WYOMING MUNICIPAL POWER AGENCY

Financial Statements

December 31, 2013 and 2012

(With Independent Auditors’ Report Thereon)
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.
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.

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.
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.

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

- 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.
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 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

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utility plant</td>
<td>$127,009,544</td>
<td>$126,250,516</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>$24,003,286</td>
<td>$20,953,572</td>
</tr>
<tr>
<td><strong>Net capital assets</strong></td>
<td>$103,006,258</td>
<td>$105,296,944</td>
</tr>
<tr>
<td><strong>Other noncurrent assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted investments</td>
<td>7,368,188</td>
<td>7,368,188</td>
</tr>
<tr>
<td>Other</td>
<td>71,702</td>
<td>89,850</td>
</tr>
<tr>
<td>Future recoverable costs - noncurrent</td>
<td>1,389,983</td>
<td>1,439,639</td>
</tr>
<tr>
<td><strong>Total noncurrent assets</strong></td>
<td>$111,836,131</td>
<td>$114,194,621</td>
</tr>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>14,359,192</td>
<td>11,963,780</td>
</tr>
<tr>
<td>Restricted cash and cash equivalents</td>
<td>2,018,524</td>
<td>2,328,558</td>
</tr>
<tr>
<td>Investments</td>
<td>2,194,000</td>
<td>2,075,000</td>
</tr>
<tr>
<td>Restricted investments</td>
<td>2,738,409</td>
<td>2,685,853</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>729,270</td>
<td>1,504,707</td>
</tr>
<tr>
<td>Unbilled revenues</td>
<td>1,851,032</td>
<td>1,603,817</td>
</tr>
<tr>
<td>Other receivable</td>
<td>144,948</td>
<td>137,537</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>3,801</td>
<td>7,770</td>
</tr>
<tr>
<td>Plant operation assets</td>
<td>2,595,611</td>
<td>2,508,279</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>6,074</td>
<td>5,852</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>$26,640,861</td>
<td>$24,821,153</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$138,476,992</td>
<td>$139,015,774</td>
</tr>
</tbody>
</table>

### Liabilities and Net Position

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net position:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment in capital assets</td>
<td>$2,625,618</td>
<td>3,243,144</td>
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<tr>
<td>Restricted for debt service and by bond indentures</td>
<td>4,756,934</td>
<td>5,014,411</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>16,251,569</td>
<td>14,278,214</td>
</tr>
<tr>
<td><strong>Total net position</strong></td>
<td>$23,634,121</td>
<td>22,535,769</td>
</tr>
<tr>
<td><strong>Liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Noncurrent liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt, less current installments</td>
<td>106,595,000</td>
<td>108,360,000</td>
</tr>
<tr>
<td>Premium on long-term debt</td>
<td>778,811</td>
<td>806,627</td>
</tr>
<tr>
<td><strong>Total noncurrent liabilities</strong></td>
<td>$107,373,811</td>
<td>109,166,627</td>
</tr>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current installments of long-term debt</td>
<td>1,765,000</td>
<td>1,695,000</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>1,222,102</td>
<td>1,103,808</td>
</tr>
<tr>
<td>Accrued interest (payable from restricted assets)</td>
<td>2,796,591</td>
<td>2,829,203</td>
</tr>
<tr>
<td>Escrowed rail settlement (note 9)</td>
<td>1,685,367</td>
<td>1,685,367</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>$7,469,060</td>
<td>7,313,378</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>$114,842,871</td>
<td>116,480,005</td>
</tr>
<tr>
<td><strong>Total liabilities and net position</strong></td>
<td>$138,476,992</td>
<td>139,015,774</td>
</tr>
</tbody>
</table>

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

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

See accompanying notes to financial statements.
## WYOMING MUNICIPAL POWER AGENCY

### Statements of Cash Flows

**Years ended December 31, 2013 and 2012**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from customers</td>
<td>$22,683,498</td>
<td>19,988,141</td>
</tr>
<tr>
<td>Payments to suppliers</td>
<td>(12,069,111)</td>
<td>(13,241,211)</td>
</tr>
<tr>
<td>Payments to employees</td>
<td>(295,359)</td>
<td>(300,001)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>$10,319,028</td>
<td>6,446,929</td>
</tr>
<tr>
<td><strong>Cash flows from capital and related financing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additions to utility plant</td>
<td>(761,724)</td>
<td>(200,514)</td>
</tr>
<tr>
<td>Proceeds from utility plant disposal</td>
<td>—</td>
<td>34,762</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(5,625,793)</td>
<td>(5,658,406)</td>
</tr>
<tr>
<td>Payments on long-term debt</td>
<td>(1,695,000)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Net cash used in capital and related financing activities</strong></td>
<td>(8,082,517)</td>
<td>(5,824,158)</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases of investment securities</td>
<td>(8,736,409)</td>
<td>(14,790,289)</td>
</tr>
<tr>
<td>Maturities of investment securities</td>
<td>8,564,853</td>
<td>10,586,540</td>
</tr>
<tr>
<td>Interest received on investments</td>
<td>20,423</td>
<td>8,106</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(151,133)</td>
<td>(4,195,643)</td>
</tr>
<tr>
<td><strong>Net increase (decrease) in cash and cash equivalents</strong></td>
<td>$2,085,378</td>
<td>(3,572,872)</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at beginning of year</strong></td>
<td>$16,377,716</td>
<td>14,292,338</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of year</strong></td>
<td>$14,292,338</td>
<td></td>
</tr>
</tbody>
</table>

### Reconciliation of cash and cash equivalents to statements of net position:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$14,359,192</td>
<td>11,963,780</td>
</tr>
<tr>
<td>Restricted cash and cash equivalents</td>
<td>2,018,524</td>
<td>2,328,558</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$16,377,716</td>
<td>14,292,338</td>
</tr>
</tbody>
</table>

### Reconciliation of operating income to net cash provided by operating activities:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating income</strong></td>
<td>$6,696,919</td>
<td>4,779,452</td>
</tr>
<tr>
<td><strong>Adjustments to reconcile operating income to net cash provided by operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>3,052,410</td>
<td>3,029,053</td>
</tr>
<tr>
<td><strong>Changes in assets and liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable and other receivable</td>
<td>768,026</td>
<td>(603,155)</td>
</tr>
<tr>
<td>Unbilled revenues</td>
<td>(247,215)</td>
<td>(321,477)</td>
</tr>
<tr>
<td>Plant operation assets</td>
<td>(87,332)</td>
<td>(343,920)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(222)</td>
<td>2,278</td>
</tr>
<tr>
<td>Other noncurrent assets</td>
<td>18,148</td>
<td>37,469</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>118,294</td>
<td>(132,771)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>$10,319,028</td>
<td>6,446,929</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plant in service:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Generation and transmission $</td>
<td>126,205,359</td>
<td>125,502,843</td>
</tr>
<tr>
<td>General             $</td>
<td>804,185</td>
<td>747,673</td>
</tr>
<tr>
<td>Total plant in service $</td>
<td>127,009,544</td>
<td>126,250,516</td>
</tr>
</tbody>
</table>

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

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

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

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:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Classified as noncurrent assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted debt service reserve</td>
<td>$7,368,188</td>
<td>7,368,188</td>
</tr>
<tr>
<td>Total deposits and investments classified as noncurrent assets</td>
<td>$7,368,188</td>
<td>7,368,188</td>
</tr>
</tbody>
</table>

| **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):

<table>
<thead>
<tr>
<th>Investment type:</th>
<th>Carrying value</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificates of deposit</td>
<td>$19,579,904</td>
<td>19,579,904</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Investment type:</th>
<th>Carrying value</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificates of deposit</td>
<td>$12,129,041</td>
<td>12,129,041</td>
</tr>
</tbody>
</table>

**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.
(4) **Long-Term Debt**

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

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

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

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

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.
(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.
(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:

<table>
<thead>
<tr>
<th>Available-for-debt service:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net position</td>
<td>$ 1,098,352</td>
</tr>
<tr>
<td>Depreciation</td>
<td>3,052,410</td>
</tr>
<tr>
<td>Interest expense</td>
<td>5,593,181</td>
</tr>
<tr>
<td>Net amortization of debt expense</td>
<td>21,840</td>
</tr>
<tr>
<td><strong>Total available-for-debt service</strong></td>
<td><strong>9,765,783</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Debt service requirements:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal</td>
<td>1,695,000</td>
</tr>
<tr>
<td>Interest</td>
<td>5,593,181</td>
</tr>
<tr>
<td><strong>Total debt service requirements</strong></td>
<td><strong>7,288,181</strong></td>
</tr>
</tbody>
</table>

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.