,388	855,920
Interest expense	(11,097)	(14,545)	(1,023,374)	(8,472)	(1,556)	(1,598,406)	(364)	(1,686,349)	(26,029)	(2,275,421)	-	(552)	(122)	(317)	(270,682)	(6,917,286)
Amortization of bond issuance costs	-	-	(39,645)	-	-	(51,003)	-	(43,976)	-	(64,049)	-	-	-	-	(11,922)	(210,595)
	(11,097)	6,459	(1,020,569)	(8,472)	(1,556)	(1,607,617)	(364)	(1,504,862)	(26,029)	(1,817,647)	-	(552)	(122)	(317)	(279,216)	(6,271,961)
Excess of revenues over expenses before net costs advanced through billings to Members	32,703	(529,431)	357,044	171,667	(9,454)	16,097,711	(533,832)	(491,952)	367,887	1,800,669	-	202,162	5,307	22,721	13,576	17,506,778
(Increase) decrease in net costs advanced through billings to Members	(1,526)	1,182,761	(441,250)	(8,940)	745	1,388,131	593,335	441,908	4,382	(1,958,231)	-	(6,612)	(4,193)	(5,677)	858	1,185,691
Excess of revenues over expenses	\$ 31,177	\$ 653,330	\$ (84,206)	\$ 162,727	\$ (8,709)	\$ 17,485,842	\$ 59,503	\$ (50,044)	\$ 372,269	\$ (157,562)	\$ -	\$ 195,550	\$ 1,114	\$ 17,044	\$ 14,434	\$ 18,692,469



# Other Reports

## Report of Independent Auditors on State of Utah Legal Compliance

The Board of Directors of  
Utah Associated Municipal Power Systems

We have audited Utah Associated Municipal Power Systems' compliance with general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended March 31, 2013. The general compliance requirements applicable to the Company are identified as follows:

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

Utah Associated Municipal Power Systems did not receive any major or non-major state grants during the year ended March 31, 2013.

Compliance with the requirements referred to above is the responsibility of the Company's management. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the major assistance programs or general compliance requirements identified above. An audit includes examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Company's compliance with those requirements.

In our opinion, the Utah Associated Municipal Power Systems complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended March 31, 2013.

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

*Ernst + Young LLP*

July 16, 2013

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

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

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Utah Associated Municipal Power Systems, which comprise the statements of net position as of March 31, 2013 and 2012, and the related statements of revenues and expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated July 16, 2013.

### **Internal Control Over Financial Reporting**

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

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

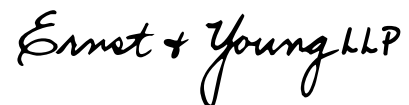
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the 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.

A handwritten signature in black ink that reads 'Ernst & Young LLP'.

July 16, 2013

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