Financial Statements
June 30, 2016 and 2015

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, 2016 and 2015, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Utah Municipal Power Agency as of June 30, 2016 and 2015, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 - 6 and schedule of the proportionate share of the net pension liability on page 28 and schedule of contributions to the pension plan on page 29, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

The Schedule of Changes in Funds Established by the Bond Indenture is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Changes in Funds Established by the Bond Indenture is fairly stated, in all material respects, in relation to the financial statements taken as a whole

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued a report dated December 29, 2016 on our consideration of Utah Municipal Power Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That reports is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Utah Municipal Power Agency's internal control over financial reporting and compliance.

Eide Bailly LLP

Salt Lake City, Utah
December 29, 2016

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, 2016 and 2015. 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 statement of net position provides 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 reports cash receipts, cash payments, and net changes in cash resulting from operating, capital and related financing activities, and investing activities.

Condensed Financial Statements and Analysis

The following comparative condensed statements of net position summarize the financial position of the Agency for the years ended June 30, 2016, 2015 and 2014:

Condensed Statements of Net Position

	2016	2015	2014
Assets and Deferred Outflow of Resources:			
Current assets	$ 39,470,422	$ 36,398,080	$ 31,686,338
Utility plant & equipment, net	15,323,957	17,024,686	17,813,717
Deferred outflow of resources	488,436	211,720	85,281
Total assets and deferred outflow of resources	$ 55,282,815	$ 53,634,486	$ 49,585,336
Liabilities and Deferred Inflow of Resources:			
Current liabilities	$ 12,628,200	$ 11,707,806	$ 10,281,957
Long-term liabilities	9,422,385	16,046,010	21,757,752
Deferred inflow of resources	33,228,880	25,877,320	17,542,277
Total liabilities and deferred inflow of resources	55,279,465	53,631,136	49,581,986
Net Position:			
Net investment in capital assets	(17,610)	(4,711,634)	(7,274,035)
Restricted for debt service	11,370,018	11,023,741	8,060,950
Unrestricted	(11,349,058)	(6,308,757)	(783,565)
Total net position	3,350	3,350	3,350
Total liabilities, deferred inflow, and net position	$ 55,282,815	$ 53,634,486	$ 49,585,336

Due to the implementation of GASB 68 in 2015, figures may not be comparable to the prior years for some areas of the financial statements.

Condensed statements of net position highlights are as follows:

- An increase in current assets at year-end of $3.1 million is the primary effect of a $3.5 million increase in cash and investments, a $540,000 increase in receivables for member and non-member power sales, and $944,000 lower inventory of coal stockpiled at the Bonanza Station. The 2016 increase in cash and investments was due to $2.6 million billed and collected from members for the current debt service payment of the Series 2012 Electric System Revenue Bonds and $1.4 million net contributions to the Rate Stabilization Fund (RSF). In 2015 current assets increased $4.7 million due to a $5.3 million increase in cash and investments. The 2015 increase in cash and investments was due to $2.2 million billed and collected from members for the current debt service payment of the Series 2012 Electric System Revenue Bonds and an from $1.7 million net contributions to the RSF, a $1.3 million decrease in receivables for member and non-member power sales, and $768,000 higher inventory valuation.

- Utility plant & equipment, net decreased by approximately $1.7 million during 2016. This decrease is attributable to the difference of 2016 depreciation in excess of capital additions and the retirement of the Provo Power Plant in June 2016, resulting in the removal of $906,000 of associated assets, net of depreciation. Capital additions in the amount of $313,000 were for upgrades at the Bonanza Unit. Utility plant & equipment, net includes the Agency's 3.75% undivided ownership interest in the Bonanza Unit, with a historical cost of $28.5 million, and the Agency's 6.25% undivided ownership interest in certain related transmission facilities, with a historical cost of $8.7 million. In 2015, utility plant & equipment decreased $789,000 due to depreciation in excess of capital additions. Capital additions in the amount of $402,000 were included in 2015 for clean air projects at a dedicated resource facility.

- Long-term revenue bond payable decreased $6.8 million in 2016. Long-term 2012 revenue bonds outstanding decreased by $3.1 million and long-term 2003 revenue bonds outstanding decreased $3.7 million due to classification of the current portion of long-term liabilities and the net effect of bond premium and cost of reacquired debt amortization. Long-term liabilities decreased $6.4 million in 2015.

- Deferred inflow of resources increased $7.3 million in 2016. This is attributable to a net increase of $2.3 million of member contributions to the Rate Stabilization Fund and an increase of $5.1 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 $8.9 million from 2014 to 2015, which represented a $1.7 million increase in the Rate Stabilization Fund and a $7.3 million increase in net revenues to be returned in future billings to members.

- Restricted net position consists of the Bond Fund. The unrestricted net position consists of the Revenue, Repair & Replacement Funds, and Rate Stabilization Funds. These funds were created under UMPA's General Indenture of Trust (Bond Indenture) for the Series 2003 Revenue Refunding Bonds. The Rate Stabilization Fund, created by 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, 2016, 2015 and 2014:

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

	2016	2015	2014
Power sales	$ 75,535,339	$ 74,118,149	$ 78,041,672
Other revenues	14,673	4,238	2,327
Operating revenues	75,550,012	74,122,387	78,043,999
Operating expenses	66,907,491	64,474,080	75,363,192
Operating income	8,642,521	9,648,307	2,680,807
Interest income	252,737	200,560	172,500
Interest expense	(642,649)	(868,900)	(1,033,513)
Loss on Provo Plant retirement	(906,157)	-	-
Deferred inflow of resources adjustment	(7,346,452)	(8,979,967)	(1,819,794)
Net non-operating (revenues) expenses	(8,642,521)	(9,648,307)	(2,680,807)
Change in net position	-	-	-
Beginning net position	3,350	3,350	3,350
Ending net position	$ 3,350	$ 3,350	$ 3,350

Due to the implementation of GASB 68 in 2015, figures may not be comparable to the prior years for some areas of the financial statements.

- Operating revenues from power sales increased by approximately $1.4 million between 2016 and 2015. Power sales consist principally of member power sales revenue and power sales to non-members. Revenue from power sales to members increased $1.5 million in 2016 as member capacity increased 1.6% and energy increased 0.7%. Capacity and energy not needed for sales to members, in addition to power purchased on the market for resale, are sold to non-members. Non-member revenues decreased $36,000 in 2016 due to lower energy market prices than the prior year; however, energy sold to non-members increased 5.2%. In 2015, operating revenues from total power sales decreased by approximately $3.9 million from 2014. Sales to members decreased $2.9 million due to a billed rate decrease of 2.2%. Sales to non-members decreased $1.0 million due to 12.6% decrease in energy sold.

- Operating expenses increased by approximately $2.4 million between 2016 and 2015. This difference is attributable primarily to dedicated resources, generation costs, and other power costs.

  Dedicated resource costs decreased $1.2 million in 2016 due primarily to expenses at the Hunter dedicated resource. Fuel costs decreased $1.2 million as a result of a 27.1% decrease in energy utilization due to market energy prices below Hunter's variable cost. In 2015, dedicated resource costs decreased $5.1 million due primarily to a $4.7 million decrease in Capacity Purchase debt service and from no planned major outage.

Generation costs in 2016 decreased $163,000 primarily due to a decrease of $496,000 in fuel costs from less coal burned during planned outages and a decrease of $208,000 in A&G costs. Maintenance expense increased $596,000 for a planned outage. Generation costs in 2015 were $1.8 million lower than the previous year due to $1.9 million additional fuel costs related to less coal burned during planned outages and a lower price per ton.

Other power costs increased $3.9 million in 2016. 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 non-members. Other purchased power costs increased 11.4% due to more replacement power during a planned major outage and displacing higher cost resources with lower cost market alternatives during the year. In 2015, other power costs decreased $4.2 million.

Budgetary Highlights

UMPA's Board of Directors adopted a fiscal year 2016 budget with total expenditures of $75.4 million including budgeted operating expenses of $71.1 million and debt service of $4.3 million. Actual operating expenses and debt service were $73.6 million, $1.8 million or 2.5% under budget. Total operating revenues were less than budget by $1.1 million or 1.5%.

Economic Factors

The Western electric markets continue to reflect low and stable domestic natural gas prices and available supply of surplus generating capacity. UMPA will continue to benefit from a surplus resource portfolio. UMPA continues to evaluate and monitor the impacts of the Energy Imbalance Market on the Agency's operations. Environmental regulations are in a state of long-term uncertainty for current and new power generation resources. Changes in regulated emissions could have a significant impact on the cost of operating both existing and any new carbon-based generation resources for UMPA and for similar generation resources of other utilities throughout the electric generation industry.

Other Significant Matters

Subsequent to June 30, 2016, the Board issued $116,505,000 in Revenue Bonds for the purpose of acquiring a generating resource along with certain capital improvements, and to finance the construction of an additional generating facility and a new office building. These assets were purchased to address future resource capacity requirements, including replacing the retired Provo Power Plant, and other operational needs. The Board closed on this issuance on October 27, 2016.

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, P.O. Box 818, Spanish Fork, UT 84660.

	2016	2015
Current Assets		
Cash, cash equivalents, and investments - Note 1 & 2	$ 28,216,649	$ 24,739,622
Accounts receivable		
Member power sales	8,853,222	8,388,093
Non-member power sales	584,746	510,222
Inventory - Note 1	1,815,769	2,759,531
Net pension asset - Note 10	36	612
Total Current Assets	39,470,422	36,398,080
Noncurrent Assets		
Utility Plant and Equipment - Note 1 & 3		
Interest in generating plant	34,528,657	35,250,938
Interest in transmission system	8,703,149	8,702,715
Other utility assets	1,732,557	1,697,475
Less: accumulated depreciation	(29,640,406)	(28,626,442)
Utility Plant and Equipment - Net	15,323,957	17,024,686
Deferred Outflows of Resources		
Future recoverable costs (net of accumulated amortization of $179,730 in 2016 and $164,225 in 2015) - Note 1	54,270	69,775
Deferred outflow of resources related to pensions - Note 10	434,166	141,945
Total Deferred Outflows of Resources	488,436	211,720
Total Assets and Deferred Outflows of Resources	$ 55,282,815	$ 53,634,486

	2016	2015
Current Liabilities		
Accounts payable	$ 5,524,325	$ 4,954,431
Accrued bond interest payable	289,875	377,375
Current portion of revenue bonds payable - Note 6	6,814,000	6,376,000
Total Current Liabilities	12,628,200	11,707,806
Long-Term Liabilities		
Net pension liability - Note 10	894,818	685,690
Revenue bonds payable - Note 6	8,527,567	15,360,320
Total Long-Term Liabilities	9,422,385	16,046,010
Total Liabilities	22,050,585	27,753,816
Deferred Inflows of Resources		
Deferred inflow of resources related to pensions - Note 10	93,194	88,086
Deferred inflow of resources related to future billings to members - Note 5	33,135,686	25,789,234
Total Deferred Inflows of Resources	33,228,880	25,877,320
Total Liabilities and Deferred Inflows of Resources	55,279,465	53,631,136
Net Position		
Net investment in capital assets	(17,610)	(4,711,634)
Restricted for debt service	11,370,018	11,023,741
Unrestricted	(11,349,058)	(6,308,757)
Total Net Position	3,350	3,350
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 55,282,815	$ 53,634,486

	2016	2015
Operating Revenues		
Power sales:		
Members	$ 68,745,158	$ 67,292,158
Non-members	6,790,181	6,825,991
Other operating revenue	14,673	4,238
Total Operating Revenues	75,550,012	74,122,387
Operating Expenses		
Dedicated resource costs	8,323,817	9,552,965
Western Area Power Administration	8,536,718	8,534,346
Generation costs	9,940,860	10,103,638
Other power costs	37,833,433	33,965,487
Depreciation	1,297,388	1,307,999
General and administrative	975,275	1,009,645
Total Operating Expenses	66,907,491	64,474,080
Income from Operations	8,642,521	9,648,307
Non-Operating Revenues (Expenses)		
Interest income	252,737	200,560
Interest expense	(642,649)	(868,900)
Loss on Provo Plant retirement	(906,157)	-
Net Non-Operating Expenses	(1,296,069)	(668,340)
Change in net position before adjustment	7,346,452	8,979,967
Deferred inflow of resources adjustment - Note 1 & 5	(7,346,452)	(8,979,967)
Change in Net Position	-	-
Net Position, Beginning of Year	3,350	3,350
Net Position, End of Year	$ 3,350	$ 3,350

	2016	2015
Cash Flows from Operating Activities		
Receipts from members	$ 68,280,029	$ 68,574,810
Other operating receipts	6,730,330	6,875,305
Payments for dedicated resources	(8,428,646)	(11,741,659)
Payments for UMPA resources	(8,636,931)	(10,812,208)
Payments for purchased power	(46,096,593)	(41,973,084)
Payments for other operating expenses	(996,181)	(1,030,193)
Net Cash from Operating Activities	10,852,008	9,892,971
Cash Flows from Capital Financing Activities		
Bond and member payable payments	(6,376,000)	(3,330,000)
Interest paid on bonds	(748,902)	(973,582)
Acquisition of utility and equipment	(502,816)	(518,968)
Net Cash used in Capital Financing Activities	(7,627,718)	(4,822,550)
Cash Flows from Investing Activities		
Interest received on cash and investments	252,737	200,560
Net Cash from Investing Activities	252,737	200,560
Net Change in Cash, Cash Equivalents, and Investments	3,477,027	5,270,981
Cash, Cash Equivalents, and Investments at Beginning of Year	24,739,622	19,468,641
Cash, Cash Equivalents, and Investments at End of Year	$ 28,216,649	$ 24,739,622
Reconciliation of Income from Operations to Net Cash Provided by Operating Activities		
Income from operations	$ 8,642,521	$ 9,648,307
Noncash operating activities adjustment:		
Depreciation	1,297,388	1,307,999
Amortization expense	15,506	15,506
Net pension liability	(77,409)	(101,791)
Changes in assets and liabilities:		
Accounts receivable	(539,653)	1,327,728
Inventory	943,762	(767,877)
Accounts payable	569,893	(1,536,901)
Net Cash Flows from Operating Activities	$ 10,852,008	$ 9,892,971

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 Station on December 19, 1985, and began selling power to the Members at that time. The following governmental entities are UMPA Members:

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

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

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

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

Utility Plant and Equipment**—**The interest in generating plants consists of (1) a 3.75% undivided ownership interest (representing approximately 17 MW of capacity) in a 458 MW coal-fired generating unit (Bonanza Unit 1) located at the Bonanza Station in northeastern Utah, (2) a 1.875% undivided ownership interest in certain common facilities constructed to serve both Bonanza Unit 1 and a similar sized unit which may be constructed adjacent thereto (Bonanza Unit 2), (3) a 6.25% undivided ownership interest in certain related transmission facilities and miscellaneous related rights and interests, and (4) inclusion of study costs for potential future resources.

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 1 was placed in commercial operation.

Furniture and equipment purchased by UMPA are stated at cost.

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

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

Subsequent Events**—**Management of the Agency has evaluated subsequent events through December 29, 2016, the date which the financial statements were available to be issued.

Future Recoverable Costs**—**Costs incurred in conducting project feasibility studies.

Taxes**—**UMPA is not subject to federal or state taxes but has agreed to make payments in lieu of ad valorem taxes to Uintah County in respect of its interest in Bonanza Unit 1. UMPA paid $27,922 to Uintah County during the 2016 fiscal year and $27,979 in fiscal year 2015.

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

1. Coal stockpiled at the Bonanza Station. The inventory is valued at lower of cost or market on the moving average basis, valued at $1,542,769 and $2,486,531 at June 30, 2016 and 2015, respectively.

2. Working capital inventory warehoused at Hunter #1 Plant. The inventory is valued at lower of cost or market on the moving average basis, valued at $273,000 and $273,000 at June 30, 2016 and 2015, respectively.

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 Bond Indenture, the Agency shall establish rates which, together with other revenues, are reasonably expected to pay its operating costs (not including depreciation and amortization) and at least 1.00 times its aggregate debt service. Power supply services provided by the Agency are not subject to state or federal rate regulation.

Revenue**—**The Bond Indenture requires UMPA to fix and collect fees and charges sufficient to meet operating expenses and debt service. UMPA accomplishes this by estimating the current year operating expenses and debt service and then billing 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, 2016 and 2015 are detailed as follows:

	2016	2015
Cash, cash equivalents, and investments:		
Deposits	$ 1,950,915	$ 1,931,496
Investment in the Utah State PTIF	26,265,734	22,808,126
Total cash, cash equivalents, and investments	$ 28,216,649	$ 24,739,622

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

The Act requires the depositing of UMPA funds in a "qualified depository." The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. All of the Agency's deposits during the years ended June 30, 2016 and 2015 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, 2016, $27,966,649 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, 2016, the Agency had $26,265,734 in the PTIF. These investments were valued by applying the June 30, 2016 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 Agreements*—**On November 18, 2003, UMPA entered into a forward delivery agreement for the purchase of Qualified Investments, as defined by the 2003 Series Bond 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 statement of net position and the estimated arbitrage expense is recorded as a reduction of interest income. At June 30, 2016 and 2015, the estimated liability is $0 and $0, respectively.

Note 3 - Utility Plant and Equipment

Capital asset activity for the years ended June 30, 2016 and 2015 was as follows:

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

Utility Plant and Equipment as of June 30, 2015	Beginning Balance	Additions	Retirements & Transfers	Ending Balance
Generation plant	$ 35,244,788	$ 484,482	$ (770,648)	$ 34,958,622
Work in process	292,316	-	-	292,316
Transmission plant	8,696,748	5,967	-	8,702,715
Other utility assets	1,724,869	28,519	(55,913)	1,697,475
Total utility plant and equipment	45,958,721	518,968	(826,561)	45,651,128
Less accumulated depreciation:				
Generation plant	(20,705,073)	(1,020,294)	770,648	(20,954,719)
Transmission plant	(6,061,457)	(231,170)	-	(6,292,627)
Other utility assets	(1,378,474)	(56,535)	55,913	(1,379,096)
Total accumulated depreciation	(28,145,004)	(1,307,999)	826,561	(28,626,442)
Utility Plant and Equipment, net	$ 17,813,717	$ (789,031)	$ -	$ 17,024,686

Note 4 - Subsequent Events

Subsequent to June 30, 2016, the Board issued $116,505,000 in Revenue Bonds for the purpose of acquiring a generating resource along with certain capital improvements, and to finance the construction of an additional generating facility and a new office building. The Board closed on this issuance on October 27, 2016.

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. 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, 2016 the Agency made net contributions of $2,256,816, including interest, and for the year ended June 30, 2015 net contributions of $1,722,401, net of interest earned in the fund, 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, 2016 and 2015 include the following classifications:

	2016	2015
Deferred inflow of resources related to future billings		
Designated for rate stabilization	$ (6,904,349)	$ (4,647,533)
Net revenues to be returned in future billings to members	(26,231,337)	(21,141,701)
Total deferred inflow of resources related to future billings	$(33,135,686)	$(25,789,234)

Note 6 - Revenue Bonds Payable

Revenue bonds payable activity for the years ended June 30, 2016 and 2015 were as follows:

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

June 30, 2015	Beginning Balance	Additions	Reductions	Ending Balance
Long-term revenue bonds	$ 25,025,000	$ -	$ (3,330,000)	$ 21,695,000
Adjusted for:				
Current maturities	(3,330,000)	(6,376,000)	3,330,000	(6,376,000)
Unamortized premium, net	316,489	-	(120,922)	195,567
Unamortized reacquisition cost	(253,737)	-	99,490	(154,247)
Long-Term Revenue Bonds, net	$ 21,757,752	$ (6,376,000)	$ (21,432)	$ 15,360,320

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, retires 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 are 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 is $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.

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

	Amount	Rate
Remaining Revenue Bonds Payable		
Series 2003A Bonds, due April 3, 2003 - July 1, 2018	$ 11,595,000	5.00%
Series 2012 Bonds, due July 16, 2012 - July 1, 2017	3,724,000	2.06%
Principal Amount	15,319,000	
Series 2003A Unamortized premium	100,704	
Series 2003A Unamortized cost of reacquired debt	(78,137)	
Total Bonds Payable, Net	15,341,567	
Less current portion	(6,814,000)	
Total Long-Term Revenue Bonds Payable	$ 8,527,567	

The Bond 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 following table shows Series 2003A revenue bond debt service requirements:

Year Ending June 30,	Principal	Interest	Total Debt Service
2017	$ 3,680,000	$ 487,750	$ 4,167,750
2018	3,860,000	299,250	4,159,250
2019	4,055,000	101,375	4,156,375
	$ 11,595,000	$ 888,375	$ 12,483,375

The following table shows Series 2012 revenue bond debt service requirements:

Year Ending June 30,	Principal	Interest	Total Debt Service
2017	$ 3,134,000	$ 17,534	$ 3,151,534
2018	590,000	1,013	591,013
	$ 3,724,000	$ 18,547	$ 3,742,547

The Bond 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 Bond Indenture.

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

Bond Fund Held by Trustee**—**This fund pays all interest and principal related to the Revenue Bonds. 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 Held by UMPA**—**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. The Bond Indenture, and First Supplemental Indenture dated April 1, 2003, do not establish a minimum repair and replacement fund requirement with respect to the 2003 Bonds. The amount in the Repair and Replacement Fund is determined annually by the Board.

Rate Stabilization Fund Held by UMPA**—**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.

Note 7 - Deseret Expenses

Related Party Transaction**—**DG&T, which is a joint owner with UMPA and operator of the Bonanza Plant, 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, 2016 and 2015 UMPA had prepaid DG&T for May and June's power usage. Prepayment and actual expenses as of June 30, 2016 and 2015 were as follows:

	2016	2015
Actual expenses	$ 2,113,218	$ 1,749,892
Prepayment	(1,545,901)	(1,533,742)
Payable to DG&T	$ 567,317	$ 216,150

Note 8 - Capacity Purchase Agreement

Related Party Transaction**—**Provo City, a member of UMPA, bills UMPA in advance each month in accordance with the Capacity Purchase Agreement. The actual costs are determined two months after the initial billing. Prepayment and actual expenses as of June 30, 2016 and 2015 were as follows:

	2016	2015
Actual expenses	$ 60,106	$ 79,855
Prepayment	(42,290)	(55,798)
Payable under Capacity Purchase Agreement	$ 17,816	$ 24,057

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 plant 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. UMPA has a firm contract with PacifiCorp that expires June 30, 2017, and provides for different minimum power and energy requirements. Contract pricing is fixed for each five-year period with a provision for UMPA to cancel at the end of such period if better pricing terms are found elsewhere and PacifiCorp elects not to offer a matching price.

Year Ending June 30,	WAPA	DG&T	PacifiCorp
Actual expenses:			
2016	$ 8,799,503	$ 24,315,537	$ 8,719,167
2015	8,765,961	25,941,121	9,595,639
Estimated minimum payments:			
2017	8,912,486	17,397,965	7,521,000
2018	8,919,243	17,542,596	-
2019	8,926,136	17,784,200	-
2020	8,933,166	10,255,596	-
2021	8,940,337	2,632,004	-
2022-2025	26,865,486	11,065,051	-

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

Minimum payments are estimated to be:

Year Ending June 30,	Dedicated Resource Costs
Actual expenses:	
2016	$ 5,411,459
2015	6,599,430
Estimated minimum payments:	
2017	2,324,325
2018	2,877,050
2019	2,348,499
2020	2,394,029
2021	2,440,470
2022-2025	10,946,892

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.*

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

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

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

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

System	Employer Contributions	Employee Contributions
Tier 1 Noncontributory System	$ 255,687	N/A
Tier 2 Public Employees System	17,306	$ -
Total Contributions	$ 272,993	$ -

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

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

At June 30, 2016, UMPA reported a net pension asset of $36 and a net pension liability of $894,818.

	Proportionate Share	Net Pension Asset	Net Pension Liability
Tier 1 Noncontributory System	0.1581374%	$ -	$ 894,818
Tier 2 Public Employees System	0.0163275%	36	-
Total Net Pension Asset / Liability		$ 36	$ 894,818

The net pension asset and liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2015 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, 2016 the Agency recognized pension expense for $195,584.

At June 30, 2016 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	$ -	$ 40,852
Changes in assumptions	-	50,099
Net difference between projected and actual earnings on pension plan investments	303,103	-
Changes in proportion and differences between contributions and proportionate share of contributions	541	2,243
Contributions subsequent to the measurement date	130,522	-
Total	$ 434,166	$ 93,194

Deferred outflows of resources relating to pensions in the amount of $130,522 was reported as a result of contributions made by the Agency prior to fiscal year end, but subsequent to the measurement date of December 31, 2015.

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
2016	$ 47,299
2017	47,299
2018	48,179
2019	68,259
2020	(106)
Thereafter	(477)

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

Inflation	2.75%
Salary increases	3.50 – 10.50%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

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, 2015 valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2013.

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

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

	Expected Return Arithmetic Basis		
Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
Inflation			2.75%
Expected arithmetic nominal return			7.98%

The 7.50% assumed investment rate of return is comprised of an inflation rate of 2.75%, a real return of 4.75% that is net of investment expense.

***Discount Rate*—**The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

***Sensitivity of the Proportionate Share of the Net Pension Asset and Liability to Changes in the Discount Rate*—** The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentate-point lower (6.50%) of 1-percentage point higher (8.50%) than the current rate:

System	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Tier 1 Noncontributory System	$ 1,890,662	$ 894,818	$ 63,488
Tier 2 Public Employees System	6,536	(36)	(5,017)
Total	$ 1,897,198	$ 894,782	$ 58,471

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

Defined Contribution Savings Plans

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

The Agency participates in the following Defined Contribution Savings Plan with Utah Retirement Systems:

*401(k) 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	2016	2015	2014
Employer Contributions	$ 6,220	$ 7,633	$ 43,602
Employee Contributions	14,453	22,398	6,761

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.

Required Supplementary Information
June 30, 2016

Utah Municipal Power Agency

	As of calendar year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered employee payroll	Proportionate share of the net pension liability (asset) as a % of its covered employee payroll	Plan fiduciary net position as a % of its covered employee 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%
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%

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 employee payroll	Contributions as a % of covered employee 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%
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%

* 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.

Supplementary Information
June 30, 2016

Utah Municipal Power Agency

	Revenue Fund	Bond Fund	Repair & Replacement Fund	Rate Stabilization Fund	Total
Balance July 1, 2015	$ 7,868,348	$ 11,023,741	$ 1,200,000	$ 4,647,533	$ 24,739,622
Additions and Transfers					
Investment earnings	252,556	181	-	-	252,737
Power sales and other receipts	75,010,359	-	-	-	75,010,359
Transfers from (to) other funds	(9,727,814)	7,470,998	-	2,256,816	-
Total Additions and Transfers	65,535,101	7,471,179	-	2,256,816	75,263,096
Deductions					
Operation and maintenance expenses	64,158,351	-	-	-	64,158,351
Purchase of capital additions	502,816	-	-	-	502,816
Interest expense	-	748,902	-	-	748,902
Bond principal payments	-	6,376,000	-	-	6,376,000
Total Deductions	64,661,167	7,124,902	-	-	71,786,069
Balance June 30, 2016	$ 8,742,282	$ 11,370,018	$ 1,200,000	$ 6,904,349	$ 28,216,649