



WYOMING MUNICIPAL POWER AGENCY

Financial Statements

December 31, 2016 and 2015

(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, 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 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, 2016 and 2015, and the changes in its financial position, and its 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 3–6 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
March 13, 2017

WYOMING MUNICIPAL POWER AGENCY

Management's Discussion and Analysis

December 31, 2016 and 2015

This section presents management's analysis and overview of Wyoming Municipal Power Agency's (WMPA or the Agency) financial condition and activities as of and for the years ended December 31, 2016 and 2015. 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.

WYOMING MUNICIPAL POWER AGENCY

Management's Discussion and Analysis

December 31, 2016 and 2015

Financial Analysis

WMPA's overall financial position as of December 31, 2016, 2015, and 2014 and changes in financial position for each of the years then ended are summarized in the following tables. This information is derived from the financial statements and records of WMPA.

	Condensed Statements of Net Position		
	2016	2015	2014
Net capital assets	\$ 96,302,287	97,950,205	100,925,553
Other noncurrent assets	8,669,974	8,682,605	8,752,624
Current assets	<u>27,689,948</u>	<u>28,162,980</u>	<u>27,516,348</u>
Total assets	<u>\$ 132,662,209</u>	<u>134,795,790</u>	<u>137,194,525</u>
Net investment in capital assets	\$ 1,351,162	1,120,908	2,288,085
Restricted for debt service and by bond indentures	2,063,038	2,217,792	2,222,666
Unrestricted	<u>21,629,143</u>	<u>21,844,948</u>	<u>19,610,388</u>
Total net position	<u>25,043,343</u>	<u>25,183,648</u>	<u>24,121,139</u>
Noncurrent liabilities	101,560,367	103,588,182	105,515,996
Current liabilities	<u>6,058,499</u>	<u>6,023,960</u>	<u>7,557,390</u>
Total liabilities	<u>107,618,866</u>	<u>109,612,142</u>	<u>113,073,386</u>
Total net position and liabilities	<u>\$ 132,662,209</u>	<u>134,795,790</u>	<u>137,194,525</u>

- WMPA's ratio of net position and debt is 19% net position to 81% debt for 2016, 19% net position to 81% debt for 2015, and 18% net position to 82% debt for 2014.
- For every dollar of current liability, there is \$2.74 of current unrestricted cash and investments in 2016, \$2.96 in 2015, and \$2.30 in 2014.

WYOMING MUNICIPAL POWER AGENCY

Management's Discussion and Analysis

December 31, 2016 and 2015

	Statements of Revenues, Expenses, and Changes in Net Position		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating revenue, power sales	\$ 22,892,434	22,470,419	21,870,750
Operating expenses:			
Power purchased	4,932,240	4,109,970	3,936,473
Power produced	8,464,116	7,618,842	7,740,827
Administrative and general	1,000,464	901,515	906,251
Outside services employed	225,565	251,166	225,468
Depreciation	3,094,279	3,076,635	3,045,885
Total operating expenses	<u>17,716,664</u>	<u>15,958,128</u>	<u>15,854,904</u>
Operating income	<u>5,175,770</u>	<u>6,512,291</u>	<u>6,015,846</u>
Nonoperating expenses (income):			
Interest expense, net of amount capitalized	5,359,769	5,447,269	5,523,819
Amortization of future recoverable costs	49,642	49,643	49,643
Amortization of bond premium	(27,815)	(27,815)	(27,815)
Interest income	(65,521)	(19,315)	(16,819)
Total nonoperating expenses, net	<u>5,316,075</u>	<u>5,449,782</u>	<u>5,528,828</u>
Change in net position	(140,305)	1,062,509	487,018
Net position, beginning of year	<u>25,183,648</u>	<u>24,121,139</u>	<u>23,634,121</u>
Net position, end of year	<u>\$ 25,043,343</u>	<u>25,183,648</u>	<u>24,121,139</u>

- Operating revenues were \$22,892,434 for 2016 and \$22,470,419 for 2015. This increase of \$422,015 was a result of increased price for surplus sales in 2016. Member kWh sales were approximately 261,479,000 for 2016 and 262,831,000 for 2015. Surplus kWh was approximately 155,356,000 for 2016 and 158,799,000 for 2015.
- Operating revenues were \$22,470,419 for 2015 and \$21,870,750 for 2014. This increase of \$599,669 was a result of increased surplus sales for 2015. Member kWh sales were approximately 262,831,000 for 2015 and 265,675,000 for 2014. Surplus kWh was approximately 158,799,000 for 2015 and 96,107,000 for 2014.

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 was used to cover the cost of Dry Fork Station (DFS). Additions totaling \$1,443,664 and \$103,336 in capital assets during 2016 and 2015, respectively, were mainly a result of capital improvements at DFS and Missouri Basin Power Project (MBPP). DFS was commercialized November 1, 2011. WMPA had \$104,116,274 and \$103,395,947 in plant in service associated with DFS at December 31, 2016 and 2015, respectively.

WYOMING MUNICIPAL POWER AGENCY

Management's Discussion and Analysis

December 31, 2016 and 2015

- The debt service coverage ratio for 2016 and 2015 was 1.13 and 1.32, respectively. 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. On October 1, 2015, the purchase power agreement with Tri-State expired and the Agency executed a one year purchase power agreement with Western Area Power Administration (WAPA). Under this contract WAPA purchases all of the Agency's surplus generation at a fixed price. On October 1, 2016, the Power Purchase Agreement with WAPA expired and the Agency executed a one year Power Purchase Agreement with Basin Electric Power Cooperative (Basin Electric). Under this contract, Basin Electric will market saleable WMPA Surplus at a percentage of hourly market rates. In addition, on September 11, 2012, by two separate letter agreements, the Agency assigned its Loveland Area Projects (LAP) and Colorado River Storage Projects (CRSP) firm electric service contracts to Tri-State for a three-year period; this assignment expired on October 1, 2015 and the Agency held the rights to both electric service contracts.
- On January 10, 2017, the Agency issued \$91.3 million of revenue refunding bonds maturing through 2047 bearing interest rates of 1.3% - 4.04%. The revenue refunding bonds were used to advance refund \$102.9 million of revenue bonds maturing through 2042 bearing interest rates of 4.0% - 5.50%.

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 Shaina Stricker, Wyoming Municipal Power Agency, P.O. Box 900, Lusk, Wyoming 82225.

WYOMING MUNICIPAL POWER AGENCY

Statements of Net Position

December 31, 2016 and 2015

Assets	2016	2015
Capital assets:		
Utility plant	\$ 128,431,634	128,010,345
Less accumulated depreciation	<u>32,129,347</u>	<u>30,060,140</u>
Net capital assets	96,302,287	97,950,205
Other noncurrent assets:		
Restricted cash and cash equivalents	7,368,188	—
Restricted Investments	—	7,368,188
Other	60,732	23,720
Future recoverable costs – noncurrent	<u>1,241,054</u>	<u>1,290,697</u>
Total noncurrent assets	<u>104,972,261</u>	<u>106,632,810</u>
Current assets:		
Cash and cash equivalents	7,935,463	15,626,677
Restricted cash and cash equivalents	4,742,922	4,941,426
Investments	8,640,930	2,194,000
Accounts receivable	214,700	141,675
Unbilled revenue	2,072,608	2,067,160
Interest receivable	6,929	2,672
Plant operation assets	3,939,188	3,156,852
Prepaid expenses	<u>137,208</u>	<u>32,518</u>
Total current assets	<u>27,689,948</u>	<u>28,162,980</u>
Total assets	\$ <u><u>132,662,209</u></u>	\$ <u><u>134,795,790</u></u>
Liabilities and Net Position		
Net position:		
Net investment in capital assets	\$ 1,351,162	1,120,908
Restricted for debt service and by bond indentures	2,063,038	2,217,792
Unrestricted	<u>21,629,143</u>	<u>21,844,948</u>
Total net position	<u>25,043,343</u>	<u>25,183,648</u>
Liabilities:		
Noncurrent liabilities:		
Long-term debt, less current installments	100,865,000	102,865,000
Premium on long-term debt	<u>695,367</u>	<u>723,182</u>
Total noncurrent liabilities	<u>101,560,367</u>	<u>103,588,182</u>
Current liabilities:		
Current installments of long-term debt	2,000,000	1,900,000
Accounts payable and accrued liabilities	1,378,615	1,400,326
Accrued interest (payable from restricted assets)	<u>2,679,884</u>	<u>2,723,634</u>
Total current liabilities	<u>6,058,499</u>	<u>6,023,960</u>
Total liabilities	<u>107,618,866</u>	<u>109,612,142</u>
Total liabilities and net position	\$ <u><u>132,662,209</u></u>	\$ <u><u>134,795,790</u></u>

See accompanying notes to financial statements.

WYOMING MUNICIPAL POWER AGENCY

Statements of Revenues, Expenses, and Changes in Net Position

Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating revenue, power sales	\$ 22,892,434	22,470,419
Operating expenses:		
Power purchased	4,932,240	4,109,970
Power produced	8,464,116	7,618,842
Administrative and general	1,000,464	901,515
Outside services employed	225,565	251,166
Depreciation	3,094,279	3,076,635
Total operating expenses	<u>17,716,664</u>	<u>15,958,128</u>
Operating income	<u>5,175,770</u>	<u>6,512,291</u>
Nonoperating expense (income):		
Interest expense, net of amount capitalized	5,359,769	5,447,269
Amortization of future recoverable costs	49,642	49,643
Amortization of bond premium	(27,815)	(27,815)
Interest income	(65,521)	(19,315)
Total nonoperating expenses, net	<u>5,316,075</u>	<u>5,449,782</u>
Change in net position	(140,305)	1,062,509
Net position, beginning of year	<u>25,183,648</u>	<u>24,121,139</u>
Net position, end of year	<u>\$ 25,043,343</u>	<u>25,183,648</u>

See accompanying notes to financial statements.

WYOMING MUNICIPAL POWER AGENCY

Statements of Cash Flows

Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Receipts from customers	\$ 22,813,961	22,854,390
Payments to suppliers	(15,232,370)	(13,122,501)
Payments to employees	(338,461)	(329,045)
Escrowed settlement released	—	(1,685,367)
Net cash provided by operating activities	<u>7,243,130</u>	<u>7,717,477</u>
Cash flows from capital and related financing activities:		
Additions to utility plant	(1,443,664)	(101,287)
Interest paid	(5,403,519)	(5,485,544)
Payments on long-term debt	(1,900,000)	(1,830,000)
Net cash used in capital and related financing activities	<u>(8,747,183)</u>	<u>(7,416,831)</u>
Cash flows from investing activities:		
Purchases of investment securities	(8,640,930)	(9,562,188)
Maturities of investment securities	9,562,189	12,102,279
Interest received on investments	61,264	21,178
Net cash provided by investing activities	<u>982,523</u>	<u>2,561,269</u>
Net increase (decrease) in cash and cash equivalents	(521,530)	2,861,915
Cash and cash equivalents at beginning of year	<u>20,568,103</u>	<u>17,706,188</u>
Cash and cash equivalents at end of year	\$ <u><u>20,046,573</u></u>	\$ <u><u>20,568,103</u></u>
Reconciliation of cash and cash equivalents to statements of net position:		
Cash and cash equivalents	\$ 7,935,463	15,626,677
Restricted cash and cash equivalents	<u>12,111,110</u>	<u>4,941,426</u>
Total	\$ <u><u>20,046,573</u></u>	\$ <u><u>20,568,103</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 5,175,770	6,512,291
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,094,279	3,076,635
Changes in assets and liabilities:		
Accounts receivable	(73,025)	703,389
Unbilled revenue	(5,448)	(319,418)
Plant operation assets	(782,336)	(709,731)
Prepaid expenses	(104,690)	(910)
Other noncurrent assets	(39,709)	20,376
Accounts payable and accrued liabilities	(21,711)	120,212
Escrowed settlement	—	(1,685,367)
Net cash provided by operating activities	\$ <u><u>7,243,130</u></u>	\$ <u><u>7,717,477</u></u>

See accompanying notes to financial statements.

WYOMING MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2016 and 2015

(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 regulated accounting policies conform to 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.

(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 that have been deferred and are 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.

WYOMING MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2016 and 2015

(f) Investments

The Agency's investments consist of certificates of deposits and U.S. Treasury obligations with maturities, at date of purchase, in excess of three months. These securities are carried at amortized cost (as allowed by GASB 62), 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. WMPA's share of direct expenses of the jointly owned units is included in power produced on the statements of revenues, expenses, and changes in net position.

(h) Premiums

Premiums on long-term debt is being amortized on a straight-line basis over the life of the Series 2009 A and Series 2008 A Revenue bonds.

(i) 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.

(j) 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.

(k) 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.

WYOMING MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2016 and 2015

(l) 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.

(m) 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.

(n) 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.

(o) Reclassifications

Certain balances from 2015 have been reclassified to conform to current year presentation.

(2) Utility Plant

Utility plant consists of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Plant in service:		
Generation and transmission	\$ 127,595,624	127,190,775
General	836,010	819,570
Total plant in service	<u>\$ 128,431,634</u>	<u>128,010,345</u>

WYOMING MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2016 and 2015

Capital asset activity for the years ended December 31, 2016 and 2015 is as follows:

	<u>Balance, beginning of year</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance, end of year</u>
2016:				
Plant in service, depreciable	\$ 128,008,085	1,443,664	(1,022,375)	128,429,374
Acquisition adjustment, depreciable	2,260	—	—	2,260
Accumulated depreciation	<u>(30,060,140)</u>	<u>(3,094,279)</u>	<u>1,025,072</u>	<u>(32,129,347)</u>
	<u>\$ 97,950,205</u>	<u>(1,650,615)</u>	<u>2,697</u>	<u>96,302,287</u>
	<u>Balance, beginning of year</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance, end of year</u>
2015:				
Plant in service, depreciable	\$ 127,909,495	103,336	(4,746)	128,008,085
Acquisition adjustment, depreciable	2,260	—	—	2,260
Accumulated depreciation	<u>(26,986,202)</u>	<u>(3,076,635)</u>	<u>2,697</u>	<u>(30,060,140)</u>
	<u>\$ 100,925,553</u>	<u>(2,973,299)</u>	<u>(2,049)</u>	<u>97,950,205</u>

The overall composite depreciation rate for plant in service was 2.41% for 2016 and 2015.

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. As of December 31, 2016, and 2015, respectively, the Agency had approximately \$104,116,274 and \$103,395,947 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 \$22,863,580 and \$22,167,933 related to the Laramie River Station is included in generation and transmission plant in service at December 31, 2016 and 2015, 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, 2016 and 2015 are shown below:

WYOMING MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Classified as noncurrent assets:		
Restricted debt service reserve	\$ <u>7,368,188</u>	<u>7,368,188</u>
Total deposits and investments classified as noncurrent assets	<u>7,368,188</u>	<u>7,368,188</u>
Classified as current assets:		
Operating	3,724,860	9,525,778
General reserve	8,016,433	3,459,899
Rate stabilization	1,695,000	1,695,000
Restricted revenue	42,806	317,792
Restricted debt service account	4,700,216	4,623,634
Reserve and contingency:		
Renewal and replacement account	2,640,000	2,640,000
Reserve account	<u>500,000</u>	<u>500,000</u>
Total deposits and investments classified as current assets	<u>21,319,315</u>	<u>22,762,103</u>
Total deposits and investments	\$ <u><u>28,687,503</u></u>	<u><u>30,130,291</u></u>

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, 2016 and 2015, 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.

WYOMING MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2016 and 2015

At December 31, 2016, the Agency's securities are categorized as follows (the investments mature within one year):

	<u>Carrying value</u>
Investment type:	
Certificates of deposit	\$ 6,644,000
U.S. Treasury obligations	1,996,930
	<u>\$ 8,640,930</u>

At December 31, 2015, the Agency's securities are categorized as follows (the investments mature within one year):

	<u>Carrying value</u>
Investment type:	
Certificates of deposit	\$ 15,611,495

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 10 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 its investment policy.

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, 2016 and 2015, 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.

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(4) Long-Term Debt

Long-term debt activity for the years ended December 31, 2016 and 2015 is as follows:

	<u>Balance, beginning of year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, end of year</u>
Revenue bonds, 2008				
Series A				
4.25%–5.50%, due				
January 1, 2013 to 2042	\$ 74,815,000	—	(1,300,000)	73,515,000
Revenue bonds, 2009				
Series A				
3.00%–4.25%, due				
January 1, 2013 to 2042	<u>29,950,000</u>	<u>—</u>	<u>(600,000)</u>	<u>29,350,000</u>
	<u>\$ 104,765,000</u>	<u>—</u>	<u>(1,900,000)</u>	<u>102,865,000</u>
Revenue bonds, 2008				
Series A				
4.25%–5.50%, due				
January 1, 2013 to 2042	\$ 76,065,000	—	(1,250,000)	74,815,000
Revenue bonds, 2009				
Series A				
3.00%–4.25%, due				
January 1, 2013 to 2042	<u>30,530,000</u>	<u>—</u>	<u>(580,000)</u>	<u>29,950,000</u>
	<u>\$ 106,595,000</u>	<u>—</u>	<u>(1,830,000)</u>	<u>104,765,000</u>

Revenue bond debt service requirements as of December 31, 2016, to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,000,000	5,347,659	7,347,659
2018	2,100,000	5,253,800	7,353,800
2019	2,175,000	5,154,800	7,329,800
2020	2,290,000	5,048,550	7,338,550
2021	2,405,000	4,936,475	7,341,475
2022–2026	13,900,000	22,807,319	36,707,319
2027–2031	17,845,000	18,820,475	36,665,475
2032–2036	23,135,000	13,492,888	36,627,888
2037–2041	30,025,000	6,562,488	36,587,488
2042	<u>6,990,000</u>	<u>320,513</u>	<u>7,310,513</u>
	<u>\$ 102,865,000</u>	<u>87,744,967</u>	<u>190,609,967</u>

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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, and Basin Electric Power Cooperative. The aforementioned agreements expire on various dates between the years 2016 and 2025. 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. On October 1, 2015, the Power Purchase Agreement with Tri-State expired and the Agency executed a one year Power Purchase Agreement with WAPA. Under this contract WAPA purchases all of the Agency's surplus generation at a fixed price. On October 1, 2016, the Power Purchase Agreement with WAPA expired and the Agency executed a one year Power Purchase Agreement with Basin Electric. Under this contract, Basin Electric will market saleable WMPA Surpluses at a percentage of hourly market rates. In addition, on September 11, 2012, by two separate letter agreements, the Agency assigned its LAP and CRSP firm electric service contracts to Tri-State for a three-year period; this assignment expired on October 1, 2015 and the Agency now holds the rights to both electric service contracts.

(6) Pension Plan

On January 1, 2015, the Agency sponsored a Simplified Employee Pension Plan (the New Plan), which is a defined-contribution pension plan. The New Plan covers all employees who have reached the age of 21. The Agency contributes 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 New Plan. Participants are fully vested at the commencement of their participation in the New Plan.

Prior to January 1, 2015, the Agency sponsored 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

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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 2016 and 2015 was \$338,461 and \$329,045, respectively. The Agency made required contributions to the New Plan in 2016 of \$35,228 and contributions to the Plan in 2015 of \$35,078.

(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, 2016 and 2015, the Agency accrued \$49,864 and \$88,171, 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 2016 is as follows:

Available-for-debt service:	
Change in net position	\$ (140,305)
Depreciation	3,094,279
Interest expense	5,359,769
Net amortization of debt expense	<u>21,828</u>
Total available-for-debt service	<u>\$ 8,335,571</u>
Debt service requirements:	
Principal	\$ 2,000,000
Interest	<u>5,359,769</u>
Total debt service requirements	<u>\$ 7,359,769</u>
Debt service coverage ratio	1.13

(9) Escrowed Settlement

During 2009, the Agency received \$1,685,367 as a result of litigation. The Agency recorded this as an escrowed settlement upon resolution in 2015.

(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.

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(11) Subsequent Events

On January 10, 2017, the Agency issued \$91.3 million of revenue refunding bonds maturing through 2047 bearing interest rates of 1.3% - 4.04%. The revenue refunding bonds were used to advance refund \$102.9 million of revenue bonds maturing through 2042 bearing interest rates of 4.0% - 5.5%.