Financial Statements
June 30, 2020 and 2019

Utah Municipal Power Agency

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, 2020 and 2019, 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, which collectively comprise Utah Municipal Power Agency's basic 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 audits 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 opinions.

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, 2020 and 2019, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7, the schedule of the proportionate share of the net pension liability on page 32, the schedule of contributions on page 33, and the notes to required supplementary information on page 34, 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 resolution on page 35 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 resolution 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 resolution is fairly stated, in all material respects, in relation to the basic 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 18, 2020, 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, 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.

Eide Bailly LLP

Salt Lake City, Utah
November 18, 2020

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, 2020 and 2019. 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 statements 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, 2020, 2019 and 2018:

Condensed Statements of Net Position

	2020	2019	2018
Assets and Deferred Outflows of Resources:			
Current assets	$ 78,056,654	$ 62,001,612	$ 65,499,519
Utility plant & equipment, net	117,510,463	124,245,719	120,854,488
Deferred outflows of resources	972,272	1,276,520	942,855
Total assets and deferred outflows of resources	$ 196,539,389	$ 187,523,851	$ 187,296,862
Liabilities and Deferred Inflows of Resources:			
Current liabilities	$ 10,272,030	$ 11,308,826	$ 12,375,106
Long-term liabilities	110,923,489	116,543,729	120,537,026
Deferred inflows of resources	75,340,520	59,667,946	54,381,380
Total liabilities and deferred inflows of resources	196,536,039	187,520,501	187,293,512
Net Position:			
Net investment in capital assets	3,323,676	5,035,347	(557,247)
Restricted for debt service	15,795,560	15,765,486	17,016,286
Unrestricted	(19,115,886)	(20,797,483)	(16,455,689)
Total net position	3,350	3,350	3,350
Total liabilities, deferred inflow, and net position	$ 196,539,389	$ 187,523,851	$ 187,296,862

Condensed statements of net position highlights are as follows:

- An increase in current assets at year-end of $16.1 million is the primary effect of $16.6 million increase in cash and investments, a $1.8 million decrease in receivables for member and other power sales, and $1.3 million increase of inventory at the Bonanza Unit. The 2020 increase in cash and investments was due to $3.7 million collected for Board designated programs and $2.2 million from net revenues to be returned in future billings to members. In order to accumulate an appropriate balance in the Repair and Replacement Fund for planned major maintenance at the West Valley Plant, member net contributions of $6.4 million were collected. Under a tolling agreement for the West Valley Plant, UMPA collected a run hour charge of $2.4 million held in the Repair and Replacement Fund for future maintenance of the facility. Budgeted and collected member contributions of $1.9 million were allocated to the Rate Stabilization Fund in 2020.

  In 2019, current assets decreased $3.5 million due to a $1.2 million decrease in cash and investments, a $900,000 decrease in receivables for member and other power sales, and a decrease of $1.4 million of inventory at the West Valley and Bonanza Plants. The 2019 decrease in cash and investments was due to $1.3 million spending from the 2016 Bond Project Fund to pay for control upgrades at the West Valley Plant and $9.4 million spending for West Valley Plant major repairs and control upgrades. Total budgeted and collected member and tolling agreement contributions of $4.2 million were added to the Repair and Replacement Fund. Budgeted and collected member contributions of $1.8 million were allocated to the Rate Stabilization Fund in 2019.

- Utility plant & equipment net decreased by approximately $6.7 million during 2020. This is attributable to total additions of $1.6 million for the completion of control upgrades at the hydro's and minor overhauls at the West Valley Plant offset by an increase in accumulated depreciation of approximately $8.4 million. Capital additions in the amount of $127,000 were for the Hunter 1 Unit.

  In 2019, utility plant & equipment net increased by $3.4 million due additions of $10.7 million for the completion control upgrades and major overhauls at the West Valley Plant and $250,000 additions for the Hunter 1 Unit, offset by an increase in accumulated depreciation of approximately $7.6 million. More detailed information about the capital assets is presented in Note 4 to the financial statements.

- Long-term revenue bonds payable decreased $5.2 million in 2020. Long-term 2016 revenue bonds outstanding decreased $5.0 million due to the classification of the current portion of long-term liabilities and the net effect of bond premium amortization. Long-term liabilities decreased $5.0 million in 2019 with the $5.0 million classification of the current portion of long-term liabilities and the net effect of bond premium amortization. More detailed information about the long-term revenue bonds payable is presented in Note 6 to the financial statements.

- Deferred inflow of resources related to future billings to members increased $15.2 million in 2020. This is attributable to an increase of $1.9 million of member contributions to the Rate Stabilization Fund, a net increase of $8.8 million of contributions and spending from the Repair and Replacement Fund, and an increase 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 related to future billings to members increased $5.7 million from 2018 to 2019, which represented a $1.8 million increase in the Rate Stabilization Fund, a $4.2 million net decrease in the Repair and Replacement Fund, and a $8.3 million increase in net revenues to be returned in future billings to members.

- Restricted net position consists of the Debt Service Fund, and Project Fund. The unrestricted net position consists of the Revenue Fund, Repair and Replacement Fund, and Rate Stabilization Fund.

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, 2020, 2019 and 2018:

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

	2020	2019	2018
Operating revenues	$ 82,206,445	$ 83,056,369	$ 79,523,349
Operating expenses	64,218,277	74,759,783	72,334,831
Income from operations	17,988,168	8,296,586	7,188,518
Interest income	964,116	1,187,878	932,010
Interest expense	(3,708,689)	(3,792,125)	(3,992,261)
Gain on sale of other utility assets	-	3,802	347,774
Net Non-operating revenues (expenses)	(2,744,573)	(2,600,445)	(2,712,477)
Change in net position before transfer and adjustments	15,243,595	5,696,141	4,476,041
Transfer in of generation assets	-	-	11,343,675
Deferred inflow of resources adjustment	(15,243,595)	(5,696,141)	(15,819,716)
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 $850,000 between 2020 and 2019. Power sales consist principally of member power sales revenue and other power sales. Revenue from power sales to members decreased $2.8 million as member capacity increased 3.1% and energy decreased 1.7%. Energy not needed for member load is sold in the market. Other power sales revenues increased $1.0 million in 2020 from markets sales and increased $980,000 from tolling the West Valley Plant. In 2019, operating revenues from total power sales increased by approximately $3.5 million from 2018. Sales to members were consistent with the prior year due to a member capacity decrease and energy increase. Other power sales increased $1.3 million from markets sales and increased $840,000 from tolling the West Valley Plant.

- Operating expenses decreased by approximately $10.5 million between 2020 and 2019. This difference is attributable primarily to generation costs, dedicated resource costs, and other power costs.

Total Generation costs has a net decrease of $4.6 million in 2020.

The Hunter 1 Unit had a decrease of $831,000 in fuel costs with 15% less utilization and a decrease of $145,000 of operations & maintenance costs. In 2019 the Hunter plant fuel costs increased $1.6 million while capital and maintenance costs decreased $1.4 million because of a planned outage.

The Bonanza Unit had an overall decrease of $2.6 million in 2020. Fuel costs had a net decrease of $2.3 million from a decrease of variable cost per ton of coal, 9% less utilization, and coal inventory true-ups. Bonanza's operating and maintenance expenses decreased $162,000 and administration and county taxes net decreased $110,000. Bonanza generation costs in 2019 were $90,000 higher than the previous year due to $70,000 increased net fuel costs and a net increase of $22,000 in maintenance and overhead costs.

The West Valley Plant had a decrease of $960,000 in 2020. Variable costs net increased $120,000 due to an increase in costs related to 18% higher utilization and an increase in actual variable cost per run hour. Fixed costs net decreased $1,080,000 due to shorter outage than the prior year and less preventative maintenance projects. West Valley generation costs net increased $990,000 in 2019 primarily from increased variable costs of $90,000 for more utilization and $900,000 increase for planned additional preventative maintenance and inspections during an outage. Fixed costs net increased $900,000 due to planned additional preventative maintenance projects and inspections during the outage, additional accrued benefits as operators became employees of the Agency, and a decrease of operating management fees.

The UMPA Provo Plant costs increased $1,000 in 2020. Fuel costs decreased $117,000 for less utilization of the plant and a decrease in actual variable cost per run hour. Other fixed costs increased $118,000 including maintenance, equipment rental, and equipment supplies. In 2019 the Provo Plant costs increased $270,000 from additional utilization for a full year of operations. Fuel increased $200,000 and other fixed costs increased $70,000 including maintenance, benefits, and equipment supplies.

Dedicated resource costs had a net increase of $90,000 in 2020, attributable to the hydro Capacity Purchase Agreement costs increase of $90,000 because of higher maintenance costs. In 2019, dedicated resource costs decreased $1.1 million primarily due to the portion of the prior year that the Hunter 1 Unit became a generation cost.

Other power costs decreased $7.1 million in 2020. Other power costs consist of UMPA's long-term and firm contracts for power, and supplemental power purchased on the market. Other power costs also include power purchased for resale to other entities. A firm contract expired during the year, saving $7.5 million of fixed capacity charges from the prior year. In 2019, other power costs decreased $1.0 million.

Depreciation expense increased $750,000 million in 2020 with the addition of new generation facilities and capital additions.

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 2020 budget with total expenditures of $72.2 million including budgeted operating expenses of $63.3 million and debt service of $8.9 million. Actual operating expenses and debt service were $67.0 million, $5.2 million or 7.2% under budget. Total interest and other income were greater than budget by $667,000. Total operating revenues were greater than budget by $1.9 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 VP of Finance, 696 West 100 South, Spanish Fork, UT 84660.

	2020	2019
Current Assets		
Cash, cash equivalents, and investments - Note 1 & 3	$ 66,748,414	$ 50,177,250
Accounts receivable		
Member power sales	7,209,214	9,170,519
Other power sales	708,239	577,158
Inventory - Note 1	3,390,787	2,076,685
Total Current Assets	78,056,654	62,001,612
Noncurrent Assets		
Utility Plant and Equipment - Note 1 & 4		
Interest in generating plant and work in process	157,873,746	156,294,822
Interest in transmission system	8,755,717	8,744,772
Other utility assets and work in process	4,538,683	4,484,022
Less: accumulated depreciation	(53,657,683)	(45,277,897)
Utility Plant and Equipment - Net	117,510,463	124,245,719
Deferred Outflows of Resources		
Future recoverable costs (net of accumulated amortization of $226,247 in 2019) - Note 1	-	7,753
Deferred outflow of resources related to pensions - Note 9	626,233	907,382
Asset retirement costs (net of accumulated depreciation of $61,385 in 2020 and $46,039 in 2019) Note 1	346,039	361,385
Total Deferred Outflows of Resources	972,272	1,276,520
Total Assets and Deferred Outflows of Resources	$ 196,539,389	$ 187,523,851

	2020	2019
Current Liabilities		
Accounts payable	$ 3,285,070	$ 4,300,244
Current portion of compensated absences - Note 1	62,742	127,893
Accrued bond interest payable	1,939,218	1,985,689
Current portion of revenue bonds payable - Note 6	4,985,000	4,895,000
Total Current Liabilities	10,272,030	11,308,826
Long-Term Liabilities		
Net pension liability - Note 9	892,315	1,425,382
Compensated absences - Note 1	483,348	437,188
Asset retirement obligations - Note 8	487,593	466,178
Revenue bonds payable - Note 6	109,060,233	114,214,981
Total Long-Term Liabilities	110,923,489	116,543,729
Total Liabilities	121,195,519	127,852,555
Deferred Inflows of Resources		
Deferred inflow of resources related to pensions - Note 9	477,381	48,402
Deferred inflow of resources related to future billings to members - Note 5	74,863,139	59,619,544
Total Deferred Inflows of Resources	75,340,520	59,667,946
Total Liabilities and Deferred Inflows of Resources	196,536,039	187,520,501
Net Position		
Net investment in capital assets	3,323,676	5,035,347
Restricted for debt service	15,795,560	15,765,486
Unrestricted	(19,115,886)	(20,797,483)
Total Net Position	3,350	3,350
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 196,539,389	$ 187,523,851

	2020	2019
Operating Revenues		
Power sales:		
Members	$ 71,545,988	$ 74,375,947
Other	10,646,422	8,647,800
Other operating revenue	14,035	32,622
Total Operating Revenues	82,206,445	83,056,369
Operating Expenses		
Generation costs	17,314,302	21,908,667
Federal hydro power costs	8,535,290	8,520,041
Dedicated resource costs	172,150	81,755
Other power costs	23,294,562	30,370,023
Transmission costs	3,042,074	3,043,710
Operation costs	1,775,809	1,545,759
Depreciation	8,383,170	7,631,137
Depreciation related to asset retirement costs	15,346	15,346
Accretion related to asset retirement costs	21,415	20,472
General and administrative	1,664,159	1,622,873
Total Operating Expenses	64,218,277	74,759,783
Income from Operations	17,988,168	8,296,586
Non-Operating Revenues (Expenses)		
Interest income	964,116	1,187,878
Interest expense	(3,708,689)	(3,792,125)
Gain on sale of other utility assets	-	3,802
Net Non-Operating Expenses	(2,744,573)	(2,600,445)
Change in net position before transfers & adjustments	15,243,595	5,696,141
Deferred inflow of resources adjustment - Note 1 & 5	(15,243,595)	(5,696,141)
Change in Net Position	-	-
Net Position, Beginning of Year	3,350	3,350
Net Position, End of Year	$ 3,350	$ 3,350

	2020	2019
Cash Flows from Operating Activities		
Receipts from members	$ 73,507,293	$ 75,505,955
Other operating receipts	10,529,376	8,461,564
Payments for UMPA resources	(18,144,558)	(21,061,120)
Payments for dedicated resources	(172,150)	(81,755)
Payments for purchased power	(33,200,650)	(39,266,682)
Payments for transmission	(3,122,633)	(3,922,726)
Payments for operation expenses	(1,738,305)	(1,418,681)
Payments for general and administrative expenses	(1,583,503)	(1,488,511)
Net Cash from Operating Activities	26,074,870	16,728,044
Cash Flows from Capital & Related Financing Activities		
Bonds and note principal payments	(4,895,000)	(4,055,000)
Interest paid on bonds and note	(3,924,908)	(4,072,753)
Acquisition of utility and equipment	(1,647,914)	(11,022,368)
Proceeds from sale of other utility assets	-	3,802
Net Cash used in Capital and Related Financing Activities	(10,467,822)	(19,146,319)
Cash Flows from Investing Activities		
Interest received on cash and investments	964,116	1,187,878
Net Cash from Investing Activities	964,116	1,187,878
Net Change in Cash, Cash Equivalents, and Investments	16,571,164	(1,230,397)
Cash, Cash Equivalents, and Investments at Beginning of Year	50,177,250	51,407,647
Cash, Cash Equivalents, and Investments at End of Year	$ 66,748,414	$ 50,177,250
Reconciliation of Income from Operations to Net Cash from Operating Activities		
Income from operations	$ 17,988,168	$ 8,296,586
Noncash operating activities adjustment:		
Depreciation	8,383,170	7,631,137
Depreciation related to asset retirement costs	15,346	15,346
Accretion related to asset retirement costs	21,415	20,472
Amortization expense	7,753	15,505
Net pension liability	177,061	(8,080)
Accrued benefits	(18,991)	422,366
Changes in assets and liabilities:		
Accounts receivable	1,830,224	911,150
Inventory	(1,314,102)	1,356,360
Accounts payable	(1,015,174)	(1,932,798)
Net Cash Flows from Operating Activities	$ 26,074,870	$ 16,728,044

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.

***Recently Issued Accounting Standards*—**In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This standard addresses accounting and financial reporting for certain asset retirement obligations (ARO's). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. GASB No. 83 establishes the criteria for recognition of a liability and corresponding deferred outflow of resources, as well as requiring disclosure of information related to ARO's. The provisions of GASB No. 83 are effective for the Agency on July 1, 2018.

In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This standard improves the information that is disclosed in notes to government financial statements related to debt and clarifies which liabilities should be included when disclosing this information. This Statement defines debt for purposes of disclosure as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the data the contractual obligation is established. The provisions of GASB No. 88 are effective for the Agency on July 1, 2018.

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 3).

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 the following:

(1) 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) 1.875% undivided ownership interest in certain common facilities constructed to serve a potential additional Bonanza Unit.
(3) 6.25% undivided ownership interest in certain related transmission facilities and miscellaneous related rights and interests.
(4) 100% undivided ownership interest in the West Valley Plant, a 185 MW (summer) natural gas-fired generating plant located in West Valley Utah, recorded at acquisition cost.
(5) 100% undivided ownership interest in the Provo Power Plant, a 12 MW natural gas-fired generating plant located in Provo Utah, recorded at actual costs associated with the construction.
(6) 6.25% undivided ownership interest (representing approximately 27 MW of capacity) in the Hunter 1 Unit, a 430 MW coal-fired generating plant located in central Utah, recorded at the carrying value at the time of transfer from Provo City.

Utility plant and equipment purchased by UMPA are stated at cost.

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

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

Asset Retirement Obligations**—**The Agency records asset retirement obligations where there is a legal obligation associated with the retirement of its tangible long-lived assets and where the amounts are estimable. The carrying amount of the liability for asset retirement obligations (ARO's) is adjusted upon revisions to the timing or the amount of the future cash flows estimated to settle such obligations. Associated increases or decreases in such obligations are correspondingly recorded as increases or decreases to the related assets (Note 8).

Deferred Outflow of Resources Related to 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 $54,742 to Uintah County during the 2020 fiscal year and $47,165 in fiscal year 2019. UMPA paid $229,110 to Emery County during the 2020 fiscal year and $219,996 in fiscal year 2019.

***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, 2020 and 2019, are detailed as follows:

	2020	2019
Bonanza Coal	$ 1,784,960	$ 478,635
Hunter 1 Unit materials and supplies	273,000	273,000
West Valley Plant materials and supplies	1,332,827	1,325,050
Total Inventory	$ 3,390,787	$ 2,076,685

***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 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 expenses (not including depreciation and amortization). Net revenues are expected to be 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 Resolution requires 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, gain/loss on disposed assets, 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, repair and replacement reserves, rate stabilization reserves, and other reasonable reserves for contingencies deemed necessary by the Agency in order to carry out its obligations.

Compensated Absences—The Agency records a liability for vacation and sick leave as the benefits accrue to employees. The Agency compensates all employees upon termination for unused vacation. Employees who have been employed by the Agency for at least twenty years who are leaving the Agency or who are eligible to retire as defined by Utah Retirement Systems, will receive compensation equal to fifty percent of the value of their remaining unused sick leave.

***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) including additions to and 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 - Adoption of New Standards

As of July 1, 2018, the Agency adopted GASB Statement No. 83, *Certain Asset Retirement Obligations*. The implementation of this standard requires governments calculate and report the cost and obligations associated with the Asset Retirement Obligations in their financial statements, including additional note disclosures. Beginning deferred inflow of resources was restated to retroactively report the beginning asset retirement costs and associated liabilities as follows:

Deferred inflow of resources at June 30, 2018, as previously reported	$ 53,992,377
Asset retirement obligations at June 30, 2018	(445,706)
Retirement obligation assets at June 30, 2018	407,424
Accumulated depreciation related to asset retirement costs at June 30, 2018	(30,692)
Deferred inflow of resources at July 1, 2018, as restated	$ 53,923,403

There was no impact in total net position. See Note 5 for discussion of the Agency's change in net position and deferred inflows related to future billings to members.

Note 3 - Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments as of June 30, 2020 and 2019, are detailed as follows:

	2020	2019
Deposits	$ 5,386,413	$ 5,601,029
Investment in the Utah State PTIF	61,362,001	44,576,221
Total cash, cash equivalents, and investments	$ 66,748,414	$ 50,177,250

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, 2020 and 2019 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, 2020 and 2019, $66,428,188 and $49,864,338, respectively, 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 VP of Finance shall ensure that all purchases and sales of securities are settled within 30 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 or variable 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, 2020 and 2019, the Agency had $61,362,001 and $44,576,221, respectively, in the PTIF. These investments were valued by applying the June 30, 2020 and 2019, 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.

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, 2020 and 2019, the estimated liability is $0 and $0, respectively.

Note 4 - Utility Plant and Equipment

Capital asset activity for the years ended June 30, 2020 and 2019, was as follows:

Utility Plant and Equipment as of June 30, 2020	Beginning Balance	Additions	Retirements & Transfers	Ending Balance
Generation plant	$ 156,294,822	$ 1,578,924	$ -	$ 157,873,746
Transmission plant	8,744,772	10,945	-	8,755,717
Other utility assets	4,484,022	58,045	(3,384)	4,538,683
Total Utility Plant and Equipment	169,523,616	1,647,914	(3,384)	171,168,146
Less accumulated depreciation:				
Generation plant	(37,519,572)	(7,883,621)	-	(45,403,193)
Transmission plant	(7,208,719)	(229,267)	-	(7,437,986)
Other utility assets	(549,606)	(270,282)	3,384	(816,504)
Total Depreciation	(45,277,897)	(8,383,170)	3,384	(53,657,683)
Utility Plant and Equipment, net	$ 124,245,719	$ (6,735,256)	$ -	$ 117,510,463

Utility Plant and Equipment as of June 30, 2019	Beginning Balance	Additions	Retirements & Transfers	Ending Balance
Generation plant	$ 144,694,052	$ 11,001,746	$ 599,024	$ 156,294,822
Work in process - Generating plant	599,993	-	(599,993)	-
Work in process - Other utility assets	29,322	-	(29,322)	-
Transmission plant	8,729,746	15,026	-	8,744,772
Other utility assets	4,478,791	5,596	(365)	4,484,022
Total Utility Plant and Equipment	158,531,904	11,022,368	(30,656)	169,523,616
Less accumulated depreciation:				
Generation plant	(30,388,341)	(7,131,231)	-	(37,519,572)
Transmission plant	(6,979,011)	(229,708)	-	(7,208,719)
Other utility assets	(310,064)	(270,198)	30,656	(549,606)
Total Depreciation	(37,677,416)	(7,631,137)	30,656	(45,277,897)
Utility Plant and Equipment, net	$ 120,854,488	$ 3,391,231	$ -	$ 124,245,719

Note 5 - 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. The RSF funding methodology is a defined rate per kWh, determined annually by the Board. For the year ended June 30, 2020, the Agency made contributions of $1,864,203, including interest, and for the year ended June 30, 2019, contributions of $1,806,829, including interest, reflected in the Rate Stabilization Fund and reported in deferred inflow of resources on the statements of net position.

The Board established a Repair and Replacement Fund to pay for the cost and repairs to the system as described in Note 6. For the year ended June 30, 2020, the Agency made budgeted contributions of $9,328,663, including interest, and used $511,291 for capital repair and replacements. For the year ended June 30, 2019, the Agency made budgeted contributions of $4,256,926, including interest, and used $8,443,125 for major overhauls at the West Valley Plant. The Repair and Replacement Fund is 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 statements of net position amounts at end of year June 30, 2020 and 2019, include the following classifications:

	2020	2019
Deferred inflow of resources related to future billings to members:		
Designated for rate stabilization	$ 13,790,077	$ 11,925,874
Designated for repair and replacement	18,130,960	9,313,588
Net revenues to be returned in future billings to members	42,942,102	38,380,082
Total deferred inflow of resources related to future billings to members	$ 74,863,139	$ 59,619,544

Note 6 - Long-Term Liabilities

Revenue Bonds Payable—Maturities and coupon interest rates associated with the bonds as of June 30, 2020 and 2019, are as follows:

Remaining Revenue Bonds Payable	2020	2019
Series 2016A Bonds, 1.630%, due Oct 26, 2016 - July 1, 2036	$ 93,950,000	$ 98,290,000
Series 2016B Bonds, 4.000%, due Oct 26, 2016 - July 1, 2038	17,660,000	18,215,000
Principal Amount	111,610,000	116,505,000
Series 2016B Unamortized premium	2,435,233	2,604,981
Total Bonds Payable, Net	114,045,233	119,109,981
Less current portion	(4,985,000)	(4,895,000)
Total Long-Term Revenue Bonds Payable	$ 109,060,233	$ 114,214,981

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 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.

The following table shows the revenue bonds debt service requirements.

Year Ending June 30,

	Series 2016A		Series 2016B		
	Principal	Interest	Principal	Interest	Total Debt Service
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	4,685,000	2,667,403	660,000	776,750	8,789,153
2025	4,805,000	2,545,206	-	760,250	8,110,456
2026-2030	26,140,000	10,521,226	-	3,801,250	40,462,476
2031-2035	30,830,000	5,654,856	-	3,801,250	40,286,106
2036-2039	14,005,000	537,693	15,205,000	2,288,875	32,036,568
	$ 93,950,000	$ 30,540,853	$ 17,660,000	$ 13,942,375	$ 156,093,228

The Resolution 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 Resolution.

The bonds are special obligations of the Agency secured solely by the revenues of the system and certain funds held under the Resolution. The bonds are not general obligations of the Agency, the State of Utah or any agency, instrumentality or political subdivision thereof. The issuance of the bonds shall not directly, indirectly, or contingently obligate the State of Utah or any agency, instrumentality, or political subdivision thereof to levy any form of taxation therefor or to make any appropriation for the payment of the bonds. The Agency has no taxing power. The Resolution does not mortgage or grant a security interest in any physical properties of the system to secure the bonds.

Pursuant to the Resolution, UMPA shall at all times establish, revise, and collect rates and charges for system services to (i) provide revenues sufficient in each fiscal year to pay all operating expenses, and (ii) provide net revenues for each year which are (a) exclusive of any other available funds, equal to not less than 100% of the aggregate annual debt service requirement for such year, and (b) including any other available funds, equal to not less than 110% of the aggregate annual debt service requirement for such year; and as shall be required, together with all other available funds, to pay or discharge all other indebtedness, obligations, charges and liens whatsoever payable out of revenues for such fiscal year.

The Series 2016A bonds maturing prior to July 1, 2026, are subject to a make-whole redemption at the option of the Agency, in whole or in part, and if in part among maturities to be designated by the Agency. The Series 2016A bonds maturing on or after July 1, 2027, are subject to redemption prior to maturity at the option of the Agency. The Series 2016A bonds maturing on July 1, 2036, are subject to mandatory redemption by operation of sinking fund installments.

The Series 2016B bonds maturing prior to July 1, 2026, are not subject to redemption prior to maturity. The Series 2016B bonds maturing after July 1, 2027, are subject to redemption prior to maturity at the option of the Agency. The Series 2016B bonds maturing on July 1, 2038, are subject to mandatory redemption by operation of sinking fund installments.

In the event of default, the bond's trustee or bondholders have the option to declare all outstanding principal and accrued interest to be payable immediately. If an event of default has not been remedied, the books of records and accounts of UMPA and all other records of the system shall be subject to inspection. UMPA will account for all revenues and other moneys, securities and funds pledged or held under the Resolution upon demand of the Trustee. In the event of default, the Trustee shall apply all moneys, securities, funds and revenues received by the Trustee in the following order: (1) expenses of fiduciaries; (2) operating expenses; and (3) principal or redemption price and interest.

The Resolution 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 Resolution.

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

Repair and Replacement Fund**—**This fund 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 Repair and Replacement Fund Requirement is an amount as shall from time to time be established by the Board.

Rate Stabilization Fund**—**This fund 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 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 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 provides for the cost of acquisition and construction of the projects.

Long-term liability activity for the years ended June 30, 2020 and 2019, were as follows:

June 30, 2020	Beginning Balance	Additions	Reductions	Ending Balance
Long-term revenue bonds	$ 116,505,000	$ -	$ (4,895,000)	$ 111,610,000
Adjusted for:				
Current maturities	(4,895,000)	(4,985,000)	4,895,000	(4,985,000)
Unamortized premium, net	2,604,981	-	(169,748)	2,435,233
Total Long-Term Revenue Bonds, net	$ 114,214,981	$ (4,985,000)	$ (169,748)	$ 109,060,233
Net pension liability	$ 1,425,382	$ -	$ (533,067)	$ 892,315
Compensated absences	437,188	46,160	-	483,348
Asset retirement obligations	466,178	21,415	-	487,593

June 30, 2019	Beginning Balance	Additions	Reductions	Ending Balance
Long-term revenue bonds	$ 120,560,000	$ -	$ (4,055,000)	$ 116,505,000
Adjusted for:				
Current maturities	(4,055,000)	(4,895,000)	4,055,000	(4,895,000)
Unamortized premium, net	2,784,235	-	(179,254)	2,604,981
Total Long-Term Revenue Bonds, net	$ 119,289,235	$ (4,895,000)	$ (179,254)	$ 114,214,981
Net pension liability	$ 659,370	$ 766,012	$ -	$ 1,425,382
Compensated absences	142,715	294,473	-	437,188
Asset retirement obligations	445,706	20,472	-	466,178

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, 2020 and 2019 UMPA had prepaid DG&T for May and June's power usage. Prepayment and actual expenses as of June 30, 2020 and 2019 were as follows:

	2020	2019
Actual expenses	$ 1,311,067	$ 1,593,121
Prepayment	(1,263,912)	(1,113,345)
Payable to DG&T	$ 47,155	$ 479,776

PacifiCorp Payable—PacifiCorp, which is a joint owner with UMPA and operator of the Hunter Unit 1, bills UMPA in advance under Hunter'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, 2020 and 2019, UMPA had prepaid PacifiCorp for May and June's power usage. Prepayment and actual expenses as of June 30, 2020 and 2019, were as follows:

	2020	2019
Actual expenses	$ 652,437	$ 852,665
Prepayment	(758,600)	(817,700)
(Prepaid) Payable to PacifiCorp	$ (106,163)	$ 34,965

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.

Year Ending June 30,	Capacity and Energy contracts	Energy only contracts
Actual expenses:		
2020	$ 26,014,467	$ 2,083,072
2019	36,101,592	997,296
Estimated minimum payments:		
2021	$ 8,094,997	$ 2,872,306
2022	8,195,031	119,631
2023	8,196,777	134,082
2024	8,283,513	147,534
2025	7,092,886	149,980
2026-2030	24,668,700	
2031-2035	24,668,700	
2036-2040	24,668,700	
2041-2045	24,668,700	
2046-2050	24,668,700	
2051-2055	24,668,700	
2056-2058	10,997,778	

Asset Retirement Obligations**—**The Agency has a minority share of ownership interest in an undivided interest arrangement in two coal power plants. UMPA's share of the ARO is reported using the measurement produced by the nongovernmental majority owner who following the guidance of the majority owner's recognized accounting standards setter, FASB. The fair value of an ARO liability is recognized in the period in which it is incurred, if a reasonable estimate of fair value can be made, and is added to the carrying amount of the associated asset, which is then depreciated over the remaining useful life of the asset. Subsequent to the initial recognition, the ARO liability is adjusted for any revisions to the original estimate of undiscounted cash flows (with corresponding adjustments to Utility Plant and Equipment, net) and for accretion of the ARO liability due to the passage of time.

On April 7, 2015, the EPA published the Disposal of Coal Combustion Residual (CCR) from Electric Utilities fine rule (CCR Rule) in the Federal Register, which became effective on October 19, 2015. The CCR Rule regulates the disposal of CCR, including coal ash and gypsum, as non-hazardous solid waste in CCR units at active generating power plants.

The Agency has an ownership interest of 6.25% in certain transmission facilities of DG&T. A significant portion of DG&T's transmission facilities are located upon land that is leased from the U.S. Federal and certain state governments. Upon termination of the leases, the structures, improvements, and equipment are to be removed and the land is to be restored. DG&T is not able to reasonably estimate the ARO associated with these assets because information sufficient to reasonably estimate the settlement date or range of settlement dates does not exist, and therefore the settlement date of the obligation is indeterminate. Land rights and transmission facilities will be maintained for the foreseeable future; as such, the majority owner has not recognized a liability related to these obligations. UMPA will recognize the liability when the majority owner recognizes a liability in the period in which sufficient information is available to reasonably estimate its fair value.

The Bonanza generation facilities are generally located on property owned by DG&T. Other than described below, it is DG&T's opinion that it does not have a reclamation liability related to the Bonanza generation facilities. As a minority owner, UMPA will recognize a liability related to the Bonanza Unit when the majority owner determines there is such a liability.

At the majority owner's measurement date of December 31, 2019 and 2018, the ARO related to the CCR Rule for the Bonanza Unit totaled approximately $2,804,000 and $2,671,000 respectively. As of June 30, 2020 and 2019, the Agency's 3.75% ownership share of the ARO for the Bonanza Unit totaled approximately $105,151 and $100,156, respectively. During the years ended June 30, 2020 and 2019, accretion expense for UMPA's 3.75% ownership share totaled approximately $4,995 and $4,757, respectively.

The Agency has a 6.25% ownership interest in the Hunter Unit 1 plant. The majority owner, PacifiCorp, has recognized an ARO for both the CCR and environmental remediation including asbestos, other landfills, and groundwater facilities. At the majority owner's measurement date of December 31, 2019 and 2018, the ARO related to these items for the Hunter Unit 1 totaled approximately $6,119,000 and $5,856,000, respectively. As of June 30, 2020 and 2019, the Agency's 6.25% ownership share of the ARO for the Hunter Unit 1 totaled approximately $382,442 and $366,022, respectively. During the years ended June 30, 2020 and 2019, accretion expense for UMPA's 6.25% ownership share totaled approximately $16,420 and $15,715, respectively.

Dedicated Resource Costs**—**UMPA has entered into Capacity Purchase Agreements with Levan, Manti, Nephi 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:	
2020	$ 190,619
2019	81,755
Estimated minimum payments:	
2021	$ 99,800
2022	101,297
2023	102,816
2024	104,359
2025	105,924
2026-2030	553,935
2031-2035	596,746
2036-2040	642,865
2041-2045	692,548
2046-2050	746,071
2051-2055	803,730
2056-2060	865,845
2061-2065	932,761

Note 9 - Pension Plans

Plan Description**—**Eligible plan participants are provided with pensions through the Utah Retirement Systems. 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/general/publications.

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

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%

** Actuarial reductions are applied.*

***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:

	2020		2019	
	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	15.66%	1.03%	15.54%	1.15%
DC Only				
211 Local Government - Tier 2	6.69%	10.00%	6.69%	10.00%

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, 2020 and 2019, the employer and employee contributions to URS were as follows:

	2020		2019	
System	Employer Contributions	Employee Contributions	Employer Contributions	Employee Contributions
Tier 1 Noncontributory System	$ 315,016	N/A	$ 309,753	N/A
Tier 2 Contributory System	45,243	-	189,628	-
Tier 2 DC Only System	76,030	N/A	-	-
Total Contributions	$ 436,289	$ -	$ 499,381	$ -

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, 2020, the Agency reported a net pension asset of $0 and a net pension liability of $892,315. At June 30, 2019, the Agency reported a net pension asset of $0 and a net pension liability of $1,425,382.

	Dec 31, 2019 (Measurement Date)		Dec 31, 2018 (Measurement Date)		
	Net Pension Liability	Proportionate Share	Net Pension Liability	Proportionate Share	Change/ (Decrease)
Tier 1 Noncontributory System	$ 880,962	0.2337472%	$ 1,400,191	0.1901471%	0.0436001%
Tier 2 Public Employees System	11,353	0.0504764%	25,191	0.0588189%	-0.0083425%
Total Net Pension Liability	$ 892,315		$ 1,425,382		

The net pension asset and liability were measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2019 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, 2020 and 2019, the Agency recognized pension expense of $609,842 and $491,301, respectively.

At June 30, 2020, the Agency reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 83,310	$ 16,550	$ 18,185	$ 31,321
Changes in assumptions	98,151	326	193,886	453
Net difference between projected and actual earnings on pension plan investments	-	454,238	299,567	-
Changes in proportion and differences between contributions and proportionate share of contributions	242,788	6,267	142,314	16,628
Contributions subsequent to the measurement date	201,984	-	253,430	-
Total	$ 626,233	$ 477,381	$ 907,382	$ 48,402

Deferred outflows of resources relating to pensions in the amount of $201,984 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, 2019.

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
2020	$ 68,862
2021	210
2022	41,074
2023	(171,702)
2024	1,165
Thereafter	7,259

Actuarial Assumptions**—**The total pension liability in the December 31, 2019 and 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2019	2018
Inflation	2.50%	2.50%
Salary increases - average, including inflation	3.25 - 9.75%	3.25 - 9.75%
Investment rate of return - net of pension plan investment expense, including inflation	6.95%	6.95%

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, 2019, 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:

	Expected Return Arithmetic Basis		
Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity securities	40.00%	6.15%	2.46%
Debt securities	20.00%	0.40%	0.08%
Real assets	15.00%	5.75%	0.86%
Private equity	9.00%	9.95%	0.90%
Absolute return	16.00%	2.85%	0.46%
Cash and cash equivalents	0.00%	0.00%	0.00%
Totals	100.00%		4.75%
Inflation			2.50%
Expected arithmetic nominal return			7.25%

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 remained unchanged at 6.95% 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	$ 2,751,553	$ 880,962	$ (679,090)
Tier 2 Public Employees System	97,898	11,353	(55,531)
Total	$ 2,849,451	$ 892,315	$ (734,621)

Pension Plan Fiduciary Net Position— Detailed information about the fiduciary net position of the pension plans 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 Plans 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	2020	2019	2018
Employer Contributions	$ 245,919	$ 98,096	$ 8,464
Employee Contributions	126,130	102,509	34,005

457(b) Plan	2020	2019	2018
Employer Contributions	$ -	$ -	$ -
Employee Contributions	72,128	64,284	28,800

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.

Note 11 - Subsequent Events

The Agency is developing a 4 MW Community Solar Project located in Spanish Fork on an old landfill site leased from the City. The estimated cost of the project is $7.1 million. The Agency will not be issuing debt for this project. The estimated start time is November 2020 with a final completion date of June 2021. As of November 18, 2020, the date which the financial statements were available to be issued, UMPA had acquired the solar panels and executed a site construction agreement. The Development Services Agreement will be finalized in November 2020. A SharedSolar program will encourage member customers to buy renewable solar energy from the community solar project.

	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%
	2018	0.1901471%	1,400,191	1,560,717	89.71%	87.00%
	2019	0.2337472%	880,962	1,797,909	49.00%	93.70%
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%
	2018	0.0588189%	25,191	674,062	3.74%	90.80%
	2019	0.0504764%	11,353	704,680	1.61%	96.50%

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%
	2018	282,478	282,478	-	1,529,385	18.47%
	2019	309,753	309,753	-	1,677,059	18.47%
	2020	315,016	315,016	-	1,705,556	18.47%
Tier 2 Contributory 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%
	2019	189,628	189,628	-	1,220,254	15.54%
	2020	45,243	45,243	-	288,908	15.66%
Tier 2 DC Only System*	2020	$ 76,030	$ 76,030	-	$ 1,136,468	6.69%

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

Changes in Assumptions:

The assumptions and methods used to calculate the total pension liability remain unchanged from the prior year.

	Revenue Fund	Debt Service Fund	Project Fund	Repair and Replacement Fund	Rate Stabilization Fund	Total
Balance July 1, 2019	$11,972,302	$15,761,084	$ 4,402	$10,513,588	$ 11,925,874	$ 50,177,250
Additions and Transfers						
Investment earnings	719,489	244,617	10	-	-	964,116
Power sales and other receipts	84,036,669	-	-	-	-	84,036,669
Transfers from (to) other funds	(19,798,221)	8,609,767	(4,412)	9,328,663	1,864,203	-
Total Additions and Transfers	64,957,937	8,854,384	(4,402)	9,328,663	1,864,203	85,000,785
Deductions						
Operating expenses	57,961,799	-	-	-	-	57,961,799
Purchase of capital additions	1,136,623	-	-	511,291	-	1,647,914
Interest expense	-	3,924,908	-	-	-	3,924,908
Bond principal payments	-	4,895,000	-	-	-	4,895,000
Total Deductions	59,098,422	8,819,908	-	511,291	-	68,429,621
Balance June 30, 2020	$17,831,817	$15,795,560	$ -	$19,330,960	$ 13,790,077	$ 66,748,414