

WYOMING MUNICIPAL POWER AGENCY

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2017 and 2016

WYOMING MUNICIPAL POWER AGENCY

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INDEPENDENT AUDITORS' REPORT

To the Agency Board of Directors
Wyoming Municipal Power Agency
Lusk, Wyoming

Report on the Financial Statements

We have audited the accompanying financial statements of Wyoming Municipal Power Agency (WMPA), as of and for the year ended December 31, 2017, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 over financial reporting relevant to WMPA'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 WMPA'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 Wyoming Municipal Power Agency as of December 31, 2017 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of WMPA, as of and for the year ended December 31, 2016, were audited by other auditors whose report on March 13, 2017, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
April 11, 2018

WYOMING MUNICIPAL POWER AGENCY

Management's Discussion and Analysis
As of and for the Years Ended December 31, 2017 and 2016

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, 2017 and 2016. This information should be read in conjunction with the financial statements, including the notes to the 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, deferred outflows and inflows, with the difference between them 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
As of and for the Years Ended December 31, 2017 and 2016

FINANCIAL ANALYSIS

WMPA's overall financial position as of December 31, 2017, 2016, and 2015 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:

	<u>2017</u>		<u>2016</u>		<u>2015</u>
Net capital assets	\$ 93,695,427	\$	96,302,287	\$	97,950,205
Other noncurrent assets	1,745,158		8,669,974		8,682,605
Current assets	<u>26,312,736</u>		<u>27,689,948</u>		<u>28,162,980</u>
Total assets	<u>121,753,321</u>		<u>132,662,209</u>		<u>134,795,790</u>
Deferred outflows of resources	<u>5,582,784</u>		—		—
Net investment in capital assets	2,330,049		1,351,162		1,120,908
Restricted for debt service and by bond indentures	—		4,742,922		4,941,425
Unrestricted	<u>24,174,661</u>		<u>18,949,259</u>		<u>19,121,315</u>
Total net position	<u>26,504,710</u>		<u>25,043,343</u>		<u>25,183,648</u>
Noncurrent liabilities	96,943,892		101,560,367		103,588,182
Current liabilities	<u>2,812,503</u>		<u>6,058,499</u>		<u>6,023,960</u>
Total liabilities	<u>99,756,395</u>		<u>107,618,866</u>		<u>109,612,142</u>
Deferred inflows of resources	<u>1,075,000</u>		—		—

- WMPA's ratio of net position and debt is 21% net position to 79% debt for 2017, 19% net position to 81% debt for 2016, and 19% net position to 81% debt for 2015.
- For every dollar of current liability, there is \$6.68 of current unrestricted cash and investments in 2017, \$2.74 in 2016, and \$2.96 in 2015.

WYOMING MUNICIPAL POWER AGENCY

Management's Discussion and Analysis
As of and for the Years Ended December 31, 2017 and 2016

FINANCIAL ANALYSIS (cont.)

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating revenue, power sales	\$ 22,745,629	\$ 22,892,434	\$ 22,470,419
Operating expenses:			
Power purchased	4,888,753	5,163,153	4,109,970
Power produced	7,882,364	8,233,203	7,618,842
Administrative and general	943,630	1,000,464	901,515
Outside services employed	274,214	225,565	251,166
Depreciation	3,081,454	3,094,279	3,076,635
Total operating expenses	<u>17,070,415</u>	<u>17,716,664</u>	<u>15,958,128</u>
Operating income	<u>5,675,214</u>	<u>5,175,770</u>	<u>6,512,291</u>
Nonoperating expenses (income):			
Interest expense, net of amount capitalized	4,375,947	5,359,769	5,447,269
Amortization of future recoverable costs	—	49,642	49,643
Amortization of bond premium	(53,871)	(27,815)	(27,815)
Loss of sale of asset	2,850		
Interest income	(111,079)	(65,521)	(19,315)
Total nonoperating expenses, net	<u>4,213,847</u>	<u>5,316,075</u>	<u>5,449,782</u>
Change in net position	1,461,367	(140,305)	1,062,509
Net position, beginning of year	<u>25,043,343</u>	<u>25,183,648</u>	<u>24,121,139</u>
Net position, end of year	\$ <u>26,504,710</u>	\$ <u>25,043,343</u>	\$ <u>25,183,648</u>

- Operating revenues were \$22,745,629 for 2017 and \$22,892,434 for 2016. This decrease of \$146,805 was a result of a rate stabilization reserve of \$1,075,000 designated by the board for an expected tri-annual outage, offset by an increased price in member rates in 2017. Member kWh sales were approximately 260,211,000 for 2017 and 261,479,000 for 2016. Surplus kWh was approximately 142,987,000 for 2017 and 155,356,000 for 2016.
- 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.

WYOMING MUNICIPAL POWER AGENCY

Management's Discussion and Analysis
As of and for the Years Ended December 31, 2017 and 2016

OTHER INFORMATION

- 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%. The original issuance of \$110,055,000 of these bonds was used to cover the cost of Dry Fork Station (DFS).
 - Additions totaling \$475,045 and \$1,443,664 in capital assets during 2017 and 2016, respectively, were mainly a result of capital improvements at DFS and Missouri Basin Power Project (MBPP). DFS was commercialized November 1, 2011. WMPA had \$103,146,946 and \$103,105,527 in plant in service associated with DFS at December 31, 2017 and 2016, respectively.
 - The debt service coverage ratio for 2017 and 2016 was 1.50 and 1.13, respectively. WMPA's bond covenants require 1.1 debt service coverage.
 - On October 1, 2015, 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. Under this contract, Basin Electric will market saleable WMPA Surpluses at a percentage of hourly market rates. Upon the expiration of the Basin Electric agreement, the Agency executed a one-year Power Purchased Agreement with Tri-State G&T. Under this contract, Tri-State G&T will purchase WMPA Surpluses according to a formula based on index prices.
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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
As of December 31, 2017 and 2016

ASSETS	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,590,664	\$ 7,935,463
Restricted cash and cash equivalents	-	4,742,922
Investments	14,562,008	8,640,930
Accounts receivable	140,022	214,700
Unbilled revenue	2,148,270	2,072,608
Interest receivable	9,732	6,929
Plant operation assets	4,829,954	3,939,188
Prepaid expenses	32,086	137,208
Total current assets	<u>26,312,736</u>	<u>27,689,948</u>
CAPITAL ASSETS		
Utility plant	128,703,407	128,431,634
Less accumulated depreciation	35,007,980	32,129,347
Net capital assets	<u>93,695,427</u>	<u>96,302,287</u>
OTHER NONCURRENT ASSETS		
Investments	233,000	-
Restricted cash and cash equivalents	-	7,368,188
Other	51,429	60,732
Future recoverable costs	1,460,729	1,241,054
Total noncurrent assets	<u>95,440,585</u>	<u>104,972,261</u>
Total assets	<u>121,753,321</u>	<u>132,662,209</u>
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on refunding	<u>5,582,784</u>	<u>-</u>
LIABILITIES		
CURRENT LIABILITIES		
Current installments of long-term debt	1,465,000	2,000,000
Accounts payable and accrued liabilities	1,347,503	1,378,615
Accrued interest (payable from restricted assets)	-	2,679,884
Total current liabilities	<u>2,812,503</u>	<u>6,058,499</u>
NONCURRENT LIABILITIES		
Long-term debt, less current installments	88,330,000	100,865,000
Premium on long-term debt	8,613,892	695,367
Total noncurrent liabilities	<u>96,943,892</u>	<u>101,560,367</u>
Total liabilities	<u>99,756,395</u>	<u>107,618,866</u>
DEFERRED INFLOWS OF RESOURCES		
Rate Stabilization	<u>1,075,000</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	2,330,049	1,351,162
Restricted for debt service and by bond indentures	-	4,742,922
Unrestricted	24,174,661	18,949,259
TOTAL NET POSITION	<u>\$ 26,504,710</u>	<u>\$ 25,043,343</u>

See accompanying notes to financial statements.

WYOMING MUNICIPAL POWER AGENCY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
As of December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Power sales	\$ 22,745,629	\$ 22,892,434
OPERATING EXPENSES		
Power purchased	4,888,753	5,163,153
Power produced	7,882,364	8,233,203
Administrative and general	943,630	1,000,462
Outside services employed	274,214	225,567
Depreciation	3,081,454	3,094,279
Total operating expenses	<u>17,070,415</u>	<u>17,716,664</u>
OPERATING INCOME	<u>5,675,214</u>	<u>5,175,770</u>
NONOPERATING REVENUES (EXPENSES)		
Interest expense, net of amount capitalized	(4,375,947)	(5,359,769)
Amortization of future recoverable costs	-	(49,642)
Amortization of bond premium	53,871	27,815
Loss on sale of asset	(2,850)	-
Investment income	111,079	65,521
Total Nonoperating Revenues (Expenses)	<u>(4,213,847)</u>	<u>(5,316,075)</u>
CHANGE IN NET POSITION	1,461,367	(140,305)
NET POSITION, beginning of year	<u>25,043,343</u>	<u>25,183,648</u>
NET POSITION, END OF YEAR	<u><u>\$ 26,504,710</u></u>	<u><u>\$ 25,043,343</u></u>

See accompanying notes to financial statements.

WYOMING MUNICIPAL POWER AGENCY

STATEMENTS OF CASH FLOWS
As of December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 23,819,646	\$ 22,813,961
Payments to suppliers	(14,615,216)	(15,232,370)
Payments to employees	(319,262)	(338,461)
Net cash provided by operating activities	<u>8,885,168</u>	<u>7,243,130</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	(339,381)	(1,443,664)
Debt issuance costs	8,124	-
Payments to escrow during refunding	(7,368,188)	-
Interest paid	(7,055,831)	(5,403,519)
Payments on long-term debt	(3,540,000)	(1,900,000)
Net cash used in capital and related financing activities	<u>(18,295,276)</u>	<u>(8,747,183)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities	(14,795,008)	(8,640,930)
Maturities of investment securities	8,640,931	9,562,189
Interest received on investments	108,276	61,264
Net cash provided by investing activities	<u>(6,045,801)</u>	<u>982,523</u>
Net change in cash and cash equivalents	(15,455,909)	(521,530)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>20,046,573</u>	<u>20,568,103</u>
CASH AND CASH EQUIVALENTS at End of Year	<u>\$ 4,590,664</u>	<u>\$ 20,046,573</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Bond proceeds used in refunding of debt	\$ 91,335,000	\$ -
Premium on refunding	8,910,643	-
Loss on refunding	(5,775,293)	-
Write-offs on refunding	545,687	-
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	5,675,214	5,175,770
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,081,454	3,094,279
Changes in assets and liabilities:		
Accounts receivable	74,678	(73,025)
Unbilled revenue	(75,662)	(5,448)
Plant operation assets	(890,766)	(782,337)
Prepaid expenses	105,122	(104,691)
Other noncurrent assets	9,303	(39,707)
Rate Stabilization	1,075,000	-
Accounts payable and accrued liabilities	(169,175)	(21,711)
Net cash provided by operating activities	<u>\$ 8,885,168</u>	<u>\$ 7,243,130</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS		
Cash and cash equivalents	\$ 4,590,664	\$ 7,935,463
Restricted cash and cash equivalents	-	12,111,110
Total	<u>\$ 4,590,664</u>	<u>\$ 20,046,573</u>

See accompanying notes to financial statements.

WYOMING MUNICIPAL POWER AGENCY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Wyoming Municipal Power Agency (Agency) have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The significant accounting principles and policies utilized by the agency are described below:

REPORTING ENTITY

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).

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. The Agency follows the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 could differ from those estimates.

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.

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.

WYOMING MUNICIPAL POWER AGENCY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Deposits and Investments

For purposes of the statement of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition.

The agency has adopted an investment policy. That policy follows the state statute for allowable investments.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note 2. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statements as increases or decreases in investment income. Market values may have changed significantly after year-end.

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified.

Receivables/Payables

Receivables represent amounts due to the agency from municipalities for service. No allowance for uncollectible accounts is necessary given the history of collections.

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.

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.

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 revenue bonds. These costs are being recovered in rates charged to Agency members.

WYOMING MUNICIPAL POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)

Prepaid Expenses

Prepayments represent costs of services and insurance policies paid during the current audit year for coverage in subsequent years.

Long-Term Obligations

Long-term debt and other obligations are reported as agency liabilities. Bond premiums and discounts, are amortized over the life of the bonds using the straight-line method. Gains or losses on prior refunding are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance at year end for premiums and discounts is shown as an increase or decrease in the liability section of the statement of net position. The balance at year end for the loss on refunding is shown as a deferred outflow in the statement of net position.

Deferred Outflow of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

REVENUES AND EXPENSES

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.

Revenue Recognition

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.

WYOMING MUNICIPAL POWER AGENCY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

REVENUES AND EXPENSES (cont.)

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.

The Agency's Board of Directors may annually determine whether revenues that provide margin above 1.10 times debt service coverage shall be deferred and deposited to the Rate Stabilization Fund. As allowed through the application of the provisions of GASB 62, the margin may be deposited in the Rate Stabilization Fund and reported as a deferred inflow of resources on the accompanying Statements of Net Position to be distributed in future years to cover costs that otherwise would be recovered through rates to members and reported as operating revenues in the Statements of Revenues, Expenses, and Changes in Net Position. For the year ended December 31, 2017, WMPA utilized the Rate Stabilization Fund and deferred \$1,075,000 to future periods.

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

GASB has approved Statement No. 80, *Blending Requirements for Certain Component Units*, an amendment of GASB Statement No. 14, Statement No. 81, *Irrevocable Split-Interest Agreements*, Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 84, *Fiduciary Activities*, and Statement No 85. *Omnibus*, Statement No. 86, *Certain Debt Extinguishment Issues*, and Statement No. 87, *Leases*. When they become effective, application of these standards may restate portions of these financial statements.

COMPARATIVE DATA

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

WYOMING MUNICIPAL POWER AGENCY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2017 and 2016

NOTE 2 – 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, 2017 and 2016 are shown below:

	<u>2017</u>	<u>2016</u>
Restricted debt service reserve	\$ -	\$ 7,368,188
Operating	3,524,138	3,724,860
General reserve	9,951,534	8,016,433
Rate stabilization	1,695,000	1,695,000
Restricted revenue	-	42,806
Rate Stabilization	1,075,000	-
Debt Service	-	4,700,216
Reserve and contingency:		
Renewal and replacement account	2,640,000	2,640,000
Reserve account	500,000	500,000
Total deposits and investments	<u>\$ 19,385,672</u>	<u>\$ 28,687,503</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 revenue 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.

Deposits

At December 31, 2017 and 2016, all of the bank balances were covered by federal depository insurance or collateralized with securities held by the Federal Reserve Bank.

Investments

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

WYOMING MUNICIPAL POWER AGENCY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2017 and 2016

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

At December 31, 2017, the Agency's securities are categorized as follows:

Investment type:	Maturity (In Years)		
	Fair Value	Less than 1	1 - 5
Certificates of Deposit	\$ 4,494,000	\$ 4,461,000	\$ 233,000
U.S. Treasury obligations	10,101,008	10,101,008	-
Totals	<u>\$ 14,795,008</u>	<u>\$ 14,562,008</u>	<u>\$ 233,000</u>

At December 31, 2016, the Agency's securities are categorized as follows:

Investment type:	Maturity (In Years)		
	Fair Value	Less than 1	1 - 5
Certificates of Deposit	\$ 6,644,000	\$ 6,644,000	\$ -
U.S. Treasury obligations	1,996,930	1,996,930	-
Totals	<u>\$ 8,640,930</u>	<u>\$ 8,640,930</u>	<u>\$ -</u>

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, 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, 2017 and 2016, 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.

WYOMING MUNICIPAL POWER AGENCY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements are as follows:

- > Matrix pricing technique

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Investment Type				
U.S. Treasury obligations	\$ 3,052,839	\$ 8,048,169	\$ -	\$ 11,101,008

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Investment Type				
U.S. Treasury obligations	\$ -	\$ 1,996,930	\$ -	\$ 1,996,930

NOTE 3 – CHANGES IN UTILITY PLANT

	2017	2016
Plant in Service:		
Generation and transmission	\$ 127,868,146	\$ 127,595,624
General	835,261	836,010
Total plant in service	\$ 128,703,407	\$ 128,431,634

WYOMING MUNICIPAL POWER AGENCY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 3 – CHANGES IN UTILITY PLANT (cont.)

A summary of changes in capital assets for 2017 and 2016 follows:

	Balance 1/1/17	Increases	Decreases	Balance 12/31/2017
Plant in service, nondepreciable	\$ 197,040	\$.	\$.	\$ 197,040
Plant in service, depreciable	128,232,334	475,044	(203,271)	128,504,107
Acquisition adjustment	2,260	-	-	2,260
Less: Accumulated depreciation	(32,129,347)	(3,081,454)	202,821	(35,007,980)
	\$ 96,302,287	\$ (2,606,410)	\$ (450)	\$ 93,695,427

	Balance 1/1/16	Increases	Decreases	Balance 12/31/2016
Plant in service, nondepreciable	\$ 197,040	\$ -	\$ -	\$ 197,040
Plant in service, depreciable	127,811,045	1,443,664	(1,022,375)	128,232,334
Acquisition adjustment	2,260	-	-	2,260
Less: Accumulated depreciation	(30,060,140)	(3,094,279)	1,025,072	(32,129,347)
	\$ 97,950,205	\$ (1,650,615)	\$ 2,697	\$ 96,302,287

The overall composite depreciation rate for plant in service was 2.38% for 2017 and 2.41% for 2016.

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, 2017, and 2016, respectively, the Agency had approximately \$103,146,946 and \$103,081,739 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 \$22,011,149 and \$22,863,580 related to the Laramie River Station is included in generation and transmission plant in service at December 31, 2017 and 2016, respectively.

WYOMING MUNICIPAL POWER AGENCY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2017 and 2016

NOTE 4 – LONG-TERM OBLIGATIONS

Long-term debt activity for the years ended December 31, 2017 and 2016 is as follows:

	Balance 1/1/17	Increases	Decreases	Balance 12/31/17	Due in one Year
Revenue bonds, 2008 Series					
A 4.25%-5.50%, due					
January 1, 2013 to 2042	\$ 73,515,000	\$ -	\$ (73,515,000)	\$ -	\$ -
Revenue bonds, 2009 Series					
A 3.00%-4.25%, due					
January 1, 2013 to 2042	29,350,000	-	(29,350,000)	-	-
Refunding bonds, 2017A					
Series A 4.00%-5.00%					
July 1, 2017 to Jan 1, 2047	-	91,335,000	(1,540,000)	89,795,000	1,465,000
	\$ 102,865,000	\$ 91,335,000	\$ (104,405,000)	\$ 89,795,000	\$ 1,465,000
	Balance 1/1/16	Increases	Decreases	Balance 12/31/16	Due in one Year
Revenue bonds, 2008 Series					
A 4.25%-5.50%, due					
January 1, 2013 to 2042	\$ 74,815,000	\$ -	\$ (1,300,000)	\$ 73,515,000	\$ 1,375,000
Revenue bonds, 2009 Series					
A 3.00%-4.25%, due					
January 1, 2013 to 2042	29,950,000	-	(600,000)	29,350,000	625,000
	\$ 104,765,000	\$ -	\$ (1,900,000)	\$ 102,865,000	\$ 2,000,000

WYOMING MUNICIPAL POWER AGENCY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2017 and 2016

NOTE 4 – LONG-TERM OBLIGATIONS (cont.)

Revenue bond debt service requirements as of December 31, 2017, to maturity are as follows:

Years Ending December 31	Principal	Interest	Total
2018	\$ 1,465,000	\$ 4,426,550	\$ 5,891,550
2019	1,535,000	4,367,950	5,902,950
2020	1,605,000	4,306,550	5,911,550
2021	1,680,000	4,226,300	5,906,300
2022	1,760,000	4,142,300	5,902,300
2023-2027	10,230,000	19,297,750	29,527,750
2028-2032	13,050,000	16,472,750	29,522,750
2033-2037	16,590,000	12,935,400	29,525,400
2038-2042	21,050,000	8,462,250	29,512,250
2043-2046	20,830,000	2,667,500	23,497,500
	<u>\$ 89,795,000</u>	<u>\$ 81,305,300</u>	<u>\$ 171,100,300</u>

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.

ADVANCE REFUNDING

On January 10, 2017, the Agency issued \$91,335,000 in bonds with an average interest rate of 4.95 percent to advance refund \$72,140,000 of outstanding 2008A bonds with an average interest rate of 4.25 – 5.50 percent and to advance refund \$28,725,000 of outstanding 2009A bonds with an average interest rate of 3.00 – 4.25 percent. The net proceeds of \$98,726,418 after payment of \$1,519,224 in underwriting fees, insurance and other issuance costs plus an additional \$7,368,188 of debt service reserve fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. As a result, the old bonds are considered to be defeased and the liability for the old bonds have been removed from the balance sheet.

The cash flow requirements on the old bonds prior to the advance refunding was \$183,944,613 from 2017 through 2042. The cash flow requirements on the new bonds are \$177,016,246 from 2017 through 2047. The advance refunding resulted in an economic gain of \$8,491,822.

WYOMING MUNICIPAL POWER AGENCY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 4 – LONG-TERM OBLIGATIONS (cont.)

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 2017 is as follows:

	2017	2016
Available for debt service:		
Operating revenues	\$ 22,745,629	\$ 22,892,434
Investment income	111,079	65,521
Less: Operation and maintenance expenses	(13,988,961)	(14,622,385)
Net Defined Earnings	\$ 8,867,747	\$ 8,335,570
Debt service requirements:		
Highest annual debt service	\$ 5,911,550	\$ 7,359,769
Coverage factor	1.1	1.1
Minimum Required Earnings	\$ 6,502,705	\$ 8,095,746
Debt service coverage ratio	1.50	1.13

LONG-TERM OBLIGATIONS SUMMARY

Long-term obligation activity for the year ended December 31, 2017 as follows:

	1/1/17 Balance	Additions	Reductions	12/31/17 Balance	Due Within One Year
Long-term debt	\$ 102,865,000	\$ 91,335,000	\$ 104,405,000	\$ 89,795,000	\$ 1,465,000
Premium on long-term debt	695,367	8,910,643	992,118	8,613,892	-
Totals	\$ 103,560,367	\$ 100,245,643	\$ 105,397,118	\$ 98,408,892	\$ 1,465,000

Long-term obligation activity for the year ended December 31, 2016 as follows:

	1/1/16 Balance	Additions	Reductions	12/31/16 Balance	Due Within One Year
Long-term debt	\$ 104,765,000	\$ -	\$ 1,900,000	\$ 102,865,000	\$ 2,000,000
Premium on long-term debt	725,182	-	27,815	695,367	-
Totals	\$ 103,588,182	\$ -	\$ 1,927,815	\$ 103,560,367	\$ 2,000,000

WYOMING MUNICIPAL POWER AGENCY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2017 and 2016

NOTE 5 – NET POSITION

GASB No. 34 requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – The component of net position consist of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

When both restricted and unrestricted resources are available for use, it is the agency’s policy to use restricted resources first, then unrestricted resources as they are needed.

The following calculation supports the net investment in capital assets:

	2017	2016
Plant in service	\$ 128,703,407	\$ 128,431,634
Accumulated depreciation	(35,007,980)	(32,129,347)
Sub-Totals	93,695,427	96,302,287
Less: Capital related debt		
Current portion of capital related long-term debt	1,465,000	2,000,000
Long-term portion of capital related long-term debt	88,330,000	100,865,000
Unamortized debt premium	8,613,892	695,367
Unamortized loss on advance refunding	(5,582,784)	-
Future recoverable costs	(1,460,730)	(1,241,054)
Sub-Totals	91,365,378	102,319,313
Add: Unspent debt proceeds		
Reserve from borrowing	-	7,368,188
 Total Net Investment in Capital Assets, Net of Related Debt	 \$ 2,330,049	 \$ 1,351,162

WYOMING MUNICIPAL POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2017 and 2016

NOTE 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 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 2017 and 2016 was \$319,262 and \$338,461, respectively. The Agency made required contributions to the New Plan of \$31,906 and \$35,228 in 2017 and 2016, respectively.

NOTE 7 – POWER CONTRACTS

The Agency has contracts for electric service, spinning and operating 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, Basin Electric Power Cooperative, and Tri-State G&T Assoc., Inc. 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 October 1, 2015, 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. Upon the expiration of the Basin Electric agreement, the Agency executed a one-year Power Purchased Agreement with Tri-State G&T on October 1, 2017. Under this contract, Tri-State G&T will purchase WMPA surpluses at a formula based on index prices.

WYOMING MUNICIPAL POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2017 and 2016

NOTE 8 – 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, 2017 and 2016, the Agency accrued \$17,682 and \$53,935, respectively, for vacation and sick leave.

NOTE 9 – 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.

NOTE 10 – SUBSEQUENT EVENTS

The agency evaluated subsequent events through the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.