Wyoming Municipal Power Agency

Financial Statements and
Supplementary Information

June 30, 2021 and 2020

Wyoming Municipal Power Agency

Table of Contents
June 30, 2021 and 2020

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Independent Auditors' Report

To the Board of Directors of
Wyoming Municipal Power Agency

We have audited the accompanying financial statements of Wyoming Municipal Power Agency, as of and for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, 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
November 11, 2021

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, 2021, 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.

Since its inception, WMPA operated as a generation and transmission company. Historically, WMPA held two federal contracts for hydropower, owned generation, owned or held transmission rights, and financed generation and transmission projects. WMPA balanced its generation and load, which meant that energy was purchased when needed and surplus was sold when its generation exceeded member load. When WMPA member load declined, this increased WMPA's surplus energy. Then, as the demand for WMPA's surplus fell, so did the price.

In the summer of 2019, several of the large utilities in the Western Area Colorado Missouri (WACM) Balancing Authority (BA) joined the Southwest Power Pool (SPP) Western Energy Imbalance Service (WEIS) market. The SPP WEIS went into effect in early 2021 and may develop into a regional transmission organization (RTO). Historically, the number of trading partners for non-market participants decreases upon the implementation of an RTO. This change would further limit WMPA's ability to sell its surplus. As a result, WMPA committed to participation in the SPP WEIS in December 2019.

WMPA sent Requests for Proposal (RFPs) for services to support its participation in the SPP WEIS. Several responses were received, including some that exceeded the original scope of the request. These additional proposals included longer term contracts or membership in other larger organizations. After analyzing numerous options, WMPA chose to sell its generating assets and to become a member of Basin Electric Power Cooperative (BEPC). This gives WMPA access to a greater diversity of generating resources and a wider geographical area, which will enable WMPA to maintain stable rates for its member towns.

With the proceeds from the sale of its ownership interest in Dry Fork Station (DFS) and funds from internal reserves, WMPA partially defeased its Power Supply Revenue Refunding Bonds, 2017 Series A bonds, in March 2021. Subsequent to year end, WMPA sold its ownership interest in the Missouri Basin Power Project (MBPP) and then defeased the remainder of the Bonds. As of August 2021, all long-term debt was extinguished. The removal of debt service costs from WMPA's rate base and the restructuring of WMPA's operations allowed WMPA's Board of Directors to lower member rates for fiscal year 2022.

In summary, WMPA made significant changes during the fiscal year ended June 30, 2021. Management believes WMPA is well positioned for the future in a changing industry.

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

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

Financial Analysis

WMPA's overall financial position as of June 30, 2021, 2020, and 2019, 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 detailed books and records of WMPA.

Condensed Statements of Net Position:

	2021	2020	2019
Net capital assets	$ 9,273,157	$ 90,742,254	$ 90,488,409
Other noncurrent assets	4,941,361	10,654,240	5,441,479
Current assets	11,821,043	22,981,836	27,011,989
Total assets	26,035,561	124,378,330	122,941,877
Deferred outflows of resources	689,827	5,101,509	5,294,019
Total assets and deferred outflows	26,725,388	129,479,839	128,235,896
Net investment in capital assets	1,839,149	2,512,230	669,242
Restricted for debt service and by bond indentures	840,566	807,563	767,500
Unrestricted	11,346,589	26,838,483	27,381,512
Total net position	14,026,304	30,158,276	28,818,254
Noncurrent liabilities	6,624,327	93,061,338	94,963,360
Current liabilities	3,874,757	4,810,225	3,004,282
Total liabilities	10,499,084	97,871,563	97,967,642
Deferred inflows of resources	2,200,000	1,450,000	1,450,000
Total net position, liabilities and deferred inflows	$ 26,725,388	$ 129,479,839	$ 128,235,896

- WMPA's ratio of net position and debt is
  - 52% net position to 48% debt for 2021,
  - 24% net position to 76% debt for 2020 and
  - 23% net position to 77% debt for 2019.

- For every dollar of current liability, there is $2.18 of current unrestricted cash and investments in 2021, $2.86 in 2020, and $6.15 in 2019.

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

	2021	2020	2019
Operating revenue, power sales	$ 20,062,173	$ 20,851,122	$ 24,021,480
Operating expenses:			
Power purchased	9,502,251	4,754,310	4,723,123
Power produced	3,862,763	6,759,484	8,786,031
Administrative and general	917,215	875,279	897,850
Outside services employed	272,942	430,722	375,555
Depreciation	1,772,174	3,038,699	3,023,664
Total operating expenses	16,327,345	15,858,494	17,806,223
Operating income	3,734,828	4,992,628	6,215,257
Nonoperating Revenue (Expenses):			
Interest expense, net of amount capitalized	(2,334,275)	(4,337,250)	(4,397,250)
Loss on debt defeasance	(18,454,858)	-	-
Gain (Loss) on fair value of investments	(182,028)	204,328	71,158
Amortization of bond premium, loss and bond related future recoverable cost	1,241,017	54,142	54,142
Gain of sale of asset	(315,463)	529	978
Investment income	178,807	425,645	483,995
Total nonoperating expenses, net	(19,866,800)	(3,652,606)	(3,786,977)
Change in net position	(16,131,972)	1,340,022	2,428,280
Net position, beginning of year	30,158,276	28,818,254	26,389,974
Net position, end of year	$ 14,026,304	$ 30,158,276	$ 28,818,254

WMPA Operating Revenue decreased mainly due to lower member demand and a weak surplus sales market from 2019 to 2021.

In February 2021, Dry Fork Station was sold to BEPC and WMPA joined BEPC as a Class A member and entered into a contact with BEPC to sell WMPA's 1.37% entitlement share of power generated by the Laramie River Station (LRS) and delivered to the edge of the Missouri Basin Power Project (MBPP).

WMPA's membership agreement with BEPC obligates WMPA to purchase all power and energy from BEPC except for energy and power purchased through pre-existing contracts with Western Area Power Administration (Western).

	Surplus Sales*		Member Sales		Total			
	$ Sales	% Total	$ Sales	% Total	Power Sales		Rate Stabilization	Operating Revenues
2021	1,015,852	4.88%	19,796,321	95.12%	20,812,173	100%	(750,000)	20,062,173
2020	1,895,563	9.09%	18,955,559	90.91%	20,851,122	100%		20,851,122
2019	4,361,210	18.16%	19,660,270	81.84%	24,021,480	100%		24,021,480
2018	3,730,610	15.62%	20,153,308	84.38%	23,883,918	100%	(750,000)	23,133,918

	Surplus Sales*		Member Sales		Total	
	MWh Sales	MWh %	MWh Sales	MWh %	Power Sales	
2021	45,550	15.40%	251,226	84.60%	295,776	100%
2020	90,152	26.74%	247,008	73.26%	337,160	100%
2019	134,840	34.58%	255,139	65.42%	389,979	100%
2018	175,720	40.18%	261,652	59.82%	437,372	100%

Surplus Sales* WMPA did not have any surplus sales beginning in February 2021.

Other Information

- The capital improvements at DFS and LRS's MBPP consisted of WMPA's DFS (7.1% ownership) had $0, $102,996,579, and $103,323,766, for plant in service as of June 30, 2021, 2020, and 2019. LRS (1.37% Ownership) had $27,375,500, $27,130,026, and $24,329,251, for plant in service as of June 30, 2021, 2020, and 2019, respectively.

- The debt service coverage ratios for 2021, 2020, and 2019 were 2.78, 1.43, and 1.66, respectively. WMPA's bond covenants require 1.1 debt service coverage.

- On April 9, 2018, the Agency executed a one-year Power Purchase Agreement with Tri-State Generation and Transmission Association (TSGT). Under this contract, TSGT purchased WMPA surpluses according to a formula based on index prices through June 30, 2019. On June 21, 2019, WMPA executed a 2-year agreement with TSGT, and under this contract, TSGT purchased WMPA's surpluses based on TSGT's needs. The price will be a combination of fixed pricing and a formula based on index prices. This contract was terminated on January 31, 2021. As a Class A member of BEPC, WMPA will no longer have surplus sales.

- On October 22, 2020, WMPA executed an agreement to become a member of BEPC from February 1, 2021, through December 31, 2050. As part of the membership agreement with BEPC, WMPA agreed to purchase all capacity and energy needs that exceed its federal hydrologic contracts from BEPC. Thus, WMPA's share of LRS could no longer be used to serve WMPA's load. WMPA began selling the output of their share of the LRS to BEPC on February 1, 2021. This was a short-term, cost-based contract that terminates the earlier of when WMPA sells its share of the MBPP assets, or December 31, 2021. This contract was terminated on July 31, 2021.

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 Janet Babcock at the Wyoming Municipal Power Agency, P.O. Box 900, Lusk, Wyoming 82225.

Wyoming Municipal Power Agency

Statements of Net Position
June 30, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	$ 3,855,752	$ 7,192,181
Investments	4,598,782	6,601,171
Accounts receivable	2,137,548	2,377,218
Interest receivable	-	60,062
Plant operation assets	1,199,821	3,758,517
Prepaid expenses	29,140	31,849
Total current assets	11,821,043	20,020,998
Capital Assets		
Utility plant	29,598,123	132,333,882
Less accumulated depreciation	(20,324,966)	(41,591,628)
Net capital assets	9,273,157	90,742,254
Noncurrent Assets		
Investments	3,596,002	9,319,435
Restricted Assets		
Restricted cash and cash equivalents	-	2,163,046
Restricted investments	1,021,566	797,792
Other	143,301	-
Future recoverable costs	180,492	1,334,805
Total noncurrent assets	4,941,361	13,615,078
Total assets	26,035,561	124,378,330
Deferred Outflows of Resources		
Unamortized loss on refunding	689,827	5,101,509
Liabilities		
Current Liabilities		
Current installments of long-term debt	1,680,000	1,605,000
Accounts payable and accrued liabilities	2,013,757	1,051,950
Accrued interest (payable from restricted assets)	181,000	2,153,275
Total current liabilities	3,874,757	4,810,225
Noncurrent Liabilities		
Long-term debt, less current installments	5,560,000	85,190,000
Premium on long-term debt	1,064,327	7,871,338
Total noncurrent liabilities	6,624,327	93,061,338
Total liabilities	10,499,084	97,871,563
Deferred Inflows of Resources		
Rate stabilization	2,200,000	1,450,000
Net Position		
Net investment in capital assets	1,839,149	2,512,230
Restricted for debt service and by bond indentures	840,566	807,563
Unrestricted	11,346,589	26,838,483
Total net position	$ 14,026,304	$ 30,158,276

See notes to financial statements

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2021 and 2020

	2021	2020
Operating Revenues		
Power sales	$ 20,812,173	$ 20,851,122
Revenues recognized from (deferred to) rate stabilization	(750,000)	-
Total operating revenues	20,062,173	20,851,122
Operating Expenses		
Power purchased	9,502,251	4,754,310
Power produced	3,862,763	6,759,484
Administrative and general	917,215	875,279
Outside services employed	272,942	430,722
Depreciation	1,772,174	3,038,699
Total operating expenses	16,327,345	15,858,494
Operating Income	3,734,828	4,992,628
Nonoperating Revenues (Expenses)		
Interest expense	(2,334,275)	(4,337,250)
Loss on debt defeasance	(18,454,858)	-
Gain (loss) on fair value of investments	(182,028)	204,328
Amortization of bond premium, loss and bond related future recoverable costs	1,241,017	54,142
Gain (loss) sale of asset	(315,463)	529
Investment income	178,807	425,645
Total nonoperating revenues (expenses)	(19,866,800)	(3,652,606)
Change in net position	(16,131,972)	1,340,022
Net Position, Beginning	30,158,276	28,818,254
Net Position, Ending	$ 14,026,304	$ 30,158,276

See notes to financial statements

Wyoming Municipal Power Agency

Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Receipts from customers	$ 21,051,843	$ 20,340,073
Payments to suppliers	(10,855,433)	(10,872,796)
Payments to employees	(319,826)	(287,250)
Net cash provided by operating activities	9,876,584	9,180,027
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of utility plant	(2,826,585)	(3,318,120)
Debt defeasance costs	(151,932)	-
Interest paid	(4,306,550)	(2,183,975)
Payments on long-term debt	(1,605,000)	(1,535,000)
Proceeds from sale of asset for debt defeasance	82,208,044	-
Payments to escrow during defeasance	(96,252,926)	-
Net cash used in capital and related financing activities	(22,934,949)	(7,037,095)
Cash Flows From Investing Activities		
Purchases of investment securities	(8,376,813)	(24,014,001)
Maturities of investment securities	15,696,833	22,349,317
Interest received on investments	238,870	427,929
Net cash provided by investing activities	7,558,890	(1,236,755)
Net change in cash and cash equivalents	(5,499,475)	906,177
Cash and Cash Equivalents, Beginning	9,355,227	8,449,050
Cash and Cash Equivalents, Ending	$ 3,855,752	$ 9,355,227
Reconciliation of Operating Income to Net Cash Flows From Operating Activities		
Operating income	$ 3,734,828	$ 4,992,628
Adjustments to reconcile operating income to net cash provided by operating activities:		
Noncash items included in operating income:		
Depreciation	1,772,174	3,038,699
Changes in assets and liabilities:		
Accounts receivable	239,670	(511,049)
Plant operation assets	2,558,696	2,040,691
Prepaid expenses	2,709	4,090
Other noncurrent assets	(143,301)	10,856
Accounts payable and accrued liabilities and rate stabilization	1,711,808	(395,888)
Net cash provided by operating activities	$ 9,876,584	$ 9,180,027
Reconciliation of Cash and Cash Equivalents to Statements of Net Position Accounts		
Cash and cash equivalents	$ 3,855,752	$ 7,192,181
Investments	4,598,782	6,601,171
Restricted cash and cash equivalents	-	2,163,046
Restricted investments	1,021,566	797,792
Total cash and investments	9,476,100	16,754,190
Less noncash equivalents	(5,620,348)	(7,398,963)
Total cash and cash equivalents	$ 3,855,752	$ 9,355,227

See notes to financial statements

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. In fiscal year 2020, current power supply needs were 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 (TSGT).

On February 1, 2021, WMPA sold its ownership interest in the Dry Fork generation facility. WMPA became a member of Basin Electric Power Cooperative (BEPC) on February 1, 2021. As part of the membership agreement with BEPC, WMPA agreed to purchase all capacity and energy requirements that exceed its federal hydrologic contracts from BEPC.

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.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This statement improves the consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. The utilities adopted this statement effective July 1, 2020.

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.

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.

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 are recorded when earned. Operating revenues and expenses generally result from the sale of capacity and energy to its members 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.

Loss on Debt Defeasance

The charge resulting from the debt defeasance is recognized in the period in which the transaction was incurred.

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, 2021 and June 30, 2020, the fund had a balance of $2,200,000 and $1,450,000, respectively.

Effect on Current Period Financial Statements

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

- Statement No. 87, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- 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 Gui*dance, 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.

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, 2021 and 2020 are shown below:

	June 30, 2021	June 30, 2020
Operating	$ 3,949,209	$ 7,126,097
General reserve	5,901,327	9,701,690
Rate stabilization reserve	1,450,000	1,695,000
Rate stabilization deferred	750,000	1,450,000
Reserve and contingency:		
Renewal and replacement account	-	2,640,000
Reserve account	-	500,000
Restricted account:		
Debt service account	1,021,566	2,960,838
Total deposits and investments	$ 13,072,102	$ 26,073,625

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.

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the Agency's deposits may not be returned to the Agency.

At June 30, 2021 and 2020, all of the bank balances were covered by federal depository insurance or collateralized with securities held by the Federal Reserve Bank.

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Agency is allowed to invest in U.S. Treasury obligations and certificates of deposit. As of June 30, 2021 and 2020, the Agency’s certificates of deposit were covered by federal depository insurance or collateralized with securities held by the Federal Reserve Bank.

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.

At June 30, 2021, the Agency's securities are categorized as follows:

		Maturity (In Years)	
	Fair Value	**Less than 1**	**1 - 5**
Investment type:			
Certificates of deposit	$ 7,940,215	$ 4,598,783	$ 3,341,432
U.S. Treasury obligations	1,276,135	1,021,565	254,570
Total	$ 9,216,350	$ 5,620,348	$ 3,596,002

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	-
Total	$ 16,718,398	$ 7,398,963	$ 9,319,435

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, 2021 and June 30, 2020, the Agency's had investments in Certificate of Deposits (negotiable) that were rated as follows:

Moody's Rating	2021	2020
Aa1	$ -	$ 500,716
Aa2	251,564	241,757
Aa3	443,640	743,404
Aa4	239,539	-
A	249,999	-
A+	202,050	-
A1	249,466	1,915,434
A2	-	709,035
A3	982,409	509,162
Baa1	353,224	447,954
Baa2	448,335	-
Baa3	647,618	-
Ba1	236,120	-
Not Rated	3,636,251	7,037,735
Total	$ 7,940,215	$ 12,105,197

Concentration of Credit Risk

Concentration of credit risk is the risk associated with the amount of investments the Agency has with any one issuer. As of June 30, 2021 and 2020, the Agency does not hold an individual investment that exceeds 5 percent of the portfolio.

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, 2021			
	Level 1	Level 2	Level 3	Total
Investment type:				
U.S. Treasury obligations	$ 1,276,135	$ -	$ -	$ 1,276,135
Certificate of deposits	-	7,940,215	-	7,940,215
Total	$ 1,276,135	$ 7,940,215	$ -	$ 9,216,350

	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
Total	$ 4,613,201	$ 12,105,197	$ -	$ 16,718,398

3. Changes in Utility Plant

A summary of changes in capital assets for 2021 are as follows:

	Balance 7/1/2020	Increases	Decreases	Adjustment	Balance 6/30/2021
Plant in service, nondepreciable	$ 197,040	$ -	$ -	$ -	$ 197,040
Plant in service, depreciable	132,134,582	2,511,123	(105,246,882)	-	29,398,823
Acquisition adjustment	2,260	-	-	-	2,260
Less accumulated depreciation	(41,591,628)	(1,772,174)	23,038,836	-	(20,324,966)
Total	$ 90,742,254	$ 738,949	$ (82,208,046)	$ -	$ 9,273,157

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	(39,372,504)	(3,038,699)	437,640	381,935	(41,591,628)
Total	$ 90,488,409	$ (127,513)	$ (577)	$ 381,935	$ 90,742,254

The overall composite depreciation rate for plant in service was 5.99 percent and 2.30 percent for 2021 and 2020, respectively.

The Agency had a 7.1 percent ownership interest in the Dry Fork Station (DFS). DFS is a 405-megawatt, mine-mouth pulverized coal generation facility near Gillette. On February 1, 2021, WMPA sold their ownership in the DFS to BEPC. As of June 30, 2021, and 2020, respectively, the Agency had approximately $0 and $102,996,579 in plant in service related to DFS.

The Agency has a 1.37 percent ownership interest in the Laramie River Station (LRS), 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 $27,375,500 and $27,130,026 related to the LRS is included in generation and transmission plant in service at June 30, 2021 and 2020, respectively.

4. Long-Term Obligations

Long-term obligation activity for the year ended June 30, 2021 as follows:

	Balance 7/1/2020	Increases	Decreases	Balance 6/30/2021	Due in One Year
Refunding bonds, 2017A Series A 4.00%-5.00% July 1, 2017 to Jan 1, 2047	$ 86,795,000	$ -	$ (79,555,000)	$ 7,240,000	$ 1,680,000
Premium on long-term debt	7,871,338	-	(6,807,011)	1,064,327	297,021
Total	$ 94,666,338	$ -	$ (86,362,011)	$ 8,304,327	$ 1,977,021

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
Total	$ 96,498,360	$ -	$ (1,832,021)	$ 94,666,338	$ 1,902,021

Revenue bond debt service requirements as of June 30, 2021, to maturity are as follows:

Years Ending June 30	Principal	Interest	Total
2022	$ 1,680,000	$ 362,000	$ 2,042,000
2023	1,760,000	278,000	2,038,000
2024	1,855,000	190,000	2,045,000
2025	1,945,000	97,250	2,042,250
Total	$ 7,240,000	$ 927,250	$ 8,167,250

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.

Debt Defeasance

On February 1, 2021, WMPA sold its interest in the Dry Fork Station to BEPC. WMPA added internal funds to partially defease the Power Supply System Revenue Refunding Bonds, 2017 Series A. The total funds used for defeasance were $ 96,252,926, which were placed into escrow and invested in accordance with the Bond Resolution.

The bonds from January 1, 2026 through January 1, 2047 were defeased on March 17, 2021 as shown in the schedule below:

Maturity Date	Maturity Amount	Original Bond CUSIP No*
January 1, 2026	2,040,000	983366DU6
January 1, 2027	2,140,000	983366DV4
January 1, 2028	2,250,000	983366DW2
January 1, 2029	2,360,000	983366DX0
January 1, 2030	2,480,000	983366DY8
January 1, 2031	2,605,000	983366D25
January 1, 2032	2,735,000	983366EA9
January 1, 2033	2,870,000	983366EB7
January 1, 2034	3,015,000	983366EC5
January 1, 2035	3,165,000	983366ED3
January 1, 2036	3,320,000	983366EE1
January 1, 2042	23,540,000	983366EF8
January 1, 2047	25,430,000	983366EG6

The Power Supply Refunding Bonds, 2017 Series A bonds were not callable until 2027. Thus, WMPA was obligated to pay all of the interest due through January 1, 2027 for the benefit of the bondholders. $18,302,926 of the costs in the Unusual and nonoperating section of the Statement of Revenues, Expenses and Changes in Net Position were for this interest paid up to the bond callable date.

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 2021 and 2020 is as follows:

	2021	2020
Available for debt service:		
Operating revenues	$ 20,062,173	$ 20,851,122
Investment income	178,807	425,645
Less operation and maintenance expenses	(14,555,171)	(12,819,795)
Net defined earnings	$ 5,685,809	$ 8,456,972
Debt service requirements:		
Highest annual debt service	$ 2,045,000	$ 5,924,000
Coverage factor	1.1	1.1
Minimum required earnings	$ 2,249,500	$ 6,516,400
Debt service coverage ratio	2.78	1.43

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:

	2021	2020
Plant in service	$ 29,598,123	$ 132,333,882
Accumulated depreciation	(20,324,966)	(41,591,628)
Subtotal	9,273,157	90,742,254
Less capital related debt		
Current portion of capital related long-term debt	1,680,000	1,605,000
Long-term portion of capital related long-term debt	5,560,000	85,190,000
Unamortized debt premium	1,064,327	7,871,338
Unamortized loss on advance refunding	(689,827)	(5,101,509)
Future recoverable costs	(180,492)	(1,334,805)
Subtotal	7,434,008	88,230,024
Net investment in capital assets	$ 1,839,149	$ 2,512,230

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 percent of each participant's compensation, plus approximately 5.7 percent 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. On the aforementioned effective date, the New Plan replaced the Plan, as described below.

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 covered 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 percent of each participant's compensation, plus approximately 5.7 percent 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 percent vesting after the second year of service, and increases 20 percent each year thereafter to 100 percent.

The Agency's total payroll expense in 2021 and 2020 was $319,826 and $287,250, respectively. The Agency made required contributions to the Plan of $46,078 and $43,768 in 2021 and 2020, respectively.

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, BEPC, and 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, reserves, purchase power and surplus sales. TSGT my purchase WMPA's surpluses at a formula rate based on index prices in some month and at a fixed prices for some months. This contract was terminated early on January 31, 2021 to coincide with WMPA becoming members of BEPC.

On October 22, 2020, WMPA executed an agreement to become a member of BEPC from February 1, 2021 through December 31, 2050. As part of the membership agreement with BEPC, WMPA agreed to purchase all capacity and energy needs that exceed its federal hydrologic contracts from BEPC. Thus, WMPA's share of Laramie River Station (LRS) could no longer be used to serve WMPA's load. WMPA began selling the output of their share of the LRS to BEPC on February 1, 2021. This is a short-term, cost-based contract that terminates the earlier of when WMPA sells its share of the Missouri Basin Power Project (MBPP) assets, or December 31, 2021. See footnote #11 for WMPA's sale of ownership on August 1, 2021.

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, 2021 and 2020, the Agency accrued $42,702 and $45,198 for vacation and sick leave, respectively.

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.

10. Related Party Transaction

Wholesale Power Contract

Effective February 1, 2021, WMPA became a Class A Member of BEPC. The Wholesale Power Contract between WMPA and BEPC, also effective on February 1, obligated WMPA to purchase and BEPC to supply all capacity and energy needs that exceeded WMPA's supply from its pre-existing hydrologic contracts. Transactions under this contract from February 1, through June 30, 2021:

Purchased Power	
Amount BEPC billed WMPA for power and related costs	$ 5,856,024
Amount WMPA paid BEPC	(4,387,855)
Balance due included in Accounts Payable at 6/30/2021	$ 1,468,169
Reimbursed Transmission Costs	
Amount WMPA billed BEPC for transmission costs	$ 520,802
Amount BEPC paid WMPA	(469,947)
Balance included in Receivable from BEPC	$ 50,855

Short Term Contract for the Sale of LRS Generated Power to BEPC

From February 1 through June 30, 2021, WMPA sold its 1.37 percent entitlement share of power generated at the Laramie River Station, an interest derived from WMPA's 1.37 percent interest in the Missouri Basin Power Project (MBPP), to BEPC. Reimbursable fixed costs billed to BEPC:

Depreciation	$ 194,150
Taxes	33,348
Amount WMPA billed BEPC for reimbursement	227,498
Amount BEPC paid WMPA	(180,774)
Balance included in Receivable from BEPC	$ 46,724

11. Subsequent Events

The Agency evaluated subsequent events through November 11, 2021, the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.

Sale of Ownership

On August 1, 2021, WMPA sold its share of Missouri Basin Power Project (MBPP) to TSGT. WMPA's agreement to sell its share of the output of Laramie River Station (LRS) to BEPC were terminated on August 1, 2021.

Full Defeasance

On August 25, 2021, WMPA fully defeased the remaining Revenue Refunding Bonds, Series 2017A in the amount of $7,240,000 using cash on hand.