Financial Statements
June 30, 2017 and 2016

Utah Municipal Power Agency

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Directors of
Utah Municipal Power Agency
Spanish Fork, Utah

Report on the Financial Statements
We have audited the accompanying financial statements of Utah Municipal Power Agency, which comprise the statements of net position as of June 30, 2017 and 2016, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from 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 of America 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 from 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 Municipal Power Agency as of June 30, 2017 and 2016, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 - 6 and schedule of the proportionate share of the net pension liability on page 28 and schedule of contributions to the pension plan on page 29, 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 who 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 of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Changes in Funds Established by the Bond Indenture on page 31 are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Changes in Funds Established by the Bond Indenture is the responsibility of management and was derived from and relates 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 of America. In our opinion, the Schedule of Changes in Funds Established by the Bond Indenture is fairly stated, in all material respects, in relation to the financial statements taken as a whole

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued a report dated December 29, 2017 on our consideration of Utah Municipal Power Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 reports is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Utah Municipal Power Agency's internal control over financial reporting and compliance.

Eide Bailly LLP

Salt Lake City, Utah
December 29, 2017

This discussion and analysis provides an overview of the financial performance and activities of Utah Municipal Power Agency (UMPA or the Agency) for the fiscal years ended June 30, 2017 and 2016. The information presented should be read in conjunction with the basic financial statements and the accompanying notes to the financial statements.

Financial Statements Overview

The Agency operates as a utility enterprise and substantially follows the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission. The accompanying basic financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Agency's basic financial statements include the statements of net position, the statements of revenues, expenses, and changes in net position, and the statement of cash flows.

The statements of net position provide information about the nature and amount of assets and obligations (liabilities) of the Agency as of the end of the year. The statements of revenues, expenses, and changes in net position reports revenues and expenses for the current year. The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operating, capital and related financing activities, and investing activities.

Condensed Financial Statements and Analysis

The following comparative condensed statements of net position summarize the financial position of the Agency for the years ended June 30, 2017, 2016 and 2015:

Condensed Statements of Net Position

	2017	2016	2015
Assets and Deferred Outflow of Resources:			
Current assets	$ 77,290,037	$ 39,470,422	$ 36,398,080
Utility plant and equipment, net	97,232,840	15,323,957	17,024,686
Deferred outflow of resources	527,852	488,436	211,720
Total assets and deferred outflow of resources	$ 175,050,729	$ 55,282,815	$ 53,634,486
Liabilities and Deferred Inflow of Resources:			
Current liabilities	$ 12,251,516	$ 12,628,200	$ 11,707,806
Long-term liabilities	124,513,295	9,422,385	16,046,010
Deferred inflow of resources	38,282,568	33,228,880	25,877,320
Total liabilities and deferred inflow of resources	175,047,379	55,279,465	53,631,136
Net Position:			
Net investment in capital assets	(10,672,399)	(17,610)	(4,711,634)
Restricted for debt service	40,836,674	11,370,018	11,023,741
Unrestricted	(30,160,925)	(11,349,058)	(6,308,757)
Total net position	3,350	3,350	3,350
Total liabilities, deferred inflow, and net position	$ 175,050,729	$ 55,282,815	$ 53,634,486

Condensed statements of net position highlights are as follows:

- An increase in current assets at year-end of $37.8 million is the primary effect of a $34.3 million increase in cash and investments, a $1.5 million increase in receivables for member and other power sales, and an additional $1.9 million of inventory from the acquisition of the West Valley Plant. The 2017 increase in cash and investments was due to the issuance of bonds for the purchase of the West Valley Plant and other Agency projects. From the 2016 Bond Proceeds, a $20.1 million balance was remaining and unspent in the Project Fund. The Debt Service Fund ending balance of $11.9 million includes debt service reserves, capitalized interest funds, and future interest payments. Energy sales from the West Valley Plant enabled collection of $760,000 of margins held in the Repair and Replacement Fund for future maintenance of the facility. In order to accumulate an appropriate balance in the Repair and Replacement Fund for planned major maintenance at the West Valley Plant, budgeted and collected member contributions of $5.4 million were added to the Repair and Replacement Fund. Budgeted and collected member contributions of $1.6 million were allocated to the Rate Stabilization Fund in 2017. In 2016 current assets increased $3.1 million due to a $3.5 million increase in cash and investments, a $540,000 increase in receivables for member and other power sales, and $944,000 lower inventory valuation. The 2016 increase in cash and investments was due to $2.6 million billed and collected from members for the current debt service payment of the Series 2012 Electric System Revenue Bonds and $1.4 million contributions to the Rate Stabilization Fund.

- Utility plant and equipment, net increased by approximately $81.9 million during 2017. This is attributable to the purchase of the West Valley Plant, the start of construction of the Agency's new Provo Power Plant, and the work in process of an administrative office building. Capital additions in the amount of $50,700 were for the Bonanza Unit. Utility plant and equipment, net includes the Agency's 3.75% undivided ownership interest in the Bonanza Unit, with a historical cost of $28.6 million, and the Agency's 6.25% undivided ownership interest in certain related transmission facilities, with a historical cost of $8.7 million. In 2016, utility plant and equipment net decreased by $1.7 million due to depreciation in excess of capital additions and the retirement of the former Provo Power Plant, resulting in the removal of $906,000 of associated assets, net of depreciation. Capital additions in the amount of $313,000 were for upgrades at the Bonanza Unit.

- Long-term revenue bond payable increased $115.0 million in 2017. In October 2016, the Agency issued $116.5 million of revenue bonds for the payment of a short-term loan for the acquisition of the West Valley Plant and for the construction of the new Provo Power Plant and administrative office building. An additional premium of $3.1 million resulted in total sources of funds for the issuance of $119.5 million. Long-term 2012 revenue bonds outstanding decreased by $590,000 and long-term 2003 revenue bonds outstanding decreased $3.9 million due to classification of the current portion of long-term liabilities and the net effect of bond premium and cost of reacquired debt amortization. Long-term liabilities decreased $6.8 million in 2016.

- Deferred inflow of resources increased $5.3 million in 2017. This is attributable to an increase of $1.6 million of member contributions to the Rate Stabilization Fund, an increase of $6.2 million of contributions to the Repair and Replacement Fund, and a decrease of $2.5 million of the net revenues to be returned in future billings to members. The Agency's rate stabilization account may be used to meet unanticipated increases in revenue requirements in subsequent periods or achieve rate stability to members. Deferred inflow of resources increased $7.3 million from 2015 to 2016, which represented a $2.3 million increase in the Rate Stabilization Fund and a $5.1 million increase in net revenues to be returned in future billings to members.

- Restricted net position consists of the Bond Fund, Debt Service Fund, Cost of Issuance Fund, and Project Fund. The unrestricted net position consists of the Revenue Fund, Repair and Replacement Fund, and Rate Stabilization Fund. These funds were created under UMPA's 2003 Bond Indenture and under UMPA's 2016 Bond Resolution. The 2016 Series under the Bond Resolution are subordinate to Revenue Bonds issued under the Bond Indenture. The Rate Stabilization Fund, created by a UMPA Board resolution in 1999 and subsequently incorporated by the Bond Indenture in 2003, is used as designated by UMPA's Board.

The comparative condensed statements of revenues, expenses, and changes in net position summarize the changes in financial position of the Agency for the years ended June 30, 2017, 2016 and 2015:

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2017	2016	2015
Power sales	$ 85,384,563	$ 75,535,339	$ 74,118,149
Other revenues	36,435	14,673	4,238
Operating revenues	85,420,998	75,550,012	74,122,387
Operating expenses	76,331,941	66,907,491	64,474,080
Operating income	9,089,057	8,642,521	9,648,307
Interest income	620,263	252,737	200,560
Interest expense	(4,707,262)	(642,649)	(868,900)
Loss on Provo Plant retirement	-	(906,157)	-
Deferred inflow of resources adjustment	(5,002,058)	(7,346,452)	(8,979,967)
Net non-operating (revenues) expenses	(9,089,057)	(8,642,521)	(9,648,307)
Change in net position	-	-	-
Beginning net position	3,350	3,350	3,350
Ending net position	$ 3,350	$ 3,350	$ 3,350

- Operating revenues from power sales increased by approximately $9.8 million between 2017 and 2016. Power sales consist principally of member power sales revenue and other power sales. Revenue from power sales to members increased $4.1 million in 2017 as member capacity increased 1.8% and energy increased 0.3%. Energy not needed for member load is sold in the market. Other power sales revenues increased $5.7 million in 2017 due to the capacity and energy sale from the new West Valley Plant. In 2016, operating revenues from total power sales increased by approximately $1.4 million from 2015. Sales to members increased $1.5 million due to a member capacity and energy increased. Other power sales decreased $36,000 due to lower energy market prices from prior year and a 5.2% increase in energy sold.

- Operating expenses increased by approximately $9.4 million between 2017 and 2016. This difference is attributable primarily to dedicated resources, generation costs, and other power costs.

  Dedicated resource costs had a net decrease of $100,000 in 2017. The retirement of the old Provo Power Plant in the prior year resulted in a decrease of $450,000 of the associated fuel and operating costs. The Hunter dedicated resource fuel and capital costs increased $260,000 while operating and maintenance costs decreased $160,000 because of a resupply agreement and as a result of a 7.4% decrease in energy utilization due to market energy prices below Hunter's variable cost. The hydro Capacity Purchase Agreement costs decreased $50,000 because of debt service payment reimbursements were paid in full in January 2017. In 2016, dedicated resource costs decreased $1.2 million primarily due to a decrease in fuel costs from lower energy utilization.

  Generation costs in 2017 increased $4.7 million primarily due to $3.7 million of operating costs in 2017 for the new West Valley Plant. The Bonanza Unit had an increase of $1.9 million in fuel costs from coal inventory true-ups and an increase of variable cost per ton of coal. Additional coal was burned compared to the prior year because of a 10.8% increase of utilization. Bonanza's operating and maintenance expenses decreased $900,000 from the prior year because of only a seven-day planned outage compared to the prior year 30-day planned outage. Bonanza generation costs in 2016 were $163,000 lower than the previous year due to $496,000 decrease fuel costs related to less coal burned during planned outages and a decrease of $208,000 in A&G costs. Maintenance expense increased $596,000 for a planned outage.

  Depreciation expense increased $2.0 million in 2017 with the addition of new generation facilities.

  Other power costs increased $2.6 million in 2017. Other power costs consist of UMPA's long-term and firm contracts for power, supplemental power purchased on the market, and transmission. Other power costs also include power purchased for resale to other entities. Other purchased power costs increased 6.9% because of additional utilization of contracts that had higher unit availability compared to the prior year and displacing higher cost resources with lower cost market alternatives during the year. In 2016, other power costs increased $3.9 million.

Budgetary Highlights

UMPA's budget and rates to Members are established on the annual revenue requirement of the Agency. UMPA's Board of Directors adopted a fiscal year 2017 budget with total expenditures of $82.1 million including budgeted operating expenses of $76.7 million and debt service of $5.4 million. Actual operating expenses and debt service were $78.6 million, $3.4 million or 4.4% under budget. Total operating revenues were greater than budget by $2.1 million or 2.5%.

Contact Information

This financial report is designed to provide a general overview of the Agency's finances. Questions or requests for additional information should be addressed to the Financial Manager, 696 West 100 South, Spanish Fork, UT 84660.

	2017	2016
Current Assets		
Cash, cash equivalents, and investments - Note 1 & 2	$ 62,544,872	$ 28,216,649
Accounts receivable		
Member power sales	10,156,556	8,853,222
Other power sales	798,394	584,746
Inventory - Note 1	3,740,945	1,815,769
Prepaid Expense	49,270	-
Net pension asset - Note 9	-	36
Total Current Assets	77,290,037	39,470,422
Noncurrent Assets		
Utility Plant and Equipment - Note 1 & 3		
Interest in generating plant and work in process	116,084,083	34,528,657
Interest in transmission system	8,715,692	8,703,149
Other utility assets and work in process	5,287,543	1,732,557
Less: accumulated depreciation	(32,854,478)	(29,640,406)
Utility Plant and Equipment - Net	97,232,840	15,323,957
Deferred Outflows of Resources		
Future recoverable costs (net of accumulated amortization of $195,236 in 2017 and $179,730 in 2016) - Note 1	38,764	54,270
Deferred outflow of resources related to pensions - Note 9	489,088	434,166
Total Deferred Outflows of Resources	527,852	488,436
Total Assets and Deferred Outflows of Resources	$ 175,050,729	$ 55,282,815

	2017	2016
Current Liabilities		
Accounts payable	$ 5,617,952	$ 5,524,325
Accrued bond interest payable	2,183,564	289,875
Current portion of revenue bonds payable - Note 6	4,450,000	6,814,000
Total Current Liabilities	12,251,516	12,628,200
Long-Term Liabilities		
Net pension liability - Note 9	986,179	894,818
Revenue bonds payable - Note 6	123,527,116	8,527,567
Total Long-Term Liabilities	124,513,295	9,422,385
Total Liabilities	136,764,811	22,050,585
Deferred Inflows of Resources		
Deferred inflow of resources related to pensions - Note 9	144,825	93,194
Deferred inflow of resources related to future billings to members - Note 4	38,137,743	33,135,686
Total Deferred Inflows of Resources	38,282,568	33,228,880
Total Liabilities and Deferred Inflows of Resources	175,047,379	55,279,465
Net Position		
Net investment in capital assets	(10,672,399)	(17,610)
Restricted for debt service	40,836,674	11,370,018
Unrestricted	(30,160,925)	(11,349,058)
Total Net Position	3,350	3,350
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 175,050,729	$ 55,282,815

	2017	2016
Operating Revenues		
Power sales:		
Members	$ 72,888,058	$ 68,745,158
Other	12,496,505	6,790,181
Other operating revenue	36,435	14,673
Total Operating Revenues	85,420,998	75,550,012
Operating Expenses		
Dedicated resource costs	8,221,204	8,323,817
Western Area Power Administration	8,650,490	8,536,718
Generation costs	14,618,959	9,940,860
Other power costs	40,435,128	37,833,433
Depreciation	3,256,388	1,297,388
General and administrative	1,149,772	975,275
Total Operating Expenses	76,331,941	66,907,491
Income from Operations	9,089,057	8,642,521
Non-Operating Revenues (Expenses)		
Interest income	620,263	252,737
Interest expense	(4,707,262)	(642,649)
Loss on Provo Plant retirement	-	(906,157)
Net Non-Operating Expenses	(4,086,999)	(1,296,069)
Change in net position before adjustment	5,002,058	7,346,452
Deferred inflow of resources adjustment - Note 1 & 4	(5,002,058)	(7,346,452)
Change in Net Position	-	-
Net Position, Beginning of Year	3,350	3,350
Net Position, End of Year	$ 3,350	$ 3,350

	2017	2016
Cash Flows from Operating Activities		
Receipts from members	$ 71,584,724	$ 68,280,029
Other operating receipts	12,319,292	6,730,330
Payments for dedicated resources	(7,305,319)	(8,428,646)
Payments for UMPA resources	(15,006,444)	(8,636,931)
Payments for purchased power	(49,194,912)	(46,096,593)
Payments for other operating expenses	(1,128,784)	(996,181)
Net Cash from Operating Activities	11,268,557	10,852,008
Cash Flows from Capital Financing Activities		
Bonds and note principal payments	(89,249,292)	(6,376,000)
Interest paid on bonds and notes	(1,404,829)	(748,902)
Acquisition of utility and equipment	(85,457,587)	(502,816)
Acquisition of inventory	(1,924,986)	-
Proceeds from bond anticipation note	82,435,292	-
Proceeds from the issuance of bonds	119,579,716	-
Bond costs paid on issuance	(1,538,911)	-
Net Cash used in Capital Financing Activities	22,439,403	(7,627,718)
Cash Flows from Investing Activities		
Interest received on cash and investments	620,263	252,737
Net Cash from Investing Activities	620,263	252,737
Net Change in Cash, Cash Equivalents, and Investments	34,328,223	3,477,027
Cash, Cash Equivalents, and Investments at Beginning of Year	28,216,649	24,739,622
Cash, Cash Equivalents, and Investments at End of Year	$ 62,544,872	$ 28,216,649
Reconciliation of Income from Operations to Net Cash Provided by Operating Activities		
Income from operations	$ 9,089,057	$ 8,642,521
Noncash operating activities adjustment:		
Depreciation	3,256,388	1,297,388
Amortization expense	15,506	15,506
Write-off of abandoned feasability studies	292,316	-
Net pension liability	88,106	(77,409)
Changes in assets and liabilities:		
Accounts receivable	(1,516,983)	(539,653)
Inventory	(190)	943,762
Prepaid expense	(49,270)	-
Accounts payable	93,627	569,893
Net Cash Flows from Operating Activities	$ 11,268,557	$ 10,852,008

See Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Utah Municipal Power Agency (UMPA or Agency) conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant of such policies.

***Organization and Purpose*—**UMPA, a separate legal entity and political subdivision of the State of Utah, was formed by an agreement dated September 17, 1980, pursuant to the provisions of the Utah Interlocal Co-Operation Act. UMPA's membership consists of six municipalities (the Members). UMPA's purposes include planning, financing, development, acquisition, construction, improvement, betterment, operation, or maintenance of projects for the generation, transmission and distribution of electric energy for the benefit of its Members. UMPA purchased from Deseret Generation and Transmission Co-Operative (DG&T) an undivided interest in the Bonanza Unit on December 19, 1985, and began selling power to the Members at that time. The following governmental entities are UMPA Members:

Town of Levan
Manti City Corporation
Nephi City Corporation
Provo City Corporation
Salem City Corporation
Spanish Fork City Corporation

***Basis of Accounting*—**The Agency follows the Federal Energy Regulatory Commission's Uniform System of Accounts and maintains accounting records on an accrual basis, in conformity with accounting principles generally accepted in the United States of America, as applicable to governmental entities, including the application of the Government Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, as the guidance relates to regulated operations. The guidance allows for deferral of revenues and expenses to future periods in which the revenues are earned or the expenses are recovered through the rate-making process.

***Cash Equivalents*—**For purposes of the statements of cash flows, the Agency considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents (Note 2).

***Investments*—**Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

***Utility Plant and Equipment*—**The interest in generating plants consists of (1) a 3.75% undivided ownership interest (representing approximately 17 MW of capacity) in the Bonanza Unit, a 458 MW coal-fired generating plant located in northeastern Utah, (2) a 1.875% undivided ownership interest in certain common facilities constructed to serve a potential additional unit, and (3) a 6.25% undivided ownership interest in certain related transmission facilities and miscellaneous related rights and interests.

The plant is stated at original cost, which represents the actual cost to DG&T of labor, materials, and indirect costs, such as engineering, supervision, transportation, and allowance for borrowed funds used during construction, plus capitalized interest on bonds until the Bonanza Unit was placed in commercial operation.

In July 2016 the Agency purchased a 100% undivided ownership interest in a 185 MW (summer) natural gas-fired generating plant located in West Valley Utah. The West Valley Plant is recorded at acquisition cost.

The construction of the new Provo Power Plant, a 12 MW natural gas-fired generating plant located in Provo, Utah, began in 2016. The costs associated with the construction are included in work in process.

Furniture and equipment purchased by UMPA are stated at cost.

UMPA uses the following useful lives in depreciating fixed assets under the straight-line method:

Office Building	30 Years
Furniture and Equipment	3 – 7 Years
Interest in Utility Plant	20 – 40 Years

Subsequent Events**—**Management of the Agency has evaluated subsequent events through December 29, 2017, the date which the financial statements were available to be issued.

Future Recoverable Costs**—**Costs in excess of the amounts currently billable to the Members that are to be recovered from future revenues by setting rates sufficient to provide funds for the related expenses.

Taxes**—**UMPA is not subject to federal or state taxes but has agreed to make payments in lieu of ad valorem taxes to Uintah County in respect of its interest in Bonanza Unit. UMPA paid $32,206 to Uintah County during the 2017 fiscal year and $27,922 in fiscal year 2016.

Inventory**—**Inventory consists of the following items:

1. Coal stockpiled at the Bonanza Unit. The inventory is valued at lower of cost or market on the moving average basis, valued at $1,524,683 and $1,542,769 at June 30, 2017 and 2016, respectively.

2. Working capital inventory warehoused at Hunter #1 Plant. The inventory is valued at lower of cost or market on the moving average basis, valued at $273,000 and $273,000 at June 30, 2017 and 2016, respectively.

3. Working capital inventory warehoused at West Valley Plant. The inventory is valued at lower of cost or market on the moving average basis, valued at $1,943,262 and $0 at June 30, 2017 and 2016.

Rates**—**Utah State law provides that UMPA's Board of Directors (Board) has sole authority to establish power supply rates to its Members. In accordance with its 2003 Bond Indenture (Indenture) and 2016 Bond Resolution (Resolution), the Agency shall establish and collect rates and charges which, together with all other revenues, are reasonably expected to pay its operating costs (not including depreciation and amortization) and at least (i) 1.00 times its aggregate debt service for such fiscal year, and (ii) together with any other available funds, shall be at least 1.10 times its aggregate debt service for such fiscal year. Power supply rates of the Agency are not subject to state or federal rate regulation.

Revenue**—**The Indenture and Resolution require UMPA to fix and collect rates, fees and charges sufficient to meet operating expenses and debt service. UMPA accomplishes this by estimating the operating expenses and debt service and then invoices the member cities monthly at a rate sufficient to match the estimates plus Board directed charges (Note 5). The estimates and billings are updated periodically to reflect the difference between the actual and the estimates.

Deferred Outflow of Resources Related to Future Billings to Members**—**Costs in excess of the amounts currently billable to the Members are to be recovered from future revenues by setting rates sufficient to provide funds for the related debt service requirements. As allowed through the applications of the provisions of GASB Statement No. 62, current costs in excess of funding are deferred and shown as deferred costs to be recovered in future periods on the accompanying statements of net position and as expenses to be recovered in future periods on the statements of revenues, expenses, and changes in net position. These costs represent depreciation of utility and equipment, amortization of long-term debt premium/discount, gain/loss on disposed assets, amortization of cost of reacquired debt in excess of amounts currently billed to Members, and change in net pension liability.

Deferred Inflow of Resources Related to Future Billings to Members**—**The Agency designs its electric service rates to recover costs, as defined above, of providing power supply services including costs of establishing allowances for working capital, liquidity and rate stabilization reserves, and other reasonable reserves for contingencies deemed necessary by the Agency in order to carry out its obligations.

Pensions**—**For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement System Pension Plan (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflow of Resources Related to Pensions**—**In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Note 2 - Cash, Cash Equivalents, and Investments

Cash, cash equivalents and investments as of June 30, 2017 and 2016 are detailed as follows:

	2017	2016
Cash, cash equivalents, and investments:		
Deposits	$ 4,417,648	$ 1,950,915
Investment in the Utah State PTIF	57,773,146	26,265,734
Investment in Forward Delivery Agreement	354,078	-
Total cash, cash equivalents, and investments	$ 62,544,872	$ 28,216,649

Deposits**—**It is the policy of UMPA to invest funds in compliance with state and local laws, regulations, and other policies governing the investment of public funds, specifically according to the terms and conditions of the Utah Money Management Act of 1974 (the "Act") and Rules of the Utah Money Management Council as currently amended, and the Agency's own written investment policy. UMPA's bank deposits are covered by federal depository insurance up to $250,000.

The Act requires the depositing of UMPA funds in a “qualified depository.” The Act defines a “qualified depository” as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. All of the Agency’s deposits during the years ended June 30, 2017 and 2016 were made with qualified depositories.

***Deposit Custodial Credit Risk*—**Custodial credit risk is the risk that in the event of a bank failure, the Agency’s deposits may not be returned to it. Investments in the Utah State Public Treasurer’s Investment Fund (PTIF) are not insured or otherwise guaranteed by the State of Utah. The State of Utah does not require collateral on deposits. As of June 30, 2017, $62,294,872 of the Agency’s bank balance was uninsured and uncollateralized and therefore was exposed to some degree of custodial credit risk.

***Investments*—**The Agency may place public money in investments authorized by the Act (U.C.A. 51-7-11). The Financial Manager shall ensure that all purchases and sales of securities are settled within 15 days of the trade date. In general, these investments can be any of the following subject to restrictions specified in the Act: (1) Obligations of the U.S. Treasury and most Government-Sponsored Enterprises; (2) Commercial paper; (3) Bankers Acceptances; (4) Publicly traded, fixed rate corporate obligations; (5) Certain variable rate securities and deposits; (6) Deposits with the State Public Treasurer’s Investment Pool; and (7) Certain fixed rate negotiable deposits with a certified depository. The Agency’s investment policy does not allow an investment in a master repurchase agreement, a repurchase agreement, or a reverse-repurchase agreement. Further by policy, as measured by cost, no more than 50% of the Agency’s portfolio may be invested in any one class of investment. This restriction does not apply to obligations of the U.S. Government and the PTIF.

***Fair Value of Investments*—**The Agency measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1*: Quoted prices for identical investments in active markets;
- *Level 2*: Observable inputs other than quoted market prices; and,
- *Level 3*: Unobservable inputs.

At June 30, 2017, the Agency had $57,773,146 in the PTIF. These investments were valued by applying the June 30, 2017 fair value factor, as calculated by the Utah State Treasurer, to the Agency’s average daily balance in the PTIF. Such valuation is considered a *Level 2* valuation for GASB Statement No. 72 purposes.

***Investment Interest Rate Risk*—**The Agency’s formal investment policy limits investment maturities to a maximum of three years as a means of managing its exposure to fair value losses arising from increasing interest rates.

***Forward Delivery Agreement*—**On November 18, 2003, UMPA entered into a forward delivery agreement for the purchase of Qualified Investments, as defined by the Indenture, for the Series 2003 bond service funds. The Qualified Investments delivered under this agreement provide an investment rate of return of 4.50% through June 29, 2018, the term of the agreement.

***Arbitrage Rebate*—**Under U. S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. Interest income on bond proceeds which exceeds the cost of borrowing is payable to the federal government on every fifth anniversary of each bond issue. The estimated arbitrage liability is included in accrued liabilities on the balance sheet and the estimated arbitrage expense is recorded as a reduction of interest income. At June 30, 2017 and 2016, the estimated liability is $0 and $0, respectively.

Note 3 - Utility Plant and Equipment

Capital asset activity for the years ended June 30, 2017 and 2016 was as follows:

Utility Plant and Equipment as of June 30, 2017	Beginning Balance	Additions	Retirements & Transfers	Ending Balance
Generation plant	$ 34,127,367	$ 80,386,610	$ (1,050)	$ 114,512,927
Work in process - Generating plant	401,290	1,571,156	(401,290)	1,571,156
Work in process - Other utility Assets		3,256,630	94,067	3,350,697
Transmission plant	8,703,149	12,543	-	8,715,692
Other utility assets	1,732,557	230,648	(26,359)	1,936,846
Total Utility Plant and Equipment	44,964,363	85,457,587	(334,632)	130,087,318
Less accumulated depreciation:				
Generation plant	(21,724,223)	(2,967,905)	1,050	(24,691,078)
Transmission plant	(6,522,115)	(228,388)	-	(6,750,503)
Other utility assets	(1,394,068)	(60,095)	41,266	(1,412,897)
Total Depreciation	(29,640,406)	(3,256,388)	42,316	(32,854,478)

Utility Plant and Equipment as of June 30, 2016	Ending Balance	Additions	Retirements & Transfers	Ending Balance
Generation plant	$ 34,958,622	$ 312,687	$ (1,143,942)	$ 34,127,367
Work in process	292,316	108,974	-	401,290
Transmission plant	8,702,715	434	-	8,703,149
Other utility assets	1,697,475	80,721	(45,639)	1,732,557
Total utility plant and equipment	45,651,128	502,816	(1,189,581)	44,964,363
Less accumulated depreciation:				
Generation plant	(20,954,719)	(1,008,890)	239,386	(21,724,223)
Transmission plant	(6,292,627)	(229,488)	-	(6,522,115)
Other utility assets	(1,379,096)	(59,010)	44,038	(1,394,068)
Total accumulated depreciation	(28,626,442)	(1,297,388)	283,424	(29,640,406)
Utility Plant and Equipment, net	$ 17,024,686	$ (794,572)	$ (906,157)	$ 15,323,957

Note 4 - Deferred Inflow/Outflow of Resources Related to Future Billings to Members

UMPA bills its Members at rates which will provide revenues sufficient to cover the costs of operating and maintaining UMPA and the costs of debt service plus any Board directed charges, but not items such as depreciation, amortization, gains/losses on sale and disposal of capital assets, and deferred inflow of resources. This amount represents the unbilled amount of such costs, other charges to Members, and unanticipated revenues which are to be recovered or returned in future billings and are classified as deferred outflow or deferred inflow of resources in the accompanying financial statements.

UMPA's Board established a Rate Stabilization Fund (RSF) on September 22, 1999. The purpose of the fund is to set aside funds to assist in maintaining stable rates to Members in the event of unplanned or extraordinary operation, maintenance, or capital replacement costs. The fund can also be used for early retirement of debt. For fiscal year 2014 and those years prior, the monthly fund contribution, if any, was the difference between the budgeted results of operations and actual results of operations. Beginning in fiscal year 2015, the RSF funding methodology was modified to a defined rate per kWh included in the base power rate to Members. For the year ended June 30, 2017 the Agency made contributions of $1,560,397, including interest, and for the year ended June 30, 2016 contributions of $2,256,816, including interest, reflected in the Rate Stabilization Fund and reported in deferred inflow of resources on the statements of net position.

Differences exist between the costs used in the determination of power rates and the revenues and expenses reportable under generally accepted accounting principles (GAAP). Change in net position is not reported in the accompanying financial statements because differences described above have been deferred and will reverse when costs included in power rates exceed revenues and expenses reportable under GAAP. These timing differences consist mainly of debt service payments, depreciation, amortization, gains and losses for the sale of assets, unanticipated revenues, and RSF additions and uses. The following is a summary of those differences.

The statements of net position amounts at end of year June 30, 2017 and 2016 include the following classifications:

	2017	2016
Deferred inflow of resources related to future billings to members		
Designated for rate stabilization	$ 8,464,746	$ 6,904,349
Designated for repair and replacement	6,221,512	-
Net revenues to be returned in future billings to members	23,451,485	26,231,337
Total deferred inflow of resources related to future billings to members	$ 38,137,743	$ 33,135,686

Note 5 - Short-Term Debt

On August 1, 2016 UMPA entered into a $82,435,292 Electric System Revenue Bond Anticipation Note, Series 2016. Net Proceeds of $80,255,862 (including a reduction of $244,138 for cost of issuance) were used to provide short-term financing for the cost of acquisition of the West Valley Plant. The remaining proceeds were used to purchase spare parts and materials inventory at the plant. The proceeds of the short-term debt were needed immediately to purchase the plant, and these notes were paid off approximately three months later, when long-term bonds were issued to finance the capital project.

Short-term debt activity for the year ended June 30, 2017 were as follows:

June 30, 2017	Beginning Balance	Additions	Reductions	Ending Balance
Bond anticipation notes	$ -	$ 82,435,292	$ (82,435,292)	$ -

Note 6 - Revenue Bonds Payable

Revenue bonds payable activity for the years ended June 30, 2017 and 2016 were as follows:

June 30, 2017	Beginning Balance	Additions	Reductions	Ending Balance
Long-term revenue bonds	$ 15,319,000	$ 116,505,000	$ (6,814,000)	$ 125,010,000
Adjusted for:				
Current maturities	(6,814,000)	(4,450,000)	6,814,000	(4,450,000)
Unamortized premium, net	100,704	3,074,716	(181,907)	2,993,513
Unamortized reacquisition cost	(78,137)	-	51,740	(26,397)
Total Long-Term Revenue Bonds, net	$ 8,527,567	$ 115,129,716	$ (130,167)	$ 123,527,116

June 30, 2016	Beginning Balance	Additions	Reductions	Ending Balance
Long-term revenue bonds	$ 21,695,000	$ -	$ (6,376,000)	$ 15,319,000
Adjusted for:				
Current maturities	(6,376,000)	(6,814,000)	6,376,000	(6,814,000)
Unamortized premium, net	195,567	-	(94,863)	100,704
Unamortized reacquisition cost	(154,247)	-	76,110	(78,137)
Total Long-Term Revenue Bonds, net	$ 15,360,320	$ (6,814,000)	$ (18,753)	$ 8,527,567

Revenue Bonds Payable**—**On April 3, 2003 the Agency issued $43,780,000 of 2003 Series Electric System Revenue Refunding Bonds (referred to as 2003 Bonds), with an average coupon rate of 4.96% to advance refund $45,560,000 of outstanding 1993 Series A Electric Revenue Bonds (referred to as 1993 Bonds). The 2003 Bonds, combined with the fiscal year 2003 annual debt service payments, retired 100 percent of the outstanding 1993 Bonds. The net proceeds of $45,810,894 (including premium of $2,703,218 and reduction for $658,857 cost of issuance) and additional UMPA funds of $547,839 were deposited in an irrevocable trust with an escrow agent to provide for the July 1, 2003 call of the 1993 Bonds.

The current refunding resulted in a difference between the reacquisition price and the net carry amount of the old debt of $2,720,490. This cost of reacquired debt, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2018 using the effective interest method.

The cash outflows without this refund were to be $67,360,038 and the cash outflows as a result of this refund were to be $63,823,939 for a reduction in total debt service payments over the life of the bonds of $3,536,099. The economic gain was $1,987,454 as a result of this refunding.

On July 16, 2012 UMPA issued $6,600,000 of 2012 Series Electric System Revenue Bonds, with a fixed interest rate of 2.06%. The net proceeds of $6,500,000 (including a reduction of $100,000 for cost of issuance) were used to finance clean air projects at two dedicated power resource facilities.

On October 27, 2016 UMPA issued $98,290,000 of Taxable Power Supply System Revenue Bonds, Series 2016A, with interest rates ranging from 1.630 - 3.806%. Net Proceeds of $82,628,814 (including a reduction of $1,097,019 for cost of issuance) were used to provide long-term financing for the cost of acquisition of the West Valley Plant through the payment and retirement of the 2016 Bond Anticipation Note. Proceeds of $10,540,613 were deposited with the Trustee to provide for future debt service reserves and capital interest funds. Proceeds of $4,024,000 were deposited with the Trustee to fund the future acquisition and construction of certain capital improvements to the West Valley Plant.

On October 27, 2016 UMPA issued $18,215,000 of Tax-Exempt Power Supply System Revenue Bonds, Series 2016B, with interest rates ranging from 4.000 – 5.000%. An additional premium of $3,074,716 resulted in total sources of funds for the issuance of $21,289,716. Net Proceeds of $19,700,000 (including a reduction of $203,500 for cost of issuance) were used to finance the cost of acquisition and construction of the Agency's Provo Power Plant and the Agency's Office Building. Proceeds of $1,386,216 were deposited with the Trustee to provide for debt service reserves.

Maturities and coupon interest rates associated with the bonds as of June 30, 2017 and 2016 are as follows:

	2017	2016
Remaining Revenue Bonds Payable		
Series 2003A Bonds, 5.000%, due April 3, 2003 - July 1, 2018	$ 7,915,000	$ 11,595,000
Series 2012 Bonds, 2.060%, due July 16, 2012 - July 1, 2017	590,000	$ 3,724,000
Series 2016A Bonds, 1.630%, due October 26, 2016 - July 1, 2036	98,290,000	$ -
Series 2016B Bonds, 4.000%, due October 26, 2016 - July 1, 2038	18,215,000	$ -
Principal Amount	125,010,000	15,319,000
Series 2003A Unamortized premium	34,583	100,704
Series 2016A Unamortized premium	2,958,930	-
Series 2003A Unamortized cost of reacquired debt	(26,397)	(78,137)
Total Bonds Payable, Net	127,977,116	15,341,567
Less current portion	(4,450,000)	(6,814,000)
Total Long-Term Revenue Bonds Payable	$ 123,527,116	$ 8,527,567

The following table shows the revenue bonds debt service requirements.

Year Ending June 30,	Principal	Interest	Total Debt Service
2018	$ 4,450,000	$ 1,745,834	$ 6,195,834
2019	8,395,000	4,072,754	12,467,754*
2020	4,965,000	3,924,908	8,889,908
2021	5,065,000	3,826,739	8,891,739
2022	5,180,000	3,714,751	8,894,751
2023-2027	25,330,000	16,541,508	41,871,508
2028-2032	29,405,000	12,581,898	41,986,898
2033-2037	34,440,000	7,429,332	41,869,332
2038-2039	7,780,000	389,000	8,169,000
	$ 125,010,000	$ 54,226,724	$ 166,768,970

*The debt service on the 2003 Bonds are to be paid from the amounts now on deposit in the Debt Service Reserve Fund in the amount of $4,257,750, leaving remaining net annual service of $8,210,004 for year ending June 30, 2019.

The Indenture provides that UMPA is not obligated to make payment of the Revenue Bonds from funds other than Pledged Funds, generally defined as: (1) the proceeds from the sale of the Revenue Bonds; (2) revenues from UMPA's electric system and certain investment income; and (3) all funds established by the Indenture.

The Indenture requires that certain funds be established to account for UMPA's receipts and disbursements. The cash and investments held in these funds are restricted for the purposes as stipulated in the Indenture.

The Resolution adopted September 28, 2016 requires that certain additional funds be established to account for UMPA's receipts and disbursements. The cash and investments held in these funds are restricted for the purposes as stipulated in the Resolution. At all times prior to the Indenture Retirement Date, all Bonds, Subordinated Indebtedness, and other obligations issued under this Resolution shall be subordinate in all respects to the pledge and assignment of the Revenues and the moneys, securities, and funds created by the Indenture as security for Bonds issued under the Indenture.

Revenue Fund**—**This fund previously established under the Indenture receives revenue and pays all costs of operation and maintenance. Funds are transferred to other funds in the following order: Bond Fund, Debt Service Fund, Repair and Replacement Fund, and Rate Stabilization Fund.

Bond Fund**—**This fund previously established under the Indenture pays all interest and principal related to the Revenue Bonds issued under the Indenture. At the end of each month, amounts required to be on deposit are the accrued interest payable, the accrued portion of the next principal installment due, and an amount equal to the largest future annual debt service requirement.

***Repair and Replacement Fund*—**This fund previously established under the Indenture may be drawn on and used by the Agency for the purpose of (1) paying the cost of unusual or extraordinary maintenance or repairs of the system; (2) paying the costs of any renewals, renovation, improvements, expansion or replacements to the system; and (3) paying the cost of any replacement of buildings, lines, equipment and other related facilities, to the extent the same are not paid as part of the ordinary and normal expense of the operation of the system, and (4) paying the decommissioning costs of any system facilities. Funds shall be deposited monthly from available Revenues in such amounts as may be required from time to time by the Resolution until the Repair and Replacement Fund has an amount equivalent to the Repair and Replacement Requirement. Funds at any time on deposit in the Repair and Replacement Fund in excess of the amount required to be maintained therein may, at any time, be transferred to the General Reserve Fund and used by UMPA for any lawful purpose. The amount in the Repair and Replacement Fund is determined annually by the Board.

***Rate Stabilization Fund*—**This fund previously established under the Indenture may receive transfers from the net revenues of the Revenue Fund and may transfer amounts to the Revenue Fund to cover any insufficiency. The Board periodically reviews the amounts collected and may adjust the contribution as they deem prudent. Amounts on deposit in the fund may be used for any lawful purpose. To the extent that amounts on deposit in the Revenue Fund are insufficient in any year for any of the purposes thereof, UMPA covenants that, to the extent amounts are on deposit in the Rate Stabilization Fund, it shall transfer amounts from the Rate Stabilization Fund to the Revenue Fund to cover any such insufficiency.

***Debt Service Fund*—**This fund established under the Resolution consists of a Debt Service Account and a Debt Service Reserve Account. The Debt Service Account includes capitalized interest and pays all interest and principal related to the Revenue Bonds. Amounts required to be on deposit are the accrued interest payable, the accrued portion of the next principal installment due. The Debt Service Reserve Account maintains the reserve requirement as an amount equal to the lessor of (1) 10% of the aggregate original principal amount of all series of bonds outstanding, (2) the maximum aggregate debt service due in any bond year on all series outstanding, or (3) 125% of the aggregate average debt service due during any bond year on all series of bonds outstanding.

***Project Fund*—**This fund established under the Resolution provides for the cost of acquisition and construction of the projects.

***Cost of Issuance Fund*—**This fund established under the Resolution provides for the cost of issuance of the Series 2016 Bonds.

Note 7 - Related Party Transactions

***DG&T Payable*—**DG&T, which is a joint owner with UMPA and operator of the Bonanza Unit, bills UMPA in advance under DG&T's operating budget for costs expected to be incurred for each month's power usage. The actual costs are finalized two months after the initial billing. At June 30, 2017 and 2016 UMPA had prepaid DG&T for May and June's power usage. Prepayment and actual expenses as of June 30, 2017 and 2016 were as follows:

	2017	2016
Actual expenses	$ 1,628,631	$ 2,113,218
Prepayment	(1,399,340)	(1,545,901)
Payable to DG&T	$ 229,291	$ 567,317

***Capacity Purchase Agreement Payable*—**Provo City, a member of UMPA, bills UMPA in advance each month in accordance with the Capacity Purchase Agreement. The actual costs are determined two months after the initial billing. Prepayment and actual expenses as of June 30, 2017 and 2016 were as follows:

	2017	2016
Actual expenses	$ 4,795	$ 60,106
Prepayment	(3,400)	(42,290)
Payable under Capacity Purchase Agreement	$ 1,395	$ 17,816

Note 8 - Commitments and Contingencies

***Power Sales Contracts*—**Power Sales Agreements between UMPA and each of the Members provide that UMPA shall sell and deliver and the Member shall purchase and receive all electric power and energy required by the Member to meet the loads on its electric system. The Power Sales Agreements were amended January 1, 2016 and shall remain in effect through December 31, 2065. The agreements do not specify any particular power supply resource as the source of UMPA's power.

***Power Purchase Contracts*—**UMPA has entered into several power purchase contracts with various terms and conditions. The estimated minimum payments required are summarized below. The Western Area Power Administration (WAPA) contracts provide power and energy through September 30, 2024. UMPA has two contracts with DG&T. One contract is based on a fixed percentage share of the fixed costs of the Bonanza Unit over the expected plant life and is estimated to end June 30, 2025. The other contract provides for a predetermined power amount and no associated minimum energy amount from various DG&T resources through December 31, 2019.

Year Ending June 30,	WAPA	DG&T
Actual expenses:		
2017	$ 9,000,566	$ 26,344,736
2016	8,799,503	24,315,537
Estimated minimum payments:		
2018	8,919,243	17,351,818
2019	8,926,136	17,589,606
2020	8,933,166	10,057,110
2021	8,940,337	2,429,549
2022	8,947,652	2,478,140
2023-2025	17,917,834	7,735,781

***Dedicated Resource Costs*—**UMPA has entered into Capacity Purchase Agreements with Levan, Manti, Nephi and Provo as to their existing electric generating capacity. These agreements have estimated remaining facility lives of 10-25 years. Under the Capacity Purchase Agreements, generation capacity and energy from the Members' resources are dedicated to UMPA to meet the load requirements of its Members. The agreements provide that UMPA pays to the Members actual fixed and variable costs associated with the resources. The contracts terms coincide with the Members Power Sale Contracts.

Minimum payments are estimated to be:

Year Ending June 30,	Dedicated Resource Costs
Actual expenses:	
2017	$ 5,360,090
2016	5,411,459
Estimated minimum payments:	
2018	3,279,145
2019	2,105,158
2020	2,145,053
2021	2,185,746
2022	2,929,003
2023-2025	6,939,185

Note 9 - Employee Pensions

***Plan Description*—**Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following Pension Trust Funds:

Defined Benefit Plans

- Tier 1 Public Employees Noncontributory Retirement System (Tier 1 Noncontributory System) is a multiple employer, cost sharing, public employee retirement system;
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) is a multiple employer cost sharing public employee retirement system;

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

The Utah Retirement Systems (URS) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The URS defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of URS under the direction of the Utah State Retirement Board, whose members are appointed by the Governor. URS are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

URS issued a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 East 200 South, Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

***Benefits Provided*—**URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

Summary of Benefits by System

System	Final Average Salary	Years of service required and/or age eligible for benefit	Benefit percentage per year of service	COLA**
Tier 1 Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

** with actuarial reductions*

***All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.*

Contributions**—**As a condition of participation in URS, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

	2017		2016	
	Employer Contribution Rates	Employer Rate for 401(k) Plan	Employer Contribution Rates	Employer Rate for 401(k) Plan
Noncontributory System				
15 Local Government Div - Tier 1	18.47%	N/A	18.47%	N/A
Contributory System				
111 Local Government Div - Tier 2	14.91%	1.78%	16.67%	1.78%

Tier 2 rates include a statutory required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.

For fiscal year ended June 30, 2017 and 2016, the employer and employee contributions to URS were as follows:

	2017		2016	
System	Employer Contributions	Employee Contributions	Employer Contributions	Employee Contributions
Tier 1 Noncontributory System	$ 234,462	N/A	$ 255,687	N/A
Tier 2 Public Employees System	20,959	-	17,306	-
Total Contributions	$ 255,421	$ -	$ 272,993	$ -

Contributions reported are the URS Board approved required contributions by URS. Contributions in the Tier 2 System are used to finance the unfunded liabilities in the Tier 1 System.

Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources relating to Pensions

At June 30, 2017, UMPA reported a net pension asset of $0 and a net pension liability of $986,179. At June 30, 2016, the Agency reported a net pension asset of $36 and a net pension liability of $894,818.

	(Measurement Date): December 31, 2016				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2015	Change (Decrease)
Tier 1 Noncontributory System	$ -	$ 984,300	0.1532885%	0.1581374%	(0.0048489)%
Tier 2 Public Employees System	-	1,879	0.0168434%	0.0163275%	0.0005159%
Total Net Pension Asset / Liability	$ -	$ 986,179			

The net pension asset and liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2016 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to URS during the plan year over the total of all employer contributions to URS during the plan year.

For the year ended June 30, 2017 and 2016 the Agency recognized pension expense for $343,529 and $195,584, respectively.

At June 30, 2017 the Agency reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 21,380	$ 28,346
Changes in assumptions	134,170	32,208
Net difference between projected and actual earnings on pension plan investments	219,463	65,073
Changes in proportion and differences between contributions and proportionate share of contributions	1,280	19,198
Contributions subsequent to the measurement date	112,795	-
Total	$ 489,088	$ 144,825

Deferred outflows of resources relating to pensions in the amount of $112,795 was reported as a result of contributions made by UMPA prior to fiscal year end, but subsequent to the measurement date of December 31, 2016.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources
2017	$ 70,656
2018	71,509
2019	90,982
2020	(2,265)
2021	45
Thereafter	540

Actuarial Assumptions—The total pension liability in the December 31, 2016 and 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2016	2015
Inflation	2.60%	2.75%
Salary increases - average, including inflation	3.35 - 10.35%	3.50 - 10.50%
Investment rate of return - net of pension plan investment expense, including inflation	7.20%	7.50%

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class and is applied consistently to each defined benefit pension plan. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	Expected Return Arithmetic Basis		
Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
Inflation			2.60%
Expected arithmetic nominal return			7.83%

The 7.20% assumed investment rate of return is comprised of an inflation rate of 2.60%, a real return of 4.60% that is net of investment expense.

***Discount Rate*—**The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

***Sensitivity of the Proportionate Share of the Net Pension Asset and Liability to Changes in the Discount Rate*—** The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.20%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentate-point lower (6.20%) of 1-percentage point higher (8.20%) than the current rate:

System	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Tier 1 Noncontributory System	$ 2,038,818	$ 984,300	$ 104,362
Tier 2 Public Employees System	12,789	1,879	(6,421)
Total	$ 2,051,607	$ 986,179	$ 97,941

***Pension Plan Fiduciary Net Position*—** Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

Defined Contribution Savings Plans

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental to the basic retirement benefits of URS, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b) and 408 of the Internal Revenue code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

The Agency participates in the following Defined Contribution Savings Plan with URS:

401(k) Plan
457(b) Plan

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans for fiscal years ended June 30, 2017, 2016 and 2015 were as follows:

401(k) Plan	2017	2016	2015
Employer Contributions	$ 18,476	$ 6,220	$ 7,633
Employee Contributions	63,182	14,453	22,398

457(b) Plan	2017	2016	2015
Employer Contributions	$ -	$ -	$ -
Employee Contributions	9,600	-	-

Note 10 - Risk Management

The Agency is subject to various risks of loss related to general liability and property insurance. The Agency has purchased commercially available indemnity insurance to cover these risks. The deductible amounts for this insurance would be immaterial to the Agency. The amount of insurance settlements has not exceeded insurance coverage in the past three years.

Required Supplementary Information
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Utah Municipal Power Agency

	As of calendar year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Proportionate share of the net pension liability (asset) as a % of its covered payroll	Plan fiduciary net position as a % of its covered payroll
Tier 1 Noncontributory System	2014	0.1579117%	$ 685,690	$ 1,352,785	50.70%	90.20%
	2015	0.1581374%	894,818	1,370,842	65.28%	87.80%
	2016	0.1532885%	984,300	1,367,364	71.99%	87.30%
Tier 2 Public Employees System	2014	0.0202041%	$ (612)	$ 99,116	-0.06%	103.50%
	2015	0.0163275%	(36)	105,488	-0.03%	100.20%
	2016	0.0168434%	1,879	138,129	1.36%	95.10%

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Agency will present information for those years for which information is available.

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a % of covered payroll
Tier 1 Noncontributory System	2014	$ 231,122	$ 231,122	$ -	$ 1,336,739	17.29%
	2015	248,567	248,567	-	1,345,786	18.47%
	2016	255,687	255,687	-	1,384,337	18.47%
	2017	234,462	234,462		1,269,420	18.47%
Tier 2 Public Employees System*	2014	$ 12,066	$ 12,066	$ -	$ 86,244	13.99%
	2015	15,144	15,144	-	101,366	14.94%
	2016	17,306	17,306	-	116,069	14.91%
	2017	20,959	20,959	-	140,568	14.91%

* Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems.
Tier 2 systems were created effective July 1, 2011.

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Agency will present information for those years for which information is available. Contributions as a percentage of covered payroll may be different than the board-certified rate due to rounding and other administrative issues.

Changes in Assumptions:

The following actuarial assumption changes were adopted January 1, 2016. The assumed investment return assumption was decreased from 7.50% to 7.20% and the assumed inflation rate was decreased from 2.75% to 2.60%. With the decrease in the assumed rate of inflation, both the payroll growth and wage inflation assumptions were decreased by 0.15% from the prior year's assumption.

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Utah Municipal Power Agency

	2003 Bond Indenture				2016 Bond Resolution			
	Revenue Fund	Bond Fund	Repair and Replacement Fund	Rate Stabilization Fund	Debt Service Fund	Project Fund	Cost of Issuance Fund	Total
Balance July 1, 2016	$ 8,742,282	$ 11,370,018	$ 1,200,000	$ 6,904,349	$ -	$ -	$ -	$ 28,216,649
Additions and Transfers								
Investment earnings	263,228	148,204	-	-	23,573	184,813	445	620,263
Power sales and other receipts	83,904,016	-	-	-	-	-	-	83,904,016
Bond issuance proceeds	-	82,628,813	-	-	11,926,829	23,724,000	1,300,074	119,579,716
Bond anticipation note proceeds	82,435,292	-	-	-	-	-	-	82,435,292
Transfers from (to) other funds	(13,099,645)	4,709,701	6,221,512	1,560,397	611,780	-	(3,745)	-
Total Additions and Transfers	153,502,891	87,486,718	6,221,512	1,560,397	12,562,182	23,908,813	1,296,774	286,539,287
Deductions								
Operation and maintenance expenses	74,560,444	-	-	-	-	-	-	74,560,444
Purchase of capital additions	81,620,651	-	-	-	-	3,836,936	-	85,457,587
Interest expense	-	698,806	-	-	706,023	-	-	1,404,829
Cost of bond issuance	242,138	-	-	-	-	-	1,296,774	1,538,912
Bond principal payments	-	6,814,000	-	-	-	-	-	6,814,000
Bond anticipation note principal payment	-	82,435,292	-	-				82,435,292
Total Deductions	156,423,233	89,948,098	-	-	706,023	3,836,936	1,296,774	252,211,064
Balance June 30, 2017	$ 5,821,940	$ 8,908,638	$ 7,421,512	$ 8,464,746	$ 11,856,159	$ 20,071,877	$ -	$ 62,544,872