



Financial Statements
June 30, 2018 and 2017

Utah Municipal Power Agency

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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, 2018 and 2017, 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 opinions on these financial statements based on our audit. We conducted our audit 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 respective financial position of Utah Municipal Power Agency, as of June 30, 2018 and 2017, and the results of its operations and cash flows for the year then ended in accordance 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 the management's discussion and on pages 3 through 7 and schedule of the proportionate share of the net pension liability on page 31 and schedule of contributions to the pension plan on page 32, 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 inquires of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquires, 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 34 is presented for purposes of additional analysis and is 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 our report dated November 27, 2018 on our consideration of Utah Municipal Power Agency internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Utah Municipal Power Agency's 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 Municipal Power Agency's internal control over financial reporting and compliance.



Salt Lake City, Utah
November 27, 2018

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, 2018 and 2017. 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 statement of net position, the statement 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 statements of cash flows report 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, 2018, 2017 and 2016:

| Condensed Statements of Net Position | | | |
|---|-----------------------|-----------------------|----------------------|
| | 2018 | 2017 | 2016 |
| Assets and Deferred Outflow of Resources: | | | |
| Current assets | \$ 65,499,519 | \$ 77,290,037 | \$ 39,470,422 |
| Utility plant & equipment, net | 120,854,488 | 97,232,840 | 15,323,957 |
| Deferred outflow of resources | 566,123 | 527,852 | 488,436 |
| Total assets and deferred outflow of resources | \$ 186,920,130 | \$ 175,050,729 | \$ 55,282,815 |
| Liabilities and Deferred Inflow of Resources: | | | |
| Current liabilities | 12,517,821 | 12,251,516 | 12,628,200 |
| Long-term liabilities | 119,948,605 | 124,513,295 | 9,422,385 |
| Deferred inflow of resources | 54,450,354 | 38,282,568 | 33,228,880 |
| Total liabilities and deferred inflow of resources | 186,916,780 | 175,047,379 | 55,279,465 |
| Net Position: | | | |
| Net investment in capital assets | (488,273) | (10,672,399) | (17,610) |
| Restricted for debt service | 17,016,286 | 40,836,674 | 11,370,018 |
| Unrestricted | (16,524,663) | (30,160,925) | (11,349,058) |
| Total net position | 3,350 | 3,350 | 3,350 |
| Total liabilities, deferred inflow, and net position | \$ 186,920,130 | \$ 175,050,729 | \$ 55,282,815 |

Condensed statements of net position highlights are as follows:

- A decrease in current assets at year-end of \$11.8 million is the primary effect of a \$11.1 million decrease in cash and investments, a \$300,000 decrease in receivables for member and other power sales, and a decrease of \$310,000 of inventory at the West Valley and Bonanza Plants. The 2018 decrease in cash and investments was due to \$18.1 million spending from the 2016 Bond Project Fund to pay for the construction of the UMPA Provo Power Plant and Administrative office building, leaving the remaining and unspent balance of \$2.0 million in the Project Fund. Capitalized interest funds of \$2.5 million were applied to debt service payments in 2018. 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 \$6.5 million were added to the Repair and Replacement Fund. Under a tolling agreement for the West Valley Plant, UMPA collected a run hour charge of \$760,000 held in the Repair and Replacement Fund for future maintenance of the facility. Budgeted and collected member contributions of \$1.7 million were allocated to the Rate Stabilization Fund in 2018.

In 2017 current assets increased \$37.8 million due to 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. In 2017 UMPA budgeted and collected total contributions of \$6.2 million added to the Repair and Replacement Fund and \$1.6 million added to the Rate Stabilization Fund.

- Utility plant & equipment, net increased by approximately \$23.6 million during 2018. This is attributable to total additions of \$18.6 million for the completion of the UMPA Provo Power Plant, office building, and work in process for control upgrades at the West Valley Plant. The old office building was sold, resulting in the removal of \$200,000 of associated assets, net of depreciation. The transfer of Provo's 6.75% ownership interest in the Hunter 1 Unit was recorded at the carrying value of \$11.3 million, bringing total cost of the unit for UMPA to \$18 million. Utility plant & 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 2017 utility plant & equipment net increased by \$81.9 million due 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. More detailed information about the capital assets is presented in Note 3 to the financial statements.

- Long-term revenue bond payable decreased \$4.2 million in 2018. Long-term 2003 revenue bonds outstanding decreased \$4.1 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 2016 revenue bonds outstanding decreased \$200,000 due to bond premium amortization. Long-term liabilities increased \$115.0 million in 2017 with the \$4.5 million classification of the current portion of long-term liabilities and the issuance of \$119.5 million of revenue bonds for the acquisition of the West Valley Plant and for the construction of the new Provo Power Plant and administrative office building. More detailed information about the long-term revenue bond payable is presented in Note 6 to the financial statements.

- Deferred inflow of resources increased \$15.8 million in 2018. This is attributable to an increase of \$1.7 million of member contributions to the Rate Stabilization Fund, an increase of \$7.3 million of contributions to the Repair and Replacement Fund, \$11.3 million increase in capital assets transferred, and a decrease of \$4.5 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 \$5.3 million from 2016 to 2017, which represented a \$1.6 million increase in the Rate Stabilization Fund, a \$6.2 million increase in the Repair and Replacement Fund, and a \$2.5 million decrease 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, 2018, 2017 and 2016:

| Condensed Statements of Revenues, Expenses, and Changes in Net Position | | | |
|---|---------------|---------------|---------------|
| | 2018 | 2017 | 2016 |
| Operating revenues | \$ 79,523,349 | \$ 85,420,998 | \$ 75,550,012 |
| Operating expenses | 72,299,913 | 76,331,941 | 66,907,491 |
| Income from operations | 7,223,436 | 9,089,057 | 8,642,521 |
| Interest income | 932,010 | 620,263 | 252,737 |
| Interest expense | (3,992,261) | (4,707,262) | (642,649) |
| Loss on Provo Plant retirement | - | - | (906,157) |
| Gain on sale of other utility assets | 347,774 | - | - |
| Net Non-operating revenues (expenses) | (2,712,477) | (4,086,999) | (1,296,069) |
| Change in net position before transfer and adjustments | 4,510,959 | 5,002,058 | 7,346,452 |
| Transfer in of generation assets | 11,343,675 | - | - |
| Deferred inflow of resources adjustment | (15,854,634) | (5,002,058) | (7,346,452) |
| 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 decreased by approximately \$5.9 million between 2018 and 2017. Power sales consist principally of member power sales revenue and other power sales. Revenue from power sales to members was consistent with prior year as member capacity decreased 0.7% and energy increased 0.8%. Energy not needed for member load is sold in the market. Other power sales revenues decreased \$5.4 million in 2018 due to the PacifiCorp/Eagle Mtn contract ending the prior year. Capacity and energy sales from the West Valley Plant decreased \$500,000. In 2017, operating revenues from total power sales increased by approximately \$9.8 million from 2016. Sales to members increased \$4.1 million due to a member capacity and energy increased. Other power sales increased \$5.7 million due to the new capacity and energy sale from the West Valley Plant.
- Operating expenses decreased by approximately \$4.0 million between 2018 and 2017. This difference is attributable primarily to generation costs, dedicated resource costs, and other power costs.

Dedicated resource costs had a net decrease of \$4.2 million in 2018. In September 2017 the Hunter 1 Unit ownership interest was transferred to UMPA and the Capacity Purchase Agreement with Provo was terminated. After the transfer the costs associated with the plant in the amount of \$4.1 million were expensed as Generation Costs. The hydro Capacity Purchase Agreement costs decreased \$64,000 because of debt service payment reimbursements were paid in full in January 2017. In 2017, dedicated resource costs decreased \$100,000 primarily due to a decrease in hydro debt service costs.

Total Generation costs has a net increase of \$2.6 million in 2018.

The Hunter 1 Unit became an asset of UMPA in September 2017 causing an increase of \$4.1 million in generation costs previously reported as dedicated resource costs. Overall the Hunter plant had a decrease of \$350,000 in fuel costs and an increase of \$320,000 of maintenance costs primarily due to a planned outage. An additional \$1.1 million of overhaul costs were capitalized in 2018 for the Hunter plant. In 2017 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 Bonanza Unit had a decrease of \$1.5 million in fuel costs from a decrease of variable cost per ton of coal. Bonanza's operating and maintenance expenses decreased \$170,000. Bonanza generation costs in 2017 were \$1.0 million higher than the previous year due to \$1.9 million increased fuel costs from coal inventory true-ups and an increase of variable costs per ton of coal, and a decrease of \$900,000 in maintenance costs from shorter outage period than prior year.

The West Valley Plant had an increase of \$160,000 in 2018 primarily from operating a full twelve months and from the structure of the tolling agreements. West Valley generation costs increased \$3.7 million in 2017 with the initial year of operation after purchase.

The UMPA Provo Plant costs increased \$230,000 in 2018. The new plant started operations in November 2017 and incurred \$170,000 in variable costs. Other fixed costs increased \$60,000 including insurance, consulting, and other maintenance. 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.

Depreciation expense increased \$2.8 million in 2018 with the addition of new generation facilities.

Other power costs decreased \$5.5 million in 2018. 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 net decreased 13.3% because of a higher cost long-term contract with PacifiCorp of \$9.1 million ended the prior year. The energy from the contract was replaced with lower cost market alternatives and additional utilization of contracts that had higher unit availability and displacing higher cost resources with lower cost market alternatives during the year. In 2017, other power costs increased \$2.6 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 2018 budget with total expenditures of \$78.4 million including budgeted operating expenses of \$75.4 million and debt service of \$3.0 million. Actual operating expenses and debt service were \$76.3 million, \$2.1 million or 2.7% under budget. Total operating revenues were less than budget by \$2.0 million or 2.4%.

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.

Utah Municipal Power Agency
Statements of Net Position
June 30, 2018 and 2017

| | 2018 | 2017 |
|---|-----------------------|-----------------------|
| Current Assets | | |
| Cash, cash equivalents, and investments - Note 1 & 2 | \$ 51,407,647 | \$ 62,544,872 |
| Accounts receivable | | |
| Member power sales | 10,300,527 | 10,156,556 |
| Other power sales | 358,300 | 798,394 |
| Inventory - Note 1 | 3,433,045 | 3,740,945 |
| Prepaid Expense | - | 49,270 |
| | <u>65,499,519</u> | <u>77,290,037</u> |
| Noncurrent Assets | | |
| Utility Plant and Equipment - Note 1 & 3 | | |
| Interest in generating plant and work in process | 145,294,045 | 116,084,083 |
| Interest in transmission system | 8,729,746 | 8,715,692 |
| Other utility assets and work in process | 4,508,113 | 5,287,543 |
| Less: accumulated depreciation | (37,677,416) | (32,854,478) |
| | <u>120,854,488</u> | <u>97,232,840</u> |
| Deferred Outflows of Resources | | |
| Future recoverable costs (net of accumulated amortization of \$210,742 in 2018 and \$195,236 in 2017) - Note 1 | 23,258 | 38,764 |
| Deferred outflow of resources related to pensions - Note 10 | 542,865 | 489,088 |
| | <u>566,123</u> | <u>527,852</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 186,920,130</u> | <u>\$ 175,050,729</u> |

Utah Municipal Power Agency
Statements of Net Position
June 30, 2018 and 2017

| | 2018 | 2017 |
|---|----------------|----------------|
| Current Liabilities | | |
| Accounts payable | \$ 6,375,757 | \$ 5,617,952 |
| Accrued bond interest payable | 2,087,064 | 2,183,564 |
| Current portion of revenue bonds payable - Note 6 | 4,055,000 | 4,450,000 |
| Total Current Liabilities | 12,517,821 | 12,251,516 |
| Long-Term Liabilities | | |
| Net pension liability - Note 10 | 659,370 | 986,179 |
| Revenue bonds payable - Note 6 | 119,289,235 | 123,527,116 |
| Total Long-Term Liabilities | 119,948,605 | 124,513,295 |
| Total Liabilities | 132,466,426 | 136,764,811 |
| Deferred Inflows of Resources | | |
| Deferred inflow of resources related to pensions - Note 10 | 457,977 | 144,825 |
| Deferred inflow of resources related to future billings to members - Note 4 | 53,992,377 | 38,137,743 |
| Total Deferred Inflows of Resources | 54,450,354 | 38,282,568 |
| Total Liabilities and Deferred Inflows of Resources | 186,916,780 | 175,047,379 |
| Net Position | | |
| Net investment in capital assets | (488,273) | (10,672,399) |
| Restricted for debt service | 17,016,286 | 40,836,674 |
| Unrestricted | (16,524,663) | (30,160,925) |
| Total Net Position | 3,350 | 3,350 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 186,920,130 | \$ 175,050,729 |

Utah Municipal Power Agency
Statements of Revenues, Expenses & Changes in Net Position
For the Years Ended June 30, 2018 and 2017

| | 2018 | 2017 |
|---|---------------|---------------|
| Operating Revenues | | |
| Power sales: | | |
| Members | \$ 72,955,994 | \$ 72,888,058 |
| Other | 6,542,553 | 12,496,505 |
| Other operating revenue | 24,802 | 36,435 |
| Total Operating Revenues | 79,523,349 | 85,420,998 |
| Operating Expenses | | |
| Generation costs | 18,274,244 | 15,633,360 |
| Dedicated resource costs | 1,165,606 | 5,349,602 |
| Federal hydro power costs | 8,535,748 | 8,650,490 |
| Other power costs | 35,478,726 | 40,928,837 |
| Operation costs | 1,310,910 | 1,363,492 |
| Depreciation | 6,090,841 | 3,256,388 |
| General and administrative | 1,443,838 | 1,149,772 |
| Total Operating Expenses | 72,299,913 | 76,331,941 |
| Income from Operations | 7,223,436 | 9,089,057 |
| Non-Operating Revenues (Expenses) | | |
| Interest income | 932,010 | 620,263 |
| Interest expense | (3,992,261) | (4,707,262) |
| Gain on sale of other utility assets | 347,774 | - |
| Net Non-Operating Expenses | (2,712,477) | (4,086,999) |
| Change in net position before transfers & adjustments | 4,510,959 | 5,002,058 |
| Transfer in of generation assets - Note 7 | 11,343,675 | - |
| Deferred inflow of resources adjustment - Note 1 & 4 | (15,854,634) | (5,002,058) |
| Change in Net Position | - | - |
| Net Position, Beginning of Year | 3,350 | 3,350 |
| Net Position, End of Year | \$ 3,350 | \$ 3,350 |

Utah Municipal Power Agency
Statements of Cash Flows
June 30, 2018 and 2017

| | 2018 | 2017 |
|---|----------------------|----------------------|
| Cash Flows from Operating Activities | | |
| Receipts from members | \$ 72,812,023 | \$ 71,584,724 |
| Other operating receipts | 7,007,449 | 12,319,292 |
| Payments for UMPA resources | (16,797,541) | (16,054,932) |
| Payments for dedicated resources | (1,037,175) | (4,887,518) |
| Payments for purchased power | (44,489,128) | (49,251,429) |
| Payments for operation expenses | (1,351,002) | (1,312,796) |
| Payments for general and administrative expenses | (1,471,179) | (1,128,784) |
| | <u>14,673,447</u> | <u>11,268,557</u> |
| Net Cash from Operating Activities | | |
| Cash Flows from Capital and Related Financing Activities | | |
| Bonds and note principal payments | (4,450,000) | (89,249,292) |
| Interest paid on bonds and note | (4,271,641) | (1,404,829) |
| Acquisition of utility and equipment | (18,563,656) | (85,457,587) |
| Proceeds from sale of other utility assets | 542,615 | - |
| 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) |
| | <u>(26,742,682)</u> | <u>22,439,403</u> |
| Net Cash from (used in) Capital and Related Financing Activities | | |
| Cash Flows from Investing Activities | | |
| Interest received on cash and investments | 932,010 | 620,263 |
| | <u>932,010</u> | <u>620,263</u> |
| Net Cash from Investing Activities | | |
| Net Change in Cash, Cash Equivalents, and Investments | (11,137,225) | 34,328,223 |
| Cash, Cash Equivalents, and Investments at Beginning of Year | <u>62,544,872</u> | <u>28,216,649</u> |
| Cash, Cash Equivalents, and Investments at End of Year | <u>\$ 51,407,647</u> | <u>\$ 62,544,872</u> |
| Reconciliation of Income from Operations to Net Cash Provided from Operating Activities | | |
| Income from operations | \$ 7,223,436 | \$ 9,089,057 |
| Noncash operating activities adjustment: | | |
| Depreciation | 6,090,841 | 3,256,388 |
| Amortization expense | 15,506 | 15,506 |
| Write-off of abandoned feasibility studies | - | 292,316 |
| Net pension liability | (67,434) | 88,106 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 296,123 | (1,516,983) |
| Inventory | 307,900 | (190) |
| Prepaid Expense | 49,270 | (49,270) |
| Accounts payable | 757,805 | 93,627 |
| | <u>757,805</u> | <u>93,627</u> |
| Net Cash Flows from Operating Activities | <u>\$ 14,673,447</u> | <u>\$ 11,268,557</u> |

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.

Reclassifications—Certain 2017 amounts have been reclassified to conform to the 2018 presentation.

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, commenced in 2017. The costs associated with the construction are included generating plant equipment.

In September 2017, Provo City entered into an Assignment and Assumption Agreement to transfer to UMPA their 6.25% ownership interest (representing approximately 27 MW of capacity) in the Hunter 1 Unit, a 430 MW coal-fired generating plant located in central Utah. The plant is recorded at the carrying value at the time of the transfer.

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 November 28, 2018, 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 and Emery Counties in respect of its interests in the Bonanza and Hunter 1 Units. UMPA paid \$33,323 to Uintah County during the 2018 fiscal year and \$32,206 in fiscal year 2017. UMPA paid \$214,683 to Emery County during the 2018 fiscal year.

Inventory—Inventory consists of Coal stockpiled at the Bonanza Unit and working capital inventory at both the Hunter 1 Unit and the West Valley Plant. All inventory is valued at lower of cost or market on the moving average basis. Inventory as of June 30, 2018 and 2017 are detailed as follows:

| | 2018 | 2017 |
|--|--------------|--------------|
| Inventory: | | |
| Bonanza Coal | \$ 1,478,637 | \$ 1,524,683 |
| Hunter 1 Unit materials and supplies | 273,000 | 273,000 |
| West Valley Plant materials and supplies | 1,681,408 | 1,943,262 |
| Total Inventory | \$ 3,433,045 | \$ 3,740,945 |

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, 2018 and 2017 are detailed as follows:

| | 2018 | 2017 |
|---|---------------|---------------|
| Cash, cash equivalents, and investments: | | |
| Deposits | \$ 4,857,915 | \$ 4,417,648 |
| Investment in the Utah State PTIF | 46,549,732 | 57,773,146 |
| Investment in Forward Delivery Agreement | - | 354,078 |
| Total cash, cash equivalents, and investments | \$ 51,407,647 | \$ 62,544,872 |

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 State 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, 2018 and 2017 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, 2018, \$51,157,647 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, 2018, the Agency had \$46,549,732 in the PTIF. These investments were valued by applying the June 30, 2018 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, 2018 and 2017, the estimated liability is \$0 and \$0, respectively.

Note 3 - Utility Plant and Equipment

Capital asset activity for the years ended June 30, 2018 and 2017 was as follows:

| Utility Plant and Equipment as of June 30, 2018 | Beginning Balance | Additions | Retirements & Transfers | Ending Balance |
|---|----------------------|----------------------|----------------------------|-----------------------|
| Generation plant | \$ 114,512,927 | \$ 17,266,295 | \$ 12,914,830 | \$ 144,694,052 |
| Work in process - Generating plant | 1,571,156 | 599,993 | (1,571,156) | 599,993 |
| Work in process - Other utility assets | 3,350,697 | 29,322 | (3,350,697) | 29,322 |
| Transmission plant | 8,715,692 | 14,054 | - | 8,729,746 |
| Other utility assets | 1,936,846 | 653,992 | 1,887,953 | 4,478,791 |
| Total Utility Plant and Equipment | <u>130,087,318</u> | <u>18,563,656</u> | <u>9,880,930</u> | <u>158,531,904</u> |
| Less accumulated depreciation: | | | | |
| Generation plant | (24,691,078) | (5,697,263) | - | (30,388,341) |
| Transmission plant | (6,750,503) | (228,508) | - | (6,979,011) |
| Other utility assets | (1,412,897) | (165,070) | 1,267,903 | (310,064) |
| Total Depreciation | <u>(32,854,478)</u> | <u>(6,090,841)</u> | <u>1,267,903</u> | <u>(37,677,416)</u> |
| Utility Plant and Equipment, net | <u>\$ 97,232,840</u> | <u>\$ 12,472,815</u> | <u>\$ 11,148,833</u> | <u>\$ 120,854,488</u> |

Utah Municipal Power Agency
Notes to Financial Statements
June 30, 2018 and 2017

| 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 | <u>44,964,363</u> | <u>85,457,587</u> | <u>(334,632)</u> | <u>130,087,318</u> |
| 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 | <u>(29,640,406)</u> | <u>(3,256,388)</u> | <u>42,316</u> | <u>(32,854,478)</u> |
| Utility Plant and Equipment, net | <u>\$ 15,323,957</u> | <u>\$ 82,201,199</u> | <u>\$ (292,316)</u> | <u>\$ 97,232,840</u> |

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 of Directors 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, 2018 the Agency made contributions of \$1,654,299, including interest, and for the year ended June 30, 2017 contributions of \$1,560,397, 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, 2018 and 2017 include the following classifications:

| | 2018 | 2017 |
|--|---------------|---------------|
| Deferred inflow of resources related to future billings to members: | | |
| Designated for rate stabilization | \$ 10,119,045 | \$ 8,464,746 |
| Designated for repair and replacement | 14,699,787 | 7,421,512 |
| Net revenues to be returned in future billings to members | 29,173,545 | 22,251,485 |
| Total deferred inflow of resources related to future billings to members | \$ 53,992,377 | \$ 38,137,743 |

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, during the year ended June 30, 2017 when long-term bonds were issued to finance the capital project.

There was no short-term debt activity for the year ended June 30, 2018.

Note 6 - Revenue Bonds Payable

Revenue bonds payable activity for the years ended June 30, 2018 and 2017 were as follows:

| June 30, 2018 | Beginning Balance | Additions | Reductions | Ending Balance |
|---|-----------------------|-----------------------|---------------------|-----------------------|
| Long-term revenue bonds | \$ 125,010,000 | \$ - | \$ (4,450,000) | \$ 120,560,000 |
| Adjusted for: | | | | |
| Current maturities | (4,450,000) | (4,055,000) | 4,450,000 | (4,055,000) |
| Unamortized premium, net | 2,993,513 | - | (209,278) | 2,784,235 |
| Unamortized reacquisition cost | (26,397) | - | 26,397 | - |
| Total Long-Term Revenue Bonds, net | \$ 123,527,116 | \$ (4,055,000) | \$ (182,881) | \$ 119,289,235 |

| 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 |

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. These bonds were paid in full on July 1, 2017.

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 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, 2018 and 2017 are as follows:

| | 2018 | 2017 |
|--|---------------|---------------|
| Remaining Revenue Bonds Payable | | |
| Series 2003A Bonds, 5.000%, due April 3, 2003 - July 1, 2018 | \$ 4,055,000 | \$ 7,915,000 |
| Series 2012 Bonds, 2.060%, due July 16, 2012 - July 1, 2017 | - | 590,000 |
| Series 2016A Bonds, 1.630%, due Oct 26, 2016 - July 1, 2036 | 98,290,000 | 98,290,000 |
| Series 2016B Bonds, 4.000%, due Oct 26, 2016 - July 1, 2038 | 18,215,000 | 18,215,000 |
| Principal Amount | 120,560,000 | 125,010,000 |
| Series 2003A Unamortized premium | - | 34,583 |
| Series 2016B Unamortized premium | 2,784,235 | 2,958,930 |
| Series 2003A Unamortized cost of reacquired debt | - | (26,397) |
| Total Bonds Payable, Net | 123,344,235 | 127,977,116 |
| Less current portion | (4,055,000) | (4,450,000) |
| Total Long-Term Revenue Bonds Payable | \$119,289,235 | \$123,527,116 |

The following table shows the revenue bonds debt service requirements.

Year Ending June 30,

| | Series 2003A* | | Series 2016A | | Series 2016B | | Total Debt Service |
|-----------|---------------------|-------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | |
| 2019 | \$ 4,055,000 | \$ 101,375 | \$ - | \$ 3,071,929 | \$ - | \$ 899,450 | \$ 8,127,754 |
| 2020 | - | - | 4,340,000 | 3,036,558 | 555,000 | 888,350 | 8,819,908 |
| 2021 | - | - | 4,410,000 | 2,960,989 | 575,000 | 865,750 | 8,811,739 |
| 2022 | - | - | 4,490,000 | 2,875,376 | 595,000 | 839,375 | 8,799,751 |
| 2023 | - | - | 4,585,000 | 2,778,104 | 625,000 | 808,875 | 8,796,979 |
| 2024-2028 | - | - | 24,705,000 | 12,014,617 | 660,000 | 3,817,750 | 41,197,367 |
| 2029-2033 | - | - | 28,745,000 | 7,808,285 | 0 | 3,801,250 | 40,354,535 |
| 2034-2038 | - | - | 27,015,000 | 2,103,482 | 7,425,000 | 3,614,875 | 40,158,357 |
| 2039 | - | - | - | - | 7,780,000 | 194,500 | 7,974,500 |
| | <u>\$ 4,055,000</u> | <u>\$ 101,375</u> | <u>\$98,290,000</u> | <u>\$36,649,340</u> | <u>\$18,215,000</u> | <u>\$15,730,175</u> | <u>\$173,040,890</u> |

*The debt service on the 2003 Bonds are to be paid from the amounts now on deposit in the Debt Service Fund in the amount of \$4,156,375, leaving remaining net annual service of \$3,971,379 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 Revenue 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 and the accrued portion of the next principal installment due. The Debt Service Reserve Account maintains the reserve requirement as an amount equal to the lesser 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 - Transfer of Operations

On September 20, 2017, under an assignment and assumption agreement between Provo City and UMPA, Provo agreed to transfer their interest in the Hunter 1 Unit to the Agency. This includes all of Provo’s rights, title and interest in and to Hunter 1 Unit and all related properties and assets, including its rights under the Hunter-PacifiCorp agreements and the Emery County agreement. The Agency will also assume all obligations, responsibilities and liabilities relating to the Hunter-PacifiCorp agreements and the Emery County Agreement, including payment in lieu of ad valorem taxes.

Provo City purchased a 6.25 % interest in the Hunter 1 Power Plant in 1980. Later that decade in 1985, UMPA was formed and agreed in the Power Sale Agreement to purchase all power required for the operation of Provo’s electric utility including the energy from the downtown Provo power plant and the Hunter 1 Unit. All members of UMPA have paid for and mutually benefitted from the Hunter-PacifiCorp agreements. Future costs for environmental upgrades and decommissioning have already been assigned by contract through the Power Sales Agreement to all members of UMPA, therefore transferring the title of Hunter 1 Unit to the Agency will ensure the assignment of those future costs.

As a result of the transfer, UMPA recognized the following assets, liabilities, and net position:

| | <u>Carrying Values</u> |
|---|------------------------|
| Transferred Assets (Net) | |
| Hunter 1 Generating Plant | \$ 11,343,675 |
| Total capital assets | \$ 11,343,675 |
| Transferred Liabilities | \$ - |
| Net Position of Transferred Hunter 1 Operations | |
| Net investment in capital assets | \$ 11,343,675 |

Note 8 - 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, 2018 and 2017 UMPA had prepaid DG&T for May and June’s power usage. Prepayment and actual expenses as of June 30, 2018 and 2017 were as follows:

| | <u>2018</u> | <u>2017</u> |
|-----------------|--------------|--------------|
| Actual expenses | \$ 1,746,992 | \$ 1,628,631 |
| Prepayment | (1,173,139) | (1,399,340) |
| Payable to DG&T | \$ 573,853 | \$ 229,291 |

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. This Agreement was terminated in September 2017. Prepayment and actual expenses as of June 30, 2018 and 2017 were as follows:

| | 2018 | 2017 |
|---|------|----------|
| Actual expenses | \$ - | \$ 4,795 |
| Prepayment | - | (3,400) |
| Payable under Capacity Purchase Agreement | \$ - | \$ 1,395 |

Note 9 - 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: | | |
| 2018 | \$ 8,892,672 | \$ 24,856,073 |
| 2017 | 9,000,566 | 26,344,736 |
| Estimated minimum payments: | | |
| 2019 | 8,863,618 | 17,245,824 |
| 2020 | 8,869,398 | 9,706,452 |
| 2021 | 8,875,294 | 2,071,877 |
| 2022 | 8,881,307 | 2,113,315 |
| 2023 | 8,887,441 | 2,155,581 |
| 2024-2025 | 8,893,697 | 4,441,360 |

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. In July 1, 2016, the old Provo City power plant was decommissioned and UMPA started construction of the new UMPA owned power plant located in Provo. In September 2017, the Provo Capacity Purchase Agreement was terminated with the transfer of the final generating resource of Provo City. The new UMPA Provo Power Plant and the Hunter I Unit expenses will go forward as UMPA Generation Costs. Minimum payments are estimated to be:

| Year Ending June 30, | <u>Dedicated Resource Costs</u> |
|-----------------------------|-------------------------------------|
| Actual expenses: | |
| 2018 | \$ 1,165,606 |
| 2017 | 5,349,602 |
| Estimated minimum payments: | |
| 2019 | 110,400 |
| 2020 | 112,608 |
| 2021 | 114,860 |
| 2022 | 117,157 |
| 2023 | 119,501 |
| 2024-2025 | 246,219 |

Note 10 - 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.

Contribution Rate Summary—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:

| | 2018 | | 2017 | |
|-----------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| | 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 | 15.11% | 1.58% | 14.91% | 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, 2018 and 2017, the employer and employee contributions to URS were as follows:

| System | 2018 | | 2017 | |
|--------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | Employer Contributions | Employee Contributions | Employer Contributions | Employee Contributions |
| Tier 1 Noncontributory System | \$ 282,478 | N/A | \$ 234,462 | N/A |
| Tier 2 Public Employees System | 20,359 | - | 20,959 | - |
| Total Contributions | <u>\$ 302,837</u> | <u>\$ -</u> | <u>\$ 255,421</u> | <u>\$ -</u> |

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.

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

At June 30, 2018, the Agency reported a net pension asset of \$0 and a net pension liability of \$659,370. At June 30, 2017, the Agency reported a net pension asset of \$0 and a net pension liability of \$986,179.

| | (Measurement Date): Dec 31, 2017 | | | Dec 31, 2016 | |
|--|----------------------------------|--------------------------|------------------------|------------------------|-----------------------|
| | Net Pension Asset | Net Pension Liability | Proportionate Share | Proportionate Share | Change/ (Decrease) |
| Tier 1 Noncontributory System | \$ - | \$ 658,158 | 0.1502198% | 0.1532885% | (0.0030687)% |
| Tier 2 Public Employees System | - | 1,212 | 0.0137515% | 0.0168434% | (0.0030919)% |
| Total Net Pension Asset / Liability | \$ - | \$ 659,370 | | | |

The net pension asset and liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2017 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, 2018 and 2017 the Agency recognized pension expense of \$235,400 and \$343,529, respectively.

At June 30, 2018 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 | \$ 14,726 | \$ 41,413 |
| Changes in assumptions | 238,039 | 15,500 |
| Net difference between projected and actual earnings on pension plan investments | 142,077 | 373,836 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 1,227 | 27,228 |
| Contributions subsequent to the measurement date | 146,796 | - |
| Total | \$ 542,865 | \$ 457,977 |

Deferred outflows of resources relating to pensions in the amount of \$146,796 was reported as a result of contributions made by UMPA prior to our fiscal year end, but subsequent to the measurement date of December 31, 2017.

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:

| <u>Year Ended December 31,</u> | <u>Net Deferred Outflows (Inflows) of Resources</u> |
|--------------------------------|---|
| 2018 | \$ 24,437 |
| 2019 | 43,546 |
| 2020 | (49,425) |
| 2021 | (81,420) |
| 2022 | (272) |
| Thereafter | 1,225 |

Actuarial Assumptions—The total pension liability in the December 31, 2017 and 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | <u>2017</u> | <u>2016</u> |
|---|--------------|---------------|
| Inflation | 2.50% | 2.60% |
| Salary increases - average, including inflation | 3.25 - 9.75% | 3.35 - 10.35% |
| Investment rate of return - net of pension plan investment expense, including inflation | 6.95% | 7.20% |

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, 2017, valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2016.

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:

| Asset Class | Expected Return Arithmetic Basis | | |
|------------------------------------|----------------------------------|------------------------------|--|
| | Target Asset Allocation | Real Return Arithmetic Basis | Long-Term Expected Portfolio Real Rate of Return |
| Equity securities | 40% | 6.15% | 2.46% |
| Debt securities | 20% | 40.00% | 0.08% |
| Real assets | 15% | 5.75% | 0.86% |
| Private equity | 9% | 9.95% | 0.89% |
| Absolute return | 16% | 2.85% | 0.46% |
| Cash and cash equivalents | 0% | 0.00% | 0.00% |
| Totals | 100% | | 4.75% |
| Inflation | | | 2.50% |
| Expected arithmetic nominal return | | | <u>7.25%</u> |

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50%, a real return of 4.45% that is net of investment expense.

Discount Rate—The discount rate used to measure the total pension liability was 6.95%. 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. The discount rate was reduced to 6.95% from 7.20% from the prior measurement period.

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 6.95%, 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-percentage-point lower (5.95%) of 1-percentage point higher (7.95%) than the current rate:

| System | 1% Decrease (5.95%) | Discount Rate (6.95%) | 1% Increase (7.95%) |
|--------------------------------|---------------------|-----------------------|---------------------|
| Tier 1 Noncontributory System | \$ 1,779,968 | \$ 658,158 | \$ (274,571) |
| Tier 2 Public Employees System | 14,276 | 1,212 | (8,861) |
| Total | <u>\$ 1,794,244</u> | <u>\$ 659,370</u> | <u>\$ (283,432)</u> |

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 the Retirement Systems, 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 Utah Retirement Systems:

- *401(k) Plan
- *457(b) Plan

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

| 401(k) Plan | 2018 | 2017 | 2016 |
|------------------------|----------|-----------|----------|
| Employer Contributions | \$ 8,464 | \$ 18,476 | \$ 6,220 |
| Employee Contributions | 34,005 | 63,182 | 14,453 |
| | | | |
| 457(b) Plan | 2018 | 2017 | 2016 |
| Employer Contributions | \$ - | \$ - | \$ - |
| Employee Contributions | 28,800 | 9,600 | - |

Note 11 - 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.

Utah Municipal Power Agency
Schedule of the Proportionate Share of the Net Pension Liability
June 30, 2018

| | 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% |
| | 2017 | 0.1502198% | 658,158 | 1,346,110 | 48.89% | 91.90% |
| 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% |
| | 2017 | 0.0137515% | 1,212 | 134,564 | 0.90% | 97.40% |

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.

Utah Municipal Power Agency
Schedule of Contributions
June 30, 2018

| | 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% |
| | 2018 | 282,478 | 282,478 | - | 1,529,385 | 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% |
| | 2018 | 20,359 | 20,359 | - | 134,737 | 15.11% |

* 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:

As a result of an experience study conducted as of December 31, 2016, the Board adopted recommended changes to several economic and demographic assumptions that are used in the actuarial valuation. The assumption changes that had the largest impact on the Total Pension Liability (and actuarial accrued liability) include a decrease in the investment return assumption from 7.20% to 6.95%, a reduction in the price inflation assumption from 2.60% to 2.50% (which also resulted in a corresponding decrease in the cost-of-living-adjustment assumption for the funds with a 4.00% annual COLA max), and the adoption of an updated retiree mortality table that is developed using URS's actual retiree mortality experience. There were changes to several other demographic assumptions, but those changes had a minimal impact on the Total Pension Liability (and actuarial accrued liability).

Utah Municipal Power Agency
Schedule of Changes in Funds Established by the Bond Indenture and Bond Resolution
June 30, 2018

| | 2003 Bond Indenture | | | | 2016 Bond Resolution | | Total |
|--------------------------------------|---------------------|------------------|-----------------------------|-------------------------|----------------------|-------------------|-------------------|
| | Revenue Fund | Bond Fund | Repair and Replacement Fund | Rate Stabilization Fund | Debt Service Fund | Project Fund | |
| Balance July 1, 2017 | \$ 5,821,940 | \$ 8,908,638 | \$ 7,421,512 | \$ 8,464,746 | \$ 11,856,159 | \$ 20,071,877 | \$ 62,544,872 |
| Additions and Transfers | | | | | | | |
| Investment earnings | 587,496 | 133,635 | - | - | 21,311 | 189,568 | 932,010 |
| Power sales and other receipts | 79,819,472 | - | - | - | - | - | 79,819,472 |
| Sale of other utility asset proceeds | 542,615 | - | - | - | - | - | 542,615 |
| Transfers from (to) other funds | (10,645,466) | (135,635) | 7,278,275 | 1,654,299 | 2,952,345 | (1,103,818) | - |
| Total Additions and Transfers | 70,304,117 | (2,000) | 7,278,275 | 1,654,299 | 2,973,656 | (914,250) | 81,294,097 |
| Deductions | | | | | | | |
| Operating expenses | 65,146,025 | - | - | - | - | - | 65,146,025 |
| Purchase of capital additions | 1,407,503 | - | - | - | - | 17,156,153 | 18,563,656 |
| Interest expense | - | 300,263 | - | - | 3,971,378 | - | 4,271,641 |
| Bond principal payments | - | 4,450,000 | - | - | - | - | 4,450,000 |
| Total Deductions | 66,553,528 | 4,750,263 | - | - | 3,971,378 | 17,156,153 | 92,431,322 |
| Balance June 30, 2018 | \$ 9,572,529 | \$ 4,156,375 | \$ 14,699,787 | \$ 10,119,045 | \$ 10,858,437 | \$ 2,001,474 | \$ 51,407,647 |