

WYOMING MUNICIPAL POWER AGENCY

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended June 30, 2020 and 2019

WYOMING MUNICIPAL POWER AGENCY

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Wyoming Municipal Power Agency, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Wyoming Municipal Power Agency's basic 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 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 audits 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 Wyoming Municipal Power Agency'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 Wyoming Municipal Power Agency'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 June 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents 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.

Baker Tilly US, LLP

Madison, Wisconsin
September 30, 2020

WYOMING MUNICIPAL POWER AGENCY

Management's Discussion and Analysis
As of and for the Years Ended June 30, 2020, 2019 and 2018

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 June 30, 2020 and 2019. 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 June 30, 2020, 2019 and 2018

FINANCIAL ANALYSIS

WMPA's overall financial position as of June 30, 2020, 2019, and 2018, and the 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>2020</u>	<u>2019</u>	<u>2018</u>
Net capital assets	\$ 90,742,254	\$ 90,488,409	\$ 92,224,343
Other noncurrent assets	10,654,240	5,441,479	1,476,146
Current assets	22,981,836	27,011,989	28,458,621
Total assets	<u>124,378,330</u>	<u>122,941,877</u>	<u>122,159,110</u>
Deferred outflows of resources	5,101,509	5,294,019	5,486,529
Total assets and deferred outflows	<u>129,479,839</u>	<u>128,235,896</u>	<u>127,645,639</u>
Net investment in capital assets	\$ 2,512,230	\$ 669,242	\$ 886,036
Restricted for debt service and by bond indentures	807,563	767,500	735,000
Unrestricted	26,838,483	27,381,512	24,768,938
Total net position	<u>30,158,276</u>	<u>28,818,254</u>	<u>26,389,974</u>
Noncurrent liabilities	93,061,338	94,963,360	96,795,381
Current liabilities	4,810,225	3,004,282	3,010,284
Total liabilities	<u>97,871,563</u>	<u>97,967,642</u>	<u>99,805,665</u>
Deferred inflows of resources	1,450,000	1,450,000	1,450,000
Total net position, liabilities and deferred inflows	<u>\$ 129,479,839</u>	<u>\$ 128,235,896</u>	<u>\$ 127,645,639</u>

- WMPA's ratio of net position and debt is 24% net position to 76% debt for 2020, 23% net position to 77% debt for 2019, and 21% net position to 79% debt for 2018.
- For every dollar of current liability, there is \$2.86 of current unrestricted cash and investments in 2020, \$6.15 in 2019, and \$6.79 in 2018.

WYOMING MUNICIPAL POWER AGENCY

Management's Discussion and Analysis
As of and for the Years Ended June 30, 2020, 2019 and 2018

FINANCIAL ANALYSIS (cont.)

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

	2020	2019	2018
Operating revenue, power sales	\$ 20,851,122	\$ 24,021,480	\$ 23,133,918
Operating expenses:			
Power purchased	4,754,310	4,723,123	4,723,569
Power produced	6,759,484	8,786,031	8,356,808
Administrative and general	875,279	897,850	934,586
Outside services employed	430,722	375,555	286,629
Depreciation	3,038,699	3,023,664	3,086,628
Total operating expenses	<u>15,858,494</u>	<u>17,806,223</u>	<u>17,388,220</u>
Operating income	<u>4,992,628</u>	<u>6,215,257</u>	<u>5,745,698</u>
Nonoperating Revenue (Expenses):			
Interest expense, net of amount capitalized	(4,337,250)	(4,397,250)	(4,401,284)
Gain (Loss) on fair value of investments	204,328	71,158	
Amortization of bond premium, loss and bond related future recoverable cost	54,142	54,142	54,006
Gain of sale of asset	529	978	233
Investment income	425,645	483,995	218,545
Total nonoperating expenses, net	<u>(3,652,606)</u>	<u>(3,786,977)</u>	<u>(4,128,500)</u>
Change in net position	\$ 1,340,022	\$ 2,428,280	\$ 1,617,198
Net position, beginning of year	<u>\$ 28,818,254</u>	<u>\$ 26,389,974</u>	<u>\$ 24,772,776</u>
Net position, end of year	<u>\$ 30,158,276</u>	<u>\$ 28,818,254</u>	<u>\$ 26,389,974</u>

- WMPA Operating Revenue decreased mainly due to a weaker surplus sales market from 2020 to 2019. The operating revenues were \$20,851,122 for 2020, \$24,021,480 for 2019, and \$23,133,917.99 for 2018. Member kWh sales were approximately 247,008,000 for 2020 and 255,139,000 for 2019. Surplus kWh sales were approximately 90,152,000 for 2020, 134,840,000 for 2019 and 175,720,000 for 2018.

WYOMING MUNICIPAL POWER AGENCY

Management's Discussion and Analysis
As of and for the Years Ended June 30, 2020, 2019 and 2018

OTHER INFORMATION

- The capital improvements at DFS and LRS's Missouri Basin Power Project (MBPP) consisted of WMPA's DFS (7.1% ownership) had \$102,996,579, \$103,323,766, and \$103,151,464 for plant in service as of June 30, 2020, 2019, and 2018. LRS (1.37% Ownership) had \$27,130,026, \$24,329,251, and \$22,090,655 for plant in service as of June 30, 2020, 2019, and 2018, respectively.
- The debt service coverage ratio for 2020, 2019 and 2018 was 1.43, 1.66, and 1.40, respectively. WMPA's bond covenants require 1.1 debt service coverage.
- On September 26, 2017, the Agency executed a one-year Power Purchased Agreement with Tri-State Generation and Transmission Association (TSGT), under this contract, TSGT purchased WMPA surpluses according to a formula based on index prices. On April 9, 2018, this contract was extended through June 30, 2019. On June 21, 2019, WMPA executed a 2-year agreement with TSGT, and under this contract, TSGT will purchase WMPA's surpluses based on TSGT's needs. The price will be a combination of fixed pricing and a formula based on index prices.

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 Loren Heth, Wyoming Municipal Power Agency, P.O. Box 900, Lusk, Wyoming 82225.

WYOMING MUNICIPAL POWER AGENCY

STATEMENTS OF NET POSITION

As of June 30, 2020 and 2019

ASSETS	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,192,181	\$ 7,681,550
Investments	6,601,171	10,799,277
Restricted Assets		
Restricted cash and cash equivalents	2,163,046	767,500
Restricted investments	797,792	-
Accounts receivable	803,621	220,561
Unbilled revenue	1,573,597	1,645,608
Interest receivable	60,062	62,346
Plant operation assets	3,758,517	5,799,208
Prepaid expenses	31,849	35,939
Total Current Assets	<u>22,981,836</u>	<u>27,011,989</u>
CAPITAL ASSETS		
Utility plant	132,333,882	129,860,913
Less accumulated depreciation	<u>(41,591,628)</u>	<u>(39,372,504)</u>
Net Capital Assets	<u>90,742,254</u>	<u>90,488,409</u>
NONCURRENT ASSETS		
Investments	9,319,435	4,050,109
Other	-	6,196
Future recoverable costs	<u>1,334,805</u>	<u>1,385,174</u>
Total Noncurrent Assets	<u>10,654,240</u>	<u>5,441,479</u>
Total Assets	<u>124,378,330</u>	<u>122,941,877</u>
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on refunding	<u>5,101,509</u>	<u>5,294,019</u>
LIABILITIES		
CURRENT LIABILITIES		
Current installments of long-term debt	1,605,000	1,535,000
Accounts payable and accrued liabilities	1,051,950	1,469,282
Accrued interest (payable from restricted assets)	<u>2,153,275</u>	<u>-</u>
Total Current Liabilities	<u>4,810,225</u>	<u>3,004,282</u>
NONCURRENT LIABILITIES		
Long-term debt, less current installments	85,190,000	86,795,000
Premium on long-term debt	<u>7,871,338</u>	<u>8,168,360</u>
Total Noncurrent Liabilities	<u>93,061,338</u>	<u>94,963,360</u>
Total Liabilities	<u>97,871,563</u>	<u>97,967,642</u>
DEFERRED INFLOWS OF RESOURCES		
Rate Stabilization	<u>1,450,000</u>	<u>1,450,000</u>
NET POSITION		
Net investment in capital assets	2,512,230	669,242
Restricted for debt service and by bond indentures	807,563	767,500
Unrestricted	<u>26,838,483</u>	<u>27,381,512</u>
TOTAL NET POSITION	<u>\$ 30,158,276</u>	<u>\$ 28,818,254</u>

See accompanying notes to financial statements.

WYOMING MUNICIPAL POWER AGENCY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION As of June 30, 2020 and 2019

	2020	2019
OPERATING REVENUES		
Power sales	\$ 20,851,122	\$ 24,021,480
Total Operating Revenues	<u>20,851,122</u>	<u>24,021,480</u>
OPERATING EXPENSES		
Power purchased	4,754,310	4,723,123
Power produced	6,759,484	8,786,031
Administrative and general	875,279	897,850
Outside services employed	430,722	375,555
Depreciation	3,038,699	3,023,664
Total Operating Expenses	<u>15,858,494</u>	<u>17,806,223</u>
OPERATING INCOME	<u>4,992,628</u>	<u>6,215,257</u>
NONOPERATING REVENUES (EXPENSES)		
Interest expense, net of amount capitalized	(4,337,250)	(4,397,250)
Gain (Loss) on fair value of investments	204,328	71,158
Amortization of bond premium, loss and bond related future recoverable costs	54,142	54,142
Gain on sale of asset	529	978
Investment income	425,645	483,995
Total Nonoperating Revenues (Expenses)	<u>(3,652,606)</u>	<u>(3,786,977)</u>
Change in Net Position	1,340,022	2,428,280
NET POSITION, BEGINNING OF YEAR	<u>28,818,254</u>	<u>26,389,974</u>
NET POSITION, END OF YEAR	<u>\$ 30,158,276</u>	<u>\$ 28,818,254</u>

See accompanying notes to financial statements.

WYOMING MUNICIPAL POWER AGENCY

STATEMENTS OF CASH FLOWS

As of June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 20,340,073	\$ 24,055,863
Payments to suppliers	(10,872,796)	(14,984,990)
Payments to employees	(287,250)	(289,266)
Net Cash Provided by Operating Activities	9,180,027	8,781,607
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of utility plant	(3,318,120)	(1,260,645)
Interest paid	(2,183,975)	(4,397,250)
Payments on long-term debt	(1,535,000)	(1,465,000)
Net Cash Used in Capital and Related Financing Activities	(7,037,095)	(7,122,895)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities	(24,014,001)	(14,849,386)
Maturities of investment securities	22,349,317	15,854,233
Interest received on investments	427,929	459,609
Net Cash Provided by Investing Activities	(1,236,755)	1,464,456
Net Change in Cash and Cash Equivalents	906,177	3,123,168
CASH AND CASH EQUIVALENTS - Beginning of Year	8,449,050	5,325,882
CASH AND CASH EQUIVALENTS at End of Year	\$ 9,355,227	\$ 8,449,050
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 4,992,628	\$ 6,215,257
Adjustments to reconcile operating income to net cash provided by operating activities:		
Non-operating income	-	71,158
Non-cash items included in operating income:		
Depreciation	3,038,699	3,023,664
Changes in assets and liabilities:		
Accounts receivable	(583,060)	(102,229)
Unbilled revenue	72,011	65,454
Plant operation assets	2,040,691	(420,747)
Prepaid expenses	4,090	(3,248)
Other noncurrent assets	10,856	34,405
Accounts payable and accrued liabilities	(395,888)	(102,107)
Net Cash Provided by Operating Activities	\$ 9,180,027	\$ 8,781,607
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS		
Cash and cash equivalents	\$ 7,192,181	\$ 7,681,550
Restricted cash and cash equivalents	2,163,046	767,500
Total	\$ 9,355,227	\$ 8,449,050

See accompanying notes to financial statements.

WYOMING MUNICIPAL POWER AGENCY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2020 and 2019

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 Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. 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 June 30, 2020 and 2019

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 and are net of operational liabilities managed by the respective agent.

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 June 30, 2020 and 2019

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 June 30, 2020 and 2019

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. Beginning on June 30, 2018, WMPA utilized the Rate Stabilization Fund and deferred \$750,000 to future periods. As of June 30, 2020 and June 30, 2019, the fund had a balance of \$1,450,000.

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following statements:

- Statement No. 84, *Fiduciary Activities*
- Statement No. 87, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*

The statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87 which was postponed by one and a half years.

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 June 30, 2020 and 2019

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 June 30, 2020 and 2019 are shown below:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Operating	\$ 7,126,097	\$ 6,521,709
General reserve	9,701,690	9,724,227
Rate stabilization reserve	1,695,000	1,695,000
Rate stabilization deferred	1,450,000	1,450,000
Reserve and contingency:		
Renewal and replacement account	2,640,000	2,640,000
Reserve account	500,000	500,000
Restricted Account:		
Debt service account	<u>2,960,838</u>	<u>767,000</u>
Total Deposits and Investments	<u>\$ 26,073,625</u>	<u>\$ 23,298,436</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 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 June 30, 2020 and 2019, 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 June 30, 2020 and 2019

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

At June 30, 2020, the Agency's securities are categorized as follows:

	Maturity (In Years)		
	Fair Value	Less than 1	1 - 5
Investment type:			
Certificates of Deposit	\$ 12,105,197	\$ 2,785,762	\$ 9,319,435
U.S. Treasury obligations	4,613,201	4,613,201	-
Totals	\$ 16,718,398	\$ 7,398,963	\$ 9,319,435

At June 30, 2019, the Agency's securities are categorized as follows:

	Maturity (In Years)		
	Fair Value	Less than 1	1 - 5
Investment type:			
Certificates of Deposit	\$ 5,732,959	\$ 2,180,545	\$ 3,552,414
U.S. Treasury obligations	9,116,427	8,618,732	497,695
Totals	\$ 14,849,386	\$ 10,799,277	\$ 4,050,109

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.

As of June 30, 2020 and June 30, 2019, the Agency's had investments in Certificate of Deposits (negotiable) that were rated as follows:

Moody's Rating	2020	2019
Aa1	\$ 500,716	\$ -
Aa2	241,757	-
Aa3	743,404	-
A1	1,915,434	-
A2	709,035	-
A3	509,162	-
Baa1	447,954	-
Not Rated	7,037,735	3,061,142
P-1	-	1,734,868
P-2	-	202,892
P-3	-	230,513
Withdrawn	-	250,922
Not Prime	-	252,622
Total	\$ 12,105,197	\$ 5,732,959

WYOMING MUNICIPAL POWER AGENCY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2020 and 2019

NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

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 June 30, 2020 and 2019, 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 – 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.

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

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Investment Type				
U.S. Treasury obligations	\$ 4,613,201	\$ -	\$ -	\$ 4,613,201
Certificate of Deposits	-	12,105,197	-	12,105,197
Totals	\$ 4,613,201	\$ 12,105,197	\$ -	\$ 16,718,398
	June 30, 2019			
	Level 1	Level 2	Level 3	Total
Investment Type				
U.S. Treasury obligations	\$ 9,116,427	\$ -	\$ -	\$ 9,116,427
Certificate of Deposits	-	5,732,959	-	5,732,959
Totals	\$ 9,116,427	\$ 5,732,959	\$ -	\$ 14,849,386

WYOMING MUNICIPAL POWER AGENCY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2020 and 2019

NOTE 3 – CHANGES IN UTILITY PLANT

A summary of changes in capital assets for 2020 are as follows:

	Balance 7/1/2019	Increases	Decreases	Adjustment	Balance 6/30/2020
Plant in service, nondepreciable	\$ 197,040	\$ -	\$ -	\$ -	\$ 197,040
Plant in service, depreciable	129,661,613	2,911,186	(438,217)	-	132,134,582
Acquisition adjustment	2,260	-	-	-	2,260
Less: Accumulated depreciation	<u>(39,372,504)</u>	<u>(3,038,699)</u>	<u>437,640</u>	<u>381,935</u>	<u>(41,591,627)</u>
Totals	<u>\$ 90,488,409</u>	<u>\$ (127,513)</u>	<u>\$ (577)</u>	<u>\$ 381,935</u>	<u>\$ 90,742,254</u>

A summary of changes in capital assets for 2019 are as follows:

	Balance 7/1/2018	Increases	Decreases	Adjustment	Balance 6/30/2019
Plant in service, nondepreciable	\$ 197,040	\$ -	\$ -	\$ -	\$ 197,040
Plant in service, depreciable	128,374,460	1,287,153	-	-	129,661,613
Acquisition adjustment	2,260	-	-	-	2,260
Less: Accumulated depreciation	<u>(36,349,417)</u>	<u>(3,023,664)</u>	<u>577</u>	<u>-</u>	<u>(39,372,504)</u>
Totals	<u>\$ 92,224,343</u>	<u>\$ (1,736,511)</u>	<u>\$ 577</u>	<u>\$ -</u>	<u>\$ 90,488,409</u>

The overall composite depreciation rate for plant in service was 2.30% and 2.33% for 2020 and 2019, respectively.

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 June 30, 2020, and 2019, respectively, the Agency had approximately \$102,996,579 and \$103,323,766 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 \$27,130,026 and \$24,329,251 related to the Laramie River Station is included in generation and transmission plant in service at June 30, 2020 and 2019, respectively.

WYOMING MUNICIPAL POWER AGENCY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2020 and 2019

NOTE 4 – LONG-TERM OBLIGATIONS

Long-term obligation activity for the year ended June 30, 2020 as follows:

	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2020	Due in one Year
Refunding bonds, 2017A					
Series A 4.00%-5.00%					
July 1, 2017 to Jan 1, 2047	\$ 88,330,000	\$ -	\$ (1,535,000)	\$86,795,000	\$ 1,605,000
Premium on long-term debt	8,168,360	-	(297,021)	7,871,338	297,021
Totals	<u>\$ 96,498,360</u>	<u>\$ -</u>	<u>\$ (1,832,021)</u>	<u>\$94,666,338</u>	<u>\$ 1,902,021</u>

Long-term obligation activity for the year ended June 30, 2019 as follows:

	Balance 7/1/2018	Increases	Decreases	Balance 6/30/2019	Due in one Year
Refunding bonds, 2017A					
Series A 4.00%-5.00%					
July 1, 2017 to Jan 1, 2047	\$ 89,795,000	\$ -	\$ (1,465,000)	\$88,330,000	\$ 1,535,000
Premium on long-term debt	8,465,381	-	(297,021)	8,168,360	297,021
Totals	<u>\$ 98,260,381</u>	<u>\$ -</u>	<u>\$ (1,762,021)</u>	<u>\$96,498,360</u>	<u>\$ 1,832,021</u>

Revenue bond debt service requirements as of June 30, 2020, to maturity are as follows:

Years Ending June 30	Principal	Interest	Total
2021	\$ 1,605,000	\$ 4,306,550	\$ 5,911,550
2022	1,680,000	4,226,300	5,906,300
2023	1,760,000	4,142,300	5,902,300
2024	1,855,000	4,054,300	5,909,300
2025	1,945,000	3,961,550	5,906,550
2026-2030	11,270,000	18,249,500	29,519,500
2031-2035	14,390,000	15,135,000	29,525,000
2036-2040	18,245,000	11,302,050	29,547,050
2041-2045	23,120,000	6,307,250	29,427,250
2046-2047	10,925,000	826,000	11,751,000
Totals	<u>\$ 86,795,000</u>	<u>\$ 72,510,800</u>	<u>\$ 159,305,800</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.

WYOMING MUNICIPAL POWER AGENCY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2020 and 2019

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 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Available for debt service:		
Operating revenues	\$ 20,851,122	\$ 24,021,480
Investment income	425,645	483,995
Less: Operation and maintenance expenses	<u>(12,819,795)</u>	<u>(14,782,559)</u>
Net Defined Earnings	<u>\$ 8,456,972</u>	<u>\$ 9,722,916</u>
Debt service requirements:		
Highest annual debt service	\$ 5,924,000	\$ 5,872,250
Coverage factor	<u>1.1</u>	<u>1.1</u>
Minimum Required Earnings	<u>\$ 6,516,400</u>	<u>\$ 6,459,475</u>
Debt service coverage ratio	<u>1.43</u>	<u>1.66</u>

WYOMING MUNICIPAL POWER AGENCY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2020 and 2019

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:

	2020	2019
Plant in service	\$ 132,333,882	\$ 129,860,913
Accumulated depreciation	<u>(41,591,628)</u>	<u>(39,372,504)</u>
Sub-Totals	<u>90,742,254</u>	<u>90,488,409</u>
Less: Capital related debt		
Current portion of capital related long-term debt	1,605,000	1,535,000
Long-term portion of capital related long-term debt	85,190,000	86,795,000
Unamortized debt premium	7,871,338	8,168,360
Unamortized loss on advance refunding	(5,101,509)	(5,294,019)
Future recoverable costs	<u>(1,334,805)</u>	<u>(1,385,174)</u>
Sub-Totals	<u>88,230,024</u>	<u>89,819,167</u>
Net Investment in Capital Assets	<u>\$ 2,512,230</u>	<u>\$ 669,242</u>

WYOMING MUNICIPAL POWER AGENCY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2020 and 2019

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 2020 and 2019 was \$287,250 and \$284,643, respectively. The Agency made required contributions to the Plan of \$43,768 and \$31,885 in 2020 and 2019, 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 Western Area Power Administration (WAPA), an agency of the U.S. Department of Energy, Black Hills Energy Corporation, Basin Electric Power Cooperative, and Tri-State Generation & Transmission Assoc., Inc. (TSGT). The aforementioned agreements expire on various dates between the years 2020 and 2057. WMPA began supplying and receiving reserves through the WACM sub-entity agreement beginning September 3, 2019. 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 June 21, 2019, WMPA executed a new agreement with TSGT through June 30, 2021 for scheduling, dispatch, load forecasting, resource management services, and reserves, purchased power, and surplus sales. TSGT may purchase WMPA's surpluses at a formula based on index prices in some months and at a fixed price for some months.

WYOMING MUNICIPAL POWER AGENCY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2020 and 2019

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 June 30, 2020 and 2019, the Agency accrued \$45,198 and \$33,411 for vacation and sick leave, respectively.

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 September 30, 2020, the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.