WYOMING MUNICIPAL POWER AGENCY

Financial Statements

December 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

KPMG LLP
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Independent Auditors' Report

The Board of Directors
Wyoming Municipal Power Agency:

We have audited the accompanying financial statements of Wyoming Municipal Power Agency (the Agency), which comprise the statements of net position as of December 31, 2013 and 2012, 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 U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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. 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 auditors' 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 the Wyoming Municipal Power Agency as of December 31, 2013 and 2012, and the changes in financial position, and cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG

Other Matters

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3–5 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.

KPMG LLP

Omaha, Nebraska
May 12, 2014

This section presents management's analysis and overview of Wyoming Municipal Power Agency's (WMPA or the Agency) financial condition and activities for the years ended December 31, 2013 and 2012. This information should be read in conjunction with the financial statements, including the notes to financial statements, which follow this section.

Overview of Financial Statements

Management's discussion and analysis serves as an introduction to the basic financial statements. The financial statements report information about WMPA using accrual accounting.

The statements of net position present information on all of the Agency's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The statements of revenues, expenses, and changes in net position present information showing how the Agency's net position changed during the most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these financial statements for some items that will only result in cash flows in future fiscal periods.

The notes to financial statements provide required disclosures and other information that are necessary to understand the data provided in the financial statements.

The financial statements were prepared by WMPA staff from detailed books and records of WMPA.

(Continued)

Financial Analysis

WMPA's overall financial position as of December 31, 2013, 2012, and 2011 and changes in financial position for each of the years then ended are summarized below. This information is derived from the financial statements and records of WMPA.

		2013	2012	2011
Net capital assets	$	103,006,258	105,296,944	108,160,245
Other noncurrent assets		8,829,873	8,897,677	8,984,802
Current assets		26,640,861	24,821,153	22,917,867
Total assets	$	138,476,992	139,015,774	140,062,914
Net investment in capital assets	$	2,625,618	3,243,144	6,128,285
Restricted for debt service and by bond indentures		4,756,934	5,014,411	4,876,292
Unrestricted		16,251,569	14,278,214	12,417,745
Total net position		23,634,121	22,535,769	23,422,322
Noncurrent liabilities		107,373,811	109,166,627	110,889,443
Current liabilities		7,469,060	7,313,378	5,751,149
Total liabilities		114,842,871	116,480,005	116,640,592
Total net position and liabilities	$	138,476,992	139,015,774	140,062,914

- WMPA's ratio of net position and debt is 17% net position to 83% debt for 2013, 16% net position to 84% debt for 2012 and 17% net position to 83% debt for 2011.
- For every dollar of current liability, there is $2.22 of current unrestricted cash and investments in 2013, $1.92 in 2012, and $2.36 in 2011.

		2013	2012	2011
Operating revenues	$	22,155,276	20,912,773	15,615,565
Operating expenses:				
Power purchased		3,396,826	4,139,269	6,219,740
Power produced		7,961,897	7,929,720	4,344,462
Administrative and general		825,780	824,385	712,039
Outside services employed		221,444	208,198	157,541
Depreciation		3,052,410	3,031,749	1,100,966
Total operating expenses		15,458,357	16,133,321	12,534,748
Operating income		6,696,919	4,779,452	3,080,817
Nonoperating expenses (income):				
Interest expense, net of amount capitalized		5,593,181	5,658,406	943,068
Amortization of future recoverable costs		49,656	49,656	8,560
Amortization of bond premium		(27,816)	(27,816)	(4,760)
Interest income		(16,454)	(14,241)	(13,697)
Total nonoperating expenses, net		5,598,567	5,666,005	933,171
Change in net position		1,098,352	(886,553)	2,147,646
Net position, beginning of year		22,535,769	23,422,322	21,274,676
Net position, end of year	$	23,634,121	22,535,769	23,422,322

- Operating revenues were $22,155,276 for 2013 and $20,912,773 for 2012. This increase of $1,242,503 was a result of a 7.5% member rate increase for 2013 and increased surplus sales. Member kWh sales were approximately 269,431,000 for 2013 and 262,789,000 for 2012. Surplus kWh was approximately 109,528,000 for 2013 and 161,291,000 for 2012.
- Operating revenues were $20,912,773 for 2012 and $15,615,565 for 2011. This increase of $5,297,208 was a result of a 21.8% member rate increase for 2012 and increased surplus sales. Member kWh sales were approximately 262,789,000 for 2012 and 260,188,000 for 2011. Surplus kWh was approximately 161,291,000 for 2012 and 61,019,000 for 2011.

Other Information

- Long-term debt outstanding relates to the 2008 Series A and the 2009 Series A Revenue bonds. The total of $110,055,000 of these bonds has been used to cover the cost of Dry Fork Station (DFS). Additions totaling $759,028 and $201,108 in capital assets during 2013 and 2012, respectively, were mainly a result of continuing construction of DFS, and the result of improvements to Missouri Basin Power Project (MBPP). DFS was commercialized November 1, 2011. WMPA had $103,205,728 and $103,142,347 in plant in service associated with DFS at December 31, 2013 and 2012, respectively.

- The debt service coverage ratio for 2013 and 2012 was 1.34 and 1.1, respectively. There was no required debt service coverage ratio for 2011 because the bond interest was paid from bond proceeds. WMPA's bond covenants require 1.1 debt service coverage.
- On September 20, 2012, the Agency executed a three-year purchased power agreement with Tri-State Generation and Transmission Association (Tri-State) to replace the surplus power marketing function previously provided by the Rocky Mountain Generation Cooperative. Under this contract, Tri-State purchases all of the Agency's surplus generation using a formula based on the published hourly regional index prices. In addition, on September 11, 2012 by two separate letter agreements, the Agency assigned its Loveland Area Projects and Colorado River Storage Projects firm electric service contracts to Tri-State for a three-year period. All agreements with Tri-State can be terminated on their anniversary dates provided notice is given as required in the respective contracts.

Contact Information

This financial report is designed to provide a general overview of WMPA's finances. Questions concerning the information provided in this report or requests for additional financial information should be addressed to Richard Pullen, Wyoming Municipal Power Agency, P.O. Box 900, Lusk, Wyoming 82225.

WYOMING MUNICIPAL POWER AGENCY

Statements of Net Position

December 31, 2013 and 2012

Assets	**2013**	**2012**
Capital assets:		
Utility plant	$ 127,009,544	126,250,516
Less accumulated depreciation	24,003,286	20,953,572
Net capital assets	103,006,258	105,296,944
Other noncurrent assets:		
Restricted investments	7,368,188	7,368,188
Other	71,702	89,850
Future recoverable costs - noncurrent	1,389,983	1,439,639
Total noncurrent assets	111,836,131	114,194,621
Current assets:		
Cash and cash equivalents	14,359,192	11,963,780
Restricted cash and cash equivalents	2,018,524	2,328,558
Investments	2,194,000	2,075,000
Restricted investments	2,738,409	2,685,853
Accounts receivable	729,270	1,504,707
Unbilled revenues	1,851,032	1,603,817
Other receivable	144,948	137,537
Interest receivable	3,801	7,770
Plant operation assets	2,595,611	2,508,279
Prepaid expenses	6,074	5,852
Total current assets	26,640,861	24,821,153
Total assets	$ 138,476,992	139,015,774
Liabilities and Net Position		
Net position:		
Net investment in capital assets	$ 2,625,618	3,243,144
Restricted for debt service and by bond indentures	4,756,934	5,014,411
Unrestricted	16,251,569	14,278,214
Total net position	23,634,121	22,535,769
Liabilities:		
Noncurrent liabilities:		
Long-term debt, less current installments	106,595,000	108,360,000
Premium on long-term debt	778,811	806,627
Total noncurrent liabilities	107,373,811	109,166,627
Current liabilities:		
Current installments of long-term debt	1,765,000	1,695,000
Accounts payable and accrued liabilities	1,222,102	1,103,808
Accrued interest (payable from restricted assets)	2,796,591	2,829,203
Escrowed rail settlement (note 9)	1,685,367	1,685,367
Total current liabilities	7,469,060	7,313,378
Total liabilities	114,842,871	116,480,005
Total liabilities and net position	$ 138,476,992	139,015,774

See accompanying notes to financial statements.

WYOMING MUNICIPAL POWER AGENCY

Statements of Revenues, Expenses, and Changes in Net Position

Years ended December 31, 2013 and 2012

	2013	2012
Operating revenues, power sales	$ 22,155,276	20,912,773
Operating expenses:		
Power purchased	3,396,826	4,139,269
Power produced	7,961,897	7,929,720
Administrative and general	825,780	824,385
Outside services employed	221,444	208,198
Depreciation	3,052,410	3,031,749
Total operating expenses	15,458,357	16,133,321
Operating income	6,696,919	4,779,452
Nonoperating expense (income):		
Interest expense, net of amount capitalized	5,593,181	5,658,406
Amortization of future recoverable costs	49,656	49,656
Amortization of bond premium	(27,816)	(27,816)
Interest income	(16,454)	(14,241)
Total nonoperating expenses, net	5,598,567	5,666,005
Change in net position	1,098,352	(886,553)
Net position, beginning of year	22,535,769	23,422,322
Net position, end of year	$ 23,634,121	22,535,769

See accompanying notes to financial statements.

WYOMING MUNICIPAL POWER AGENCY

Statements of Cash Flows

Years ended December 31, 2013 and 2012

		2013	2012
Cash flows from operating activities:			
Receipts from customers	$	22,683,498	19,988,141
Payments to suppliers		(12,069,111)	(13,241,211)
Payments to employees		(295,359)	(300,001)
Net cash provided by operating activities		10,319,028	6,446,929
Cash flows from capital and related financing activities:			
Additions to utility plant		(761,724)	(200,514)
Proceeds from utility plant disposal		—	34,762
Interest paid		(5,625,793)	(5,658,406)
Payments on long-term debt		(1,695,000)	—
Net cash used in capital and related financing activities		(8,082,517)	(5,824,158)
Cash flows from investing activities:			
Purchases of investment securities		(8,736,409)	(14,790,289)
Maturities of investment securities		8,564,853	10,586,540
Interest received on investments		20,423	8,106
Net cash used in investing activities		(151,133)	(4,195,643)
Net increase (decrease) in cash and cash equivalents		2,085,378	(3,572,872)
Cash and cash equivalents at beginning of year		14,292,338	17,865,210
Cash and cash equivalents at end of year	$	16,377,716	14,292,338
Reconciliation of cash and cash equivalents to statements of net position:			
Cash and cash equivalents	$	14,359,192	11,963,780
Restricted cash and cash equivalents		2,018,524	2,328,558
Total	$	16,377,716	14,292,338
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	6,696,919	4,779,452
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation		3,052,410	3,029,053
Changes in assets and liabilities:			
Accounts receivable and other receivable		768,026	(603,155)
Unbilled revenues		(247,215)	(321,477)
Plant operation assets		(87,332)	(343,920)
Prepaid expenses		(222)	2,278
Other noncurrent assets		18,148	37,469
Accounts payable and accrued liabilities		118,294	(132,771)
Net cash provided by operating activities	$	10,319,028	6,446,929

See accompanying notes to financial statements.

(1) Organization and Significant Accounting Policies

(a) Organization and Operation

Wyoming Municipal Power Agency (the Agency) is a body corporate and politic organized under the Wyoming Joint Powers Act. The Agency has eight-member municipalities joined together to finance, acquire, and operate the power supply facilities necessary to meet the electrical energy requirements of their consumers. Current power supply needs are met through the Agency's ownership interests in the Laramie River Station and Dry Fork generation facilities and purchase contracts with Western Area Power Administration (WAPA) and Tri-State Generation and Transmission Association (Tri-State).

(b) Basis of Accounting

The Agency's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Agency follows the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission.

The Agency's accounting policies also conform to FASB Accounting Standards Codification (ASC) 980, *Regulated Operations*, as allowed by Governmental Accounting Standards Board (GASB) Statement No. 62. Accordingly, certain transactions that result from the rate-making process are recorded that would not be recorded under U.S. generally accepted accounting principles for nonregulated entities.

During 2012, the Agency adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, and Net Position*. The adoption of this statement had no effect on total assets, liabilities, or net position.

In March 2012, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was issued which reclassifies certain items reported as assets and liabilities as deferred outflows and inflows. In certain cases, items previously reported as assets and liabilities are recognized as outflows and inflows in the current accounting period. The Agency retrospectively adopted GASB 65 effective January 1, 2012. A resulting material effect of adopting GASB 65 is the requirement to recognize as a current outflow previously accrued bond issuance costs. However, the board of directors approved a resolution establishing a regulatory asset for accrued bond issuance costs, and continuing the amortization of those costs over the remaining lives of the associated bonds. Consequently, there was no material effect on the financial statements as a result of adoption.

(c) Utility Plant

Utility plant is recorded at cost, including interest capitalized. Interest capitalized consists of interest expense less interest revenues on proceeds of long-term borrowings temporarily invested during construction. Depreciation is provided over estimated useful lives of the property by use of the straight-line method. Cost of labor, materials, supervision, and other expenses incurred in making repairs and minor replacements and in maintaining the plant in efficient operating condition is charged to expense. Plant accounts are charged with the costs of betterments and replacements of plant, except minor replacements, and the accumulated provision for depreciation is charged with retirements, together with removal costs less salvage.

(d) Future Recoverable Costs

Future recoverable costs represent debt issuance costs and premium on long-term debt that has been deferred and is being amortized on a straight-line basis over the life of the Series 2009 A and Series 2008 A Revenue bonds. These costs are being recovered in rates charged to Agency members.

(e) Cash Equivalents

For purposes of the statements of cash flows, the Agency considers all short-term investments with maturity, at date of purchase, of three months or less to be cash equivalents.

(f) Investments

The Agency's investments consist of certificates of deposits as allowed by GASB 62 and U.S. Treasury obligations with maturities, at date of purchase, in excess of three months. These securities are carried at amortized cost, which approximates fair value, as all investments mature within one year.

(g) Plant Operation Assets

The operation of the Laramie River Station and Dry Fork Station generation facilities requires the establishment of certain operating assets, primarily fuel and supplies inventories, and operating cash. These assets are managed by the operating agent for the Laramie River Station and Dry Fork Station.

(h) Net Position

The net position of the Agency is broken down into three categories: (1) net investment in capital assets; (2) restricted for debt service and bond indentures; and (3) unrestricted.

- Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds payable that are attributable to the acquisition, construction, or improvement of those assets, and adjusted for unamortized debt issuance costs and unspent bond proceeds.
- Restricted for debt service and bond indentures represent net assets whose use is restricted through external constraints imposed by creditors (such as debt covenants), and adjusted for other items.
- Unrestricted consist of net position that do not meet the definition of net investment in capital assets or restricted for debt service.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted first, and then unrestricted resources when they are needed.

(i) Revenues

Revenues are recorded when earned. Unbilled revenues, representing estimated sales to members for the period between the last billing date and the end of the period, are accrued in the period energy is delivered.

(j) Income Taxes

As a corporate and politic body of the State of Wyoming, the Agency is exempt from federal income taxes. The State of Wyoming does not have an income tax.

(k) Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management of the Agency to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates and assumptions used in preparing the financial statements.

(l) Operating Versus Nonoperating

Operating revenues and expenses generally result from providing services in connection with the Agency's ongoing operations. The principal operating revenues are charges to customers for services. Operating expenses include the cost of service, administrative expenses, and depreciation on capital assets. All income and expenses not meeting this definition are reported as nonoperating income and expenses.

(m) Rates

The Agency designs its electric service rates to recover estimated costs of providing power supply services. In compliance with power sales contracts, rates and charges for providing power supply are reviewed annually by the Agency's board of directors. Any changes in rates must be approved by the board of directors. In accordance with its bond resolution, the Agency shall establish rates that, together with other revenues, are reasonably expected to pay its operating costs (not including depreciation and amortization) and at least 1.10 times its aggregate debt service. Power supply services by the Agency are not subject to state or federal rate regulation.

(2) Utility Plant

Utility plant consists of the following at December 31, 2013 and 2012:

		2013	2012
Plant in service:			
Generation and transmission	$	126,205,359	125,502,843
General		804,185	747,673
Total plant in service	$	127,009,544	126,250,516

(Continued)

Capital asset activity for the years ended December 31, 2013 and 2012 is as follows:

	Balance, beginning of year	Additions	Decreases	Transfers	Balance, end of year
2013:					
Plant in service, depreciable	$ 126,248,256	759,028	—	—	127,007,284
Acquisition adjustment, depreciable	2,260	—	—	—	2,260
Construction work in progress, nondepreciable	—	—	—	—	—
Accumulated depreciation	(20,953,572)	(3,052,410)	2,696	—	(24,003,286)
	$ 105,296,944	(2,293,382)	2,696	—	103,006,258

	Balance, beginning of year	Additions	Decreases	Transfers	Balance, end of year
2012:					
Plant in service, depreciable	$ 126,248,004	200,514	(200,262)	—	126,248,256
Acquisition adjustment, depreciable	2,260	—	—	—	2,260
Construction work in progress, nondepreciable	—	—	—	—	—
Accumulated depreciation	(18,090,019)	(3,029,053)	165,500	—	(20,953,572)
	$ 108,160,245	(2,828,539)	(34,762)	—	105,296,944

The overall composite depreciation rate for plant in service was 2.40% for 2013 and 2012.

The Agency has a 7.1% ownership interest in the Dry Fork Station (DFS). DFS is a 405-megawatt, mine-mouth pulverized coal generation facility near Gillette, Wyoming. DFS was placed into service in November 2011. As of December 31, 2013 and 2012, respectively, the Agency had approximately $103.2 and $103.1 million in plant in service related to DFS.

The Agency has a 1.37% ownership interest in the Laramie River Station, a three-unit, 1,710-megawatt, coal-fired power supply station in eastern Wyoming and a related transmission system. The Agency's portion of the costs of $21,459,624 and $21,295,817 related to the Laramie River Station is included in generation and transmission plant in service at December 31, 2013 and 2012, respectively.

(3) Deposits and Investments

The indenture under which the revenue bonds were issued provides for the creation and maintenance of certain deposits and investments accounts. Deposits and investments at December 31, 2013 and 2012 are shown below:

	2013	2012
Classified as noncurrent assets:		
Restricted debt service reserve	$ 7,368,188	7,368,188
Total deposits and investments classified as noncurrent assets	7,368,188	7,368,188
Classified as current assets:		
Operating	8,258,364	6,126,301
General reserve	3,459,828	3,340,800
Rate stabilization	1,695,000	1,431,679
Restricted revenue	788,524	490,208
Restricted debt service account	3,968,409	4,524,203
Reserve and contingency:		
Renewal and replacement account	2,640,000	2,640,000
Reserve account	500,000	500,000
Total deposits and investments classified as current assets	21,310,125	19,053,191
Total deposits and investments	$ 28,678,313	26,421,379

The General Reserve Account is used to meet deficiencies of other accounts or funds or for any other lawful purpose of the Agency. The Rate Stabilization Fund was established to fund unexpected shortfalls in revenue required by the Bond Resolution for debt service coverage. Income received is deposited into the Revenue Account. Transfers are made from the Revenue Account to the Operating Account to pay operating expenses. The Debt Service Account and the Debt Service Reserve Account are required by the Bond Resolution. Amounts on deposit in the Debt Service Account are applied to pay the principal and interest on the bonds. Upon the issuance of the 2009 bonds, funds were deposited into the Debt Service Reserve Account and are available to make up any shortfalls in the Debt Service Account if needed. Amounts in the Reserve and Contingency accounts are to be applied to the cost of major renewals, replacements, and improvements.

(a) Deposits

At December 31, 2013 and 2012, all of the bank balances were covered by federal depository insurance or collateralized with securities held by the Federal Reserve Bank.

(b) Investments

The Agency is allowed to invest in U.S. Treasury obligations and certificates of deposit.

At December 31, 2013, the Agency's securities are categorized as follows (the investment matures within one year):

		Carrying value	Fair value
Investment type:			
Certificates of deposit	$	19,579,904	19,579,904

At December 31, 2012, the Agency's securities are categorized as follows (the investment matures within one year):

		Carrying value	Fair value
Investment type:			
Certificates of deposit	$	12,129,041	12,129,041

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Agency has a formal investment policy limiting investment maturities to ten years or fewer as a means of managing its exposure to fair value losses arising from increasing interest rates. Historically, the Agency has invested in bank certificates of deposit or U.S. obligations, per their investment policy, which are not exposed to increased interest rate risk that could adversely affect the fair value of the investments.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Agency is authorized by its bond resolution to invest in direct obligations or obligations guaranteed by the U.S. government, obligations of any state, certain certificates of deposit, and certain repurchase agreements. The certificates of deposits held are not rated.

Custodial Credit Risk – The Agency's investment securities are exposed to custodial credit risk if the securities are uninsured, not registered in the name of the Agency, and are held by either the counterparty or the counterparty's trust department or agent not in the Agency's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the Agency will not be able to recover the sale of the investment or collateral securities that are in the possession of the outside party. As of December 31, 2013 and 2012, the Agency's certificates of deposit were covered by federal depository insurance or collateralized with securities held by the Federal Reserve Bank.

Concentration of Credit Risk – Concentration of credit risk is the risk associated with the amount of investments the Agency has with any one issuer. The Agency places no limit on the amount that may be invested in any one issuer.

(Continued)

(4) Long-Term Debt

Long-term debt activity for the years ended December 31, 2013 and 2012 is as follows:

	Balance, beginning of year	Increases	Decreases	Balance, end of year	Due within one year
2013:					
Revenue bonds, 2008 Series A 4.25%–5.50%, due January 1, 2013 to 2042	$ 78,415,000		(1,150,000)	77,265,000	1,200,000
Revenue bonds, 2009 Series A 3.00%–4.25%, due January 1, 2013 to 2042	31,640,000		(545,000)	31,095,000	565,000
	$ 110,055,000	—	(1,695,000)	108,360,000	1,765,000
2012:					
Revenue bonds, 2008 Series A 4.25%–5.50%, due January 1, 2013 to 2042	$ 78,415,000	—	—	78,415,000	1,150,000
Revenue bonds, 2009 Series A 3.00%–4.25%, due January 1, 2013 to 2042	31,640,000	—	—	31,640,000	545,000
	$ 110,055,000	—	—	110,055,000	1,695,000

Revenue bond debt service requirements as of December 31, 2013 to maturity are as follows:

	Principal	Interest	Total
2014	$ 1,765,000	5,584,000	7,349,000
2015	1,830,000	5,513,669	7,343,669
2016	1,900,000	5,436,018	7,336,018
2017	2,000,000	5,347,659	7,347,659
2018	2,100,000	5,253,800	7,353,800
2019–2023	12,035,000	24,661,969	36,696,969
2024–2028	15,335,000	21,359,238	36,694,238
2029–2033	19,780,000	16,865,788	36,645,788
2034–2038	25,685,000	10,929,763	36,614,763
2039–2042	25,930,000	3,326,750	29,256,750
	$ 108,360,000	104,278,654	212,638,654

Principal and interest on the bonds are payable from and secured solely by a pledge and assignment of a security interest in the proceeds of the bonds and the revenues of the Agency.

(Continued)

(5) Power Contracts

The Agency has contracts for electric service, spinning reserves, transmission service, coordinated maintenance service, energy imbalance and dispatch, load and resource management services, and control area regulation with WAPA, an agency of the U.S. Department of Energy. The aforementioned agreements expire on various dates between the years 2013 and 2024. A contract extension on the Salt Lake City Integrated Projects – Firm Electric Service (CRSP) agreement has been approved through 2024. A contract for Rocky Mountain Region – Network Integration Transmission Service has been approved through December 31, 2020. These contracts constitute a framework for the operation of the Agency within the load control area on an hourly, daily, monthly, and seasonal basis. Under these agreements, many functions, which are normally performed by an individual utility, are delegated and a fee is paid for their execution.

Substantially, all of the operating revenues are from take-and-pay power supply contracts with the Agency's eight-member municipalities. The member contracts extend to February 1, 2048 and thereafter, until terminated by either party upon proper notice. On September 20, 2012, the Agency executed a three-year Power Purchase Agreement with Tri-State to replace the surplus power marketing function previously provided to the Agency by Rocky Mountain Generation Cooperative. Under this contract, Tri-State purchases all of the Agency's surplus generation using a formula based on published hourly regional index prices. In addition, on September 11, 2012, by two separate letter agreements, the Agency assigned its Loveland Area Project (LAP) and CRSP firm electric service contracts to Tri-State for a three-year period. All agreements with Tri-State can be terminated on their anniversary dates provided notice is given as required in the respective contracts.

(6) Pension Plan

The Agency sponsors the Wyoming Municipal Power Agency Money Purchase Pension Plan (the Plan), which is a defined-contribution pension plan. The Plan covers all employees who have reached the age of 21 and completed six months of service on the anniversary date of the Plan. The Agency is required to contribute an annual amount equal to 10.5% of each participant's compensation, plus approximately 5.7% of each participant's compensation in excess of the social security taxable wage base in effect as of the beginning of the year. Employees do not contribute to the Plan. Participant vesting begins with 20% vesting after the second year of service, and increases 20% each year thereafter to 100%.

The Agency's total payroll expense in 2013 and 2012 was $295,359 and $300,001, respectively. The required contributions to the Plan for 2013 and 2012 of $31,957 and $32,162, respectively, were made by the Agency.

(7) Compensated Absences

The Agency's employees earn vacation days at specific rates during their employment. In the event of termination, an employee is reimbursed for accumulated vacation time up to a maximum allowed accumulation of no more than 30 days (240 hours). The Agency's employees are entitled to one sick day for each full calendar month of continuous service from the date of employment, not to exceed 120 working days (960 hours). Upon termination, an employee is reimbursed for hours accumulated in excess of 65 days (520 hours) up to a maximum of 55 days (440 hours). At December 31, 2013 and 2012, the Agency accrued $80,284 and $82,349, respectively, for vacation and sick leave.

(Continued)

(8) Debt Service Coverage

Restrictive covenants require the Agency to set rates that would enable it to maintain debt service coverage of 1.1 on an annual basis. The debt service coverage for 2013 is as follows:

Available-for-debt service:		
Change in net position	$	1,098,352
Depreciation		3,052,410
Interest expense		5,593,181
Net amortization of debt expense		21,840
Total available-for-debt service		9,765,783
Debt service requirements:		
Principal		1,695,000
Interest		5,593,181
Total debt service requirements	$	7,288,181
Debt service coverage ratio		1.34

(9) Commitments and Contingencies

During 2009, due to the Agency's ownership in Laramie River Station, the Agency received $1,685,367 as a result of litigation against Laramie River Station's railroad provider for coal, related to excessive charges for rail transportation. The railroad has appealed the decision of the Surface Transportation Board, and final ruling is still pending. Due to the uncertainty of the appeal and the related future transportation charges, the owners of Laramie River Station have agreed to escrow the funds received from the litigation. The Agency's board approved this deferral, and accordingly, a deferral of $1,685,367 is reflected on the statements of net position as of December 31, 2013 and 2012.

(10) Risk Management

The Agency is subject to various risks of loss related to unemployment compensation, general liability, and property insurance. The Agency has purchased commercially available indemnity insurance to cover these risks. Insurance settlements have not exceeded coverage for the last three years.