HEBER LIGHT & POWER COMPANY

FINANCIAL STATEMENTS AND
COMPLIANCE REPORTS

Years Ended December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Heber Light & Power Company

Opinion

We have audited the accompanying financial statements of Heber Light & Power Company (the Company) as of and for the year ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements as listed in the table of contents.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Heber Light & Power Company as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Heber Light & Power Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Heber Light & Power Company's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedules of the Company's proportionate share of the net pension liability (asset) – Utah Retirement Systems, and the schedules of the Company's contributions – Utah Retirement Systems, as listed in the table of contents as required supplementary information, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2024, on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

Squire & Company, PC

Orem, Utah
April 9, 2024

As management of Heber Light & Power Company (the Company), we offer readers of the Company's financial statements this narrative overview and analysis of the financial activities of the Company for the fiscal years ended December 31, 2023 and 2022. We encourage readers to consider the information presented here in conjunction with the financial statements and notes.

Financial Highlights

The assets and deferred outflows of resources of the Company exceeded its liabilities and deferred inflows of resources at December 31, 2023 by $63,785,869 (net position). Of this amount $2,078,956 (unrestricted net position) may be used to meet the Company's ongoing obligations to customers, employees, and creditors. During 2023, the Company's total net position increased by $8,787,115. In 2023, the Company's operating revenues increased $2,914,389 primarily attributable to an increase in electricity sales.

During February 2023, the Company issued $29,070,000 in electric revenue bonds to finance capital improvements, including the completion of a substation, land purchase for an additional substation, an administrative office building and shop, as well as other improvements to the Company's electric system.

Overview of the Financial Statements

The financial statements consist of three separate statements, which are similar to a private-sector business. The Statements of Net Position present information on all of the Company's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Company is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Net Position present information showing how the Company's net position changed during the fiscal year. 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 this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected fees charged, and earned but unused vacation leave).

The Statements of Cash Flows present the activities of the Company on a cash-received and cash-paid basis. These statements show the sources and uses of cash for the fiscal year and reconciles the change in the cash accounts for the Company for that year.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Company's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $63,785,869 at the close of the most recent fiscal year.

A portion of the Company's net position, $48,595,966 (76.2 percent), reflects its net investment in capital assets (e.g., power and generation plants, distribution and metering systems, and machinery, equipment and tools). The Company uses these capital assets to provide services to participating cities and customers; consequently, these assets are not available for future spending. Net position of $2,078,956 (3.3 percent) is restricted for capital projects and debt service. The remaining balance of unrestricted net position of $13,110,947 (20.5 percent) may be used to meet the Company's ongoing obligations.

The following tables summarize information presented in the financial statements:

Heber Light & Power Company
NET POSITION
December 31, 2023, 2022, and 2021

	2023	2022	2021
Current assets	$ 17,000,474	$ 15,387,566	$ 10,985,071
Restricted current assets	23,274,411	9,925,319	18,152,483
Net pension assets	-	1,624,069	-
Capital assets	80,899,256	59,655,315	48,024,733
Total assets	121,174,141	86,592,269	77,162,287
Deferred outflows of resources	1,790,996	1,414,956	1,222,386
Current liabilities	5,387,844	8,282,686	3,043,842
Noncurrent liabilities	53,782,004	22,481,911	23,659,462
Total liabilities	59,169,848	30,764,597	26,703,304
Deferred inflows of resources	9,420	2,243,874	1,149,587
Net investment in capital assets	48,595,966	46,246,672	39,558,492
Restricted for capital projects and debt service	2,078,956	1,333,900	4,718,873
Restricted for pensions	-	1,624,069	-
Unrestricted net position	13,110,947	5,794,113	6,254,417
Net position	$ 63,785,869	$ 54,998,754	$ 50,531,782

Heber Light & Power Company
CHANGE IN NET POSITION
Years Ended December 31, 2023, 2022, and 2021

	2023	2022	2021
Operating revenues	$ 25,991,779	$ 23,077,390	$ 21,420,515
Operating expenses	26,426,443	25,223,257	20,057,173
Operating income (loss)	(434,664)	(2,145,867)	1,363,342
Nonoperating revenues (expenses)	3,862,157	2,856,740	1,895,403
Contributions (distributions)	5,359,622	3,756,099	5,800,580
Change in net position	8,787,115	4,466,972	9,059,325
Net position, beginning of year	54,998,754	50,531,782	41,472,457
Net position, end of year	$ 63,785,869	$ 54,998,754	$ 50,531,782

In comparing 2023 with 2022, the following items should be noted:

During 2023, the Company's total net position increased by $8,787,115. In 2023, the Company's operating revenues increased $2,914,389 due to an increase in electricity sales.

In comparing 2022 with 2021, the following items should be noted:

During 2022, the Company's total net position increased by $4,466,972. In 2022, the Company's operating revenues increased $1,656,875 due to an increase in the customer base. In 2022, the Company's operating expenses increased $5,166,084 primarily attributable to an increase in the cost to purchase power as well as a full system tree clearing and increased generator repair costs due to increased run times.

Capital Asset and Debt Administration

Capital asset additions totaled $24,935,315 and $15,026,188 in 2023 and 2022, respectively. During February 2023, the Company issued $29,070,000 in electric revenue bonds to finance capital improvements, including the completion of a substation, land purchase for an additional substation, an administrative office building and shop, as well as other improvements to the Company's electric system. At the end of 2023 and 2022 the Company had $53,820,400 and $22,348,522, respectively, of capital-related debt. Additional information on capital assets and noncurrent liabilities can be found in Note 4 and Note 5, respectively, to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The Company prepared its 2024 budget anticipating nominal overall growth. The Company continues to review its rates to ensure appropriate expense recovery and to fund for capital projects. Where possible, the goal of the Company is to fund its capital projects without incurring additional debt.

Requests for Information

This financial report is designed to provide a general overview of the Company's finances for all those with an interest in the Company's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Bart Stanley Miller, 31 South 100 West, Heber City, Utah 84032.

FINANCIAL STATEMENTS

HEBER LIGHT & POWER COMPANY
STATEMENTS OF NET POSITION
December 31, 2023 and 2022

	2023	2022
ASSETS		
Current Assets:		
Cash and investments	$ 6,201,671	$ 6,632,782
Restricted cash and investments	23,274,411	9,925,319
Accounts receivable, net of allowance for uncollectible accounts	2,291,068	2,039,850
Unbilled receivables	1,675,159	1,570,919
Prepaid expenses	380,928	293,752
Inventory	6,406,955	4,430,810
Other current assets	44,693	419,453
Total current assets	40,274,885	25,312,885
Net Pension Assets	-	1,624,069
Capital Assets:		
Land, construction in progress, and water rights	30,696,175	11,646,709
Depreciable, net of accumulated depreciation	50,203,081	48,008,606
Net capital assets	80,899,256	59,655,315
Total assets	121,174,141	86,592,269
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on refundings	321,655	348,460
Pension related	1,469,341	1,066,496
Total deferred outflows of resources	1,790,996	1,414,956
LIABILITIES		
Current Liabilities:		
Accounts payable	1,808,065	4,001,864
Accrued expenses	1,394,976	2,792,807
Related party payable	195,293	250,304
Current portion of noncurrent liabilities	1,989,510	1,237,711
Total current liabilities	5,387,844	8,282,686
Noncurrent Liabilities:		
Revenue bonds payable	45,145,000	17,415,000
Bond premium	5,247,293	2,064,811
Note payable	758,858	898,911
Compensated absences	803,736	821,616
Early retirement incentive	75,519	103,095
Contract payable	1,189,196	1,178,478
Net pension liability	562,402	-
Total noncurrent liabilities	53,782,004	22,481,911
Total liabilities	59,169,848	30,764,597
DEFERRED INFLOWS OF RESOURCES		
Pension related	9,420	2,243,874
NET POSITION		
Net investment in capital assets	48,595,966	46,246,672
Restricted for capital projects and debt service	2,078,956	1,333,900
Restricted for pensions	-	1,624,069
Unrestricted	13,110,947	5,794,113
Total net position	$ 63,785,869	$ 54,998,754

The accompanying notes are an integral part of these financial statements.

HEBER LIGHT & POWER COMPANY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years Ended December 31, 2023 and 2022

	2023	2022
Operating Revenues:		
Electricity sales	$ 23,757,231	$ 21,602,693
Electricity sales - Jordanelle	1,834,964	1,142,043
Connection fees	149,673	133,526
Other income	249,911	199,128
Total operating revenues	25,991,779	23,077,390
Operating Expenses:		
Power purchases	11,442,806	12,610,176
Power purchases - Jordanelle	1,834,964	1,141,952
Salaries, wages, and benefits (unallocated)	1,012,834	395,693
System maintenance and training	5,352,559	4,750,440
Depreciation (unallocated)	3,398,471	3,004,438
Gas generation	1,861,785	1,898,661
Other	309,337	275,638
Vehicle	524,814	418,186
Office	153,808	141,962
Energy rebates	54,179	40,524
Professional services	225,172	231,565
Materials	180,777	252,471
Building	49,257	45,975
Bad debts	25,680	15,576
Total operating expenses	26,426,443	25,223,257
Operating Loss	(434,664)	(2,145,867)
Nonoperating Revenues (Expenses):		
Impact fees	4,142,767	3,195,068
Interest income	1,668,408	276,314
Gain (loss) on sale of capital assets	70,775	(49,963)
Interest expense	(1,632,141)	(564,679)
Bond issuance costs	(387,652)	-
Total nonoperating revenues (expenses)	3,862,157	2,856,740
Contributions (Distributions):		
Contributed capital	5,359,622	4,056,099
Distributions to owners	-	(300,000)
Total contributions (distributions)	5,359,622	3,756,099
Change in Net Position	8,787,115	4,466,972
Net Position at Beginning of Year	54,998,754	50,531,782
Net Position at End of Year	$ 63,785,869	$ 54,998,754

The accompanying notes are an integral part of these financial statements.

HEBER LIGHT & POWER COMPANY
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities:		
Cash received from customers	$ 26,021,799	$ 22,053,039
Cash paid to suppliers	(21,619,906)	(11,809,931)
Cash paid to employees and for employee benefits	(7,258,341)	(6,395,193)
Net cash provided (used) by operating activities	(2,856,448)	3,847,915
Cash Flows from Capital and Related Financing Activities:		
Interest paid	(2,104,555)	(867,834)
Impact fees collected	4,142,767	3,195,068
Purchases of capital assets	(24,935,315)	(15,026,188)
Proceeds from sale of capital assets	70,775	80,631
Proceeds from bond issuance	32,364,049	-
Principal payments on revenue bonds	(655,000)	(625,000)
Principal payments on note payable	(136,322)	(132,665)
Contributed capital	5,359,622	4,056,099
Distributions to owners	-	(300,000)
Net cash provided (used) by capital and related financing activities	14,106,021	(9,619,889)
Cash Flows from Investing Activities:		
Interest received	1,668,408	276,314
Net Change in Cash and Cash Equivalents	12,917,981	(5,495,660)
Cash and Cash Equivalents at Beginning of Year	16,558,101	22,053,761
Cash and Cash Equivalents at End of Year, displayed as cash and investments and restricted cash and investments on the statements of net position (see Note 2)	$ 29,476,082	$ 16,558,101

Supplemental Data:

A reconciliation of operating loss to net cash provided (used) by operating activities follows:

	2023	2022
Operating loss	$ (434,664)	$ (2,145,867)
Depreciation expense	3,691,374	3,265,012
Bad debt	25,680	15,576
Changes in operating assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Accounts receivable	(276,898)	(331,176)
Unbilled receivables	(104,240)	(314,983)
Prepaids	(87,176)	36,246
Inventory	(1,976,145)	(673,678)
Other current assets	374,760	(402,976)
Accounts payable	(2,193,799)	3,696,830
Accrued expenses	(1,397,831)	1,408,484
Related party payable	(55,011)	38,719
Compensated absences	44,868	202,360
Early retirement incentive	(27,256)	(54,601)
Contract payable	10,718	9,208
Net pension assets, deferred outflows of resources, liabilities, and deferred inflows of resources	(450,828)	(901,239)
Net cash provided (used) by operating activities	$ (2,856,448)	$ 3,847,915

The Company had no noncash investing or financing activities during the years ended December 31, 2023 and 2022.

The accompanying notes are an integral part of these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Heber Light & Power Company (the Company) conform with accounting principles generally accepted in the United States of America (GAAP) that are applicable to local governmental units. The following is a summary of the more significant policies:

The Reporting Entity

The Company is an interlocal entity serving customers in the Heber Valley in the State of Utah. The Company's purpose is to plan, finance, develop, construct, improve, operate, and maintain projects for the generation, transmission, and distribution of electric power for the benefit of its customers. The Company provides electricity to its owner municipalities of Heber City, Midway City, and the town of Charleston. The Company also provides electricity to the towns of Daniel, Independence, Interlaken, as well as the unincorporated areas of Wasatch County within its service area.

The Company accounts for its operations as an enterprise (proprietary-type) fund; activities are financed and operated in a manner similar to private business enterprises where the intent of the Board is that the costs (expenses, including depreciation) of providing goods or services to members and the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The Company's financial statements include statements of net position and statements of revenues, expenses, and changes in net position. These statements are presented using the economic resources measurement focus and the accrual basis of accounting in conformity with GAAP; revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The Company distinguishes operating revenues and expenses from nonoperating items by whether or not transactions are in connection with the Company's purpose of providing electric power to its customers.

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

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and investments in the Utah Public Treasurers' Investment Fund with original maturities of three months or less from the date acquired by the Company.

Allowance for Doubtful Accounts

An allowance for doubtful accounts of $288,621 and $288,691 has been established at December 31, 2023 and 2022, respectively.

Inventory

Inventory is valued at average cost and consists of expendable supplies held for future consumption or capitalization. The cost is recorded as an expense or capitalized as inventory items are consumed or placed in service.

Capital Assets

Capital assets are recorded at cost and are defined by the Company as assets with an initial individual cost of more than $1,000. Upon the sale or retirement of capital assets, the related asset costs and accumulated depreciation are removed from the applicable accounts and gain or loss on disposal is recorded. Capital assets, except land and water rights, are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Power and generation plants	10 to 30 years
Distribution and metering systems	10 to 30 years
Building and improvements	5 to 30 years
Office equipment	3 to 15 years
Vehicles	5 to 10 years
Machinery, equipment, and tools	3 to 10 years

Deferred Outflows of Resources

In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences

Employees earn vacation and sick leave in amounts varying with tenure. Upon separation from employment, each employee shall receive payment for all unused accrued vacation leave.

Upon separation from employment, each eligible employee with at least five years of service may receive payment for up to 75% of unused accrued sick leave up to but not to exceed 190 days. The payment for unused accrued sick leave is calculated as follows:

Payout	Eligibility
100%	Exempt managers
75%	Nonexempt employees hired before July 1, 2011
25%	Nonexempt employees hired after July 1, 2011 with 5 to 10 years of service
50%	Nonexempt employees hired after July 1, 2011 with 11 to 24 years of service
75%	Nonexempt employees hired after July 1, 2011 with 25 or more years of service

Termination Benefits

The Company provides an early retirement incentive to eligible retiring employees. Employees hired prior to July 1, 2011 with a minimum of 30 years of service with the Company are eligible to receive post-employment health care benefits until the retiree reaches age 65. The Company currently has two retirees receiving this benefit. All employees with a minimum of 25 years of service with the Company are eligible to receive post-employment health care benefits for five years or until the retiree reaches age 65, whichever comes first. No retirees currently qualify to receive this benefit. The Company recognizes the liability and expense in the year in which an employee retires.

In addition, all Company employees who have completed 25 years of service and who meet the eligibility requirements for and will be receiving URS benefits are eligible for the Company to assist the employee in purchasing additional service credits. URS allows the Company to contribute up to 95% of the cost towards purchasing up to 5 years of service credits. Since the cost of this benefit cannot reasonably be estimated, the Company recognizes the liability and expense in the year in which an employee retires. The Company funds this program on a pay-as-you-go basis.

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension plan investments are reported at fair value.

Net Position

Net position is divided into three components: net investment in capital assets (capital assets net of related debt less unspent bond proceeds), restricted, and unrestricted. Net position is reported as restricted when constraints are placed upon it by external parties or are imposed by constitutional provisions or enabling legislation.

The Company had unspent impact fees of $25 and $12 and unspent contributions received in advance of construction of $1,918,054 and $1,204,148 included as restricted net position for capital projects as of December 31, 2023 and 2022, respectively. Additionally, the Company had $160,877 and $129,740 of net position restricted for debt service as of December 31, 2023 and 2022, respectively.

The Company had net pension assets of $1,624,069 included as restricted net position for pensions as of December 31, 2022.

Contributed Capital

The Company receives contributions from developers, customers, and other governments for the construction or reimbursement of electric infrastructure that the Company is constructing. These contributions can come in the form of cash amounts paid in advance of construction, cash paid as a reimbursement for funds previously expended, or in the form of tangible electrical assets, ownership of which transfers upon energization. The Company recognizes these contributions in the period the resources are received. When contributions are paid in advance of construction the Company recognizes unspent amounts as restricted net position until the resources have been used for their specified purposes.

NOTE 2 – DEPOSITS AND INVESTMENTS

The Company complies with the State Money Management Act (*Utah Code* Title 51, Chapter 7) (the Act) and related Rules of the Money Management Council (the Council) in handling its depository and investing transactions. Company funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the Company to invest in the Utah Public Treasurers' Investment Fund (PTIF), certificates of deposit, U.S. Treasury obligations, U.S. agency issues, first-tier commercial paper, banker's acceptances, repurchase agreements, corporate bonds, money market mutual funds, and obligations of governmental entities within the State of Utah.

The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. The Company considers the rules of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

Deposits

At December 31, 2023, the bank balance is $2,519,127, of which $500,000 is covered by federal depository insurance.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The Company does not have a formal deposit policy for custodial credit risk. No deposits are collateralized, nor are they required to be by state statute.

Investments

The Company invests in the PTIF. The PTIF is an external local government investment pool managed by the Utah State Treasurer. The PTIF is authorized and makes investments in accordance with the Act. The Council provides regulatory oversight for the PTIF. Participant accounts with the PTIF are not insured or otherwise guaranteed by the state. Participants in the PTIF share proportionally in the income, costs, gains, and losses from investment activities. The degree of risk of the PTIF depends upon the underlying portfolio, which consists of debt securities held by the state or in the state's name by the state's custodial banks, including investment-grade corporate bonds and notes, money market mutual funds, first-tier commercial paper, and certificates of deposit. The portfolio has a weighted average maturity of 90 days or less. The majority of the PTIF's corporate bonds and notes are variable-rate securities, which reset every three months to the prevailing market interest rates. The PTIF is not rated. The PTIF has no debt securities with more than 5% of its total investments in a single issuer. The reported value of the pool is the same as the fair value of the pool shares.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Company manages its exposure to interest rate risk by complying with the Act, which requires that the remaining term to maturity of investments to not exceed the period of availability of the funds invested. The Act further limits the remaining term to maturity on all investments in commercial paper and bankers' acceptances to 270 days or less and fixed-income securities to 365 days or less. In addition, variable-rate securities may not have a remaining term to final maturity exceeding two years.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Company's policy for reducing its exposure to credit risk is to comply with the Act and related rules. The Act and related rules limit investments in commercial paper to a first tier rating and investments in fixed-income and variable-rate securities to a rating of A or higher as rated by Moody's Investors Service or by Standard & Poor's.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Company's policy for managing this risk is to comply with the Act and related rules. The Act limits investments in commercial paper and or corporate obligations to 5% of the Company's total portfolio with a single issuer.

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Company's policy for managing this risk is to comply with the Act and related rules.

Restricted Cash and Investments

The Company had $25 and $12 in unspent impact fees and $1,918,054 and $1,204,148 in unspent contributions in advance of construction restricted for capital related projects for the years ended December 31, 2023 and 2022, respectively. The Company also had $21,356,332 and $8,721,159 in bond accounts restricted for debt service and capital related projects for the years ended December 31, 2023 and 2022, respectively.

A summary of deposits and investments (shown as cash and investments and restricted cash and investments on the statements of net position) at December 31, 2023 and 2022, is as follows:

	2023	2022
Carrying amount of deposits	$ 1,620,492	$ 343,355
Carrying amount of investments	27,855,590	16,214,746
Total cash and investments	$ 29,476,082	$ 16,558,101

NOTE 3 – FAIR VALUE MEASUREMENTS

The Company 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 Company has the following recurring fair value measurements as of December 31, 2023 and 2022:

- Public Treasurers' Investment Fund position is valued at the Company's position in the PTIF multiplied by the published fair value factor (Level 2 inputs).

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	$ 1,869,870	$ 2,430,234	$ -	$ 4,300,104
Water rights	663,475	-	(33,100)	630,375
Construction in progress	9,113,364	21,155,918	(4,503,586)	25,765,696
Total capital assets not being depreciated	11,646,709	23,586,152	(4,536,686)	30,696,175
Capital assets being depreciated:				
Power and generation plants	9,145,025	550,259	-	9,695,284
Distribution and metering systems	65,685,486	4,564,189	-	70,249,675
Buildings and improvements	3,786,801	8,228	-	3,795,029
Office equipment	1,943,380	37,532	-	1,980,912
Vehicles	3,245,665	663,323	(140,818)	3,768,170
Machinery, equipment, and tools	2,438,166	62,318	-	2,500,484
Total capital assets being depreciated	86,244,523	5,885,849	(140,818)	91,989,554
Accumulated depreciation	(38,235,917)	(3,691,374)	140,818	(41,786,473)
Net capital assets being depreciated	48,008,606	2,194,475	-	50,203,081
Net capital assets	$ 59,655,315	$ 25,780,627	$ (4,536,686)	$ 80,899,256

During the year ended December 31, 2023, the Company allocated $292,903 of depreciation to vehicle expense on the statements of revenues, expenses, and changes in net position.

Capital asset activity for the year ended December 31, 2022 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	$ 1,869,870	$ -	$ -	$ 1,869,870
Water rights	663,475	-	-	663,475
Construction in progress	5,957,067	13,695,710	(10,539,413)	9,113,364
Total capital assets not being depreciated	8,490,412	13,695,710	(10,539,413)	11,646,709
Capital assets being depreciated:				
Power and generation plants	8,379,946	1,749,891	(984,812)	9,145,025
Distribution and metering systems	57,015,194	8,670,292	-	65,685,486
Buildings and improvements	3,191,689	595,112	-	3,786,801
Office equipment	1,796,629	463,126	(316,375)	1,943,380
Vehicles	2,889,333	356,332	-	3,245,665
Machinery, equipment, and tools	2,419,002	35,138	(15,974)	2,438,166
Total capital assets being depreciated	75,691,793	11,869,891	(1,317,161)	86,244,523
Accumulated depreciation	(36,157,472)	(3,265,012)	1,186,567	(38,235,917)
Net capital assets being depreciated	39,534,321	8,604,879	(130,594)	48,008,606
Net capital assets	$ 48,024,733	$ 22,300,589	$ (10,670,007)	$ 59,655,315

During the year ended December 31, 2022, the Company allocated $260,574 of depreciation to vehicle expense on the statements of revenues, expenses, and changes in net position.

NOTE 5 – NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended December 31, 2023 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable	$ 18,070,000	$ 29,070,000	$ (655,000)	$ 46,485,000	$ 1,340,000
Bond premium	2,064,811	3,681,701	(499,219)	5,247,293	-
Note payable	1,035,233	-	(136,322)	898,911	140,053
Compensated absences	1,241,433	629,123	(584,255)	1,286,301	482,565
Termination benefits	129,667	-	(27,256)	102,411	26,892
Contract payable	1,178,478	10,718	-	1,189,196	-
Net pension liability	-	3,041,972	(2,479,570)	562,402	-
Total noncurrent liabilities	$ 23,719,622	$ 36,433,514	$ (4,381,622)	$ 55,771,514	$ 1,989,510

Noncurrent liability activity for the year ended December 31, 2022 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable	$ 18,695,000	$ -	$ (625,000)	$ 18,070,000	$ 655,000
Bond premium	2,394,769	-	(329,958)	2,064,811	-
Note payable	1,167,898	-	(132,665)	1,035,233	136,322
Compensated absences	1,039,073	545,543	(343,183)	1,241,433	419,817
Termination benefits	184,268	4,706	(59,307)	129,667	26,572
Contract payable	1,169,270	9,208	-	1,178,478	-
Net pension liability	152,084	1,707,036	(1,859,120)	-	-
Total noncurrent liabilities	$ 24,802,362	$ 2,266,493	$ (3,349,233)	$ 23,719,622	$ 1,237,711

Bond Issuance

During February 2023, the Company issued $29,070,000 in electric revenue bonds to finance capital improvements, including the completion of a substation, land purchase for an additional substation, an administrative office building and shop, as well as other improvements to the Company’s electric system.

Revenue Bonds Payable

Revenue bonds payable at December 31, 2023, with their outstanding balances are comprised of the following individual issuances:

Bond Series 2012 - Electric Revenue and Refunding Bonds - Original issue of $3,735,000 with interest rates ranging from 2.0% to 4.0%	$ 450,000
Bond Series 2019 - Electric Revenue and Refunding Bonds - Original issue of $18,160,000 with interest rates ranging from 4.0% to 5.0%	16,965,000
Bond Series 2023 - Electric Revenue - Original issue of $29,070,000 with interest rates of 5.0%	29,070,000
	$ 46,485,000

The annual requirements to amortize all revenue bonds outstanding as of December 31, 2023, including interest payments, are listed as follows:

Year Ending December 31,	Principal	Interest	Total
2024	$ 1,340,000	$ 2,226,250	$ 3,566,250
2025	1,155,000	2,162,750	3,317,750
2026	1,450,000	2,106,000	3,556,000
2027	1,525,000	2,033,500	3,558,500
2028	1,585,000	1,957,250	3,542,250
2029-2033	9,275,000	8,505,000	17,780,000
2034-2038	9,905,000	6,137,100	16,042,100
2039-2043	11,130,000	3,804,050	14,934,050
2044-2047	9,120,000	1,054,550	10,174,550
Total	$ 46,485,000	$ 29,986,450	$ 76,471,450

Note Payable

The Company acquired equipment through issuance of a payable. Proceeds from the note totaled $2,000,000; the note bears an interest rate of 2.7 percent. The note is payable in annual installments of approximately $164,000 with final maturity in 2029.

The following is a schedule for future debt service requirements for the note payable:

Year Ending December 31,	Principal	Interest	Total
2024	$ 140,053	$ 24,226	$ 164,279
2025	143,857	20,451	164,308
2026	147,737	16,574	164,311
2027	151,694	12,593	164,287
2028	155,728	8,505	164,233
2029	159,842	7,308	167,150
Total	$ 898,911	$ 89,657	$ 988,568

Contract Payable

The Company participated in the construction of a hydroelectric power plant and related facilities at the Jordanelle Dam with Central Utah Water Conservancy District (District). The District agreed to finance, construct, own, operate, and maintain the hydroelectric plant as well as issue revenue bonds to provide funding for the Company to finance facilities to deliver the electric energy generated by the plant to the Company's electric system. The Company agreed to purchase the electric power produced by the hydroelectric power plant as well as to construct, own, operate, and maintain facilities to deliver the electric power to the Company's electric system.

The agreement contains provisions for the division of project funds, after payment of costs, to be one-third to the Company and two-thirds to the District. The Company agreed to forego its one-third allocation until the District has been reimbursed for debt service costs incurred on behalf of the Company.

At December 31, 2023 and 2022, unreimbursed debt service costs incurred by the District on behalf of the Company totaled $1,189,196 and $1,178,478, respectively.

NOTE 6 – RETIREMENT PLANS

Description of plans

Eligible employees of the Company are provided with the following plans through the Utah Retirement Systems (URS) administered by URS:

Defined Benefit Pension Plans (cost-sharing, multiple-employer plans):

- Public Employees Noncontributory Retirement System (Tier 1 Noncontributory System)
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Contributory System)

Defined Contribution Plans (individual account plans):

- Tier 2 Public Employees DC Only System (Tier 2 Define Contribution System)
- 401(k) Plan
- 457 Plan and other individual plans

Company employees qualify for membership in the public employees systems if 1) employment normally requires an average of 20 or more hours per week and the employee receives benefits normally provided by the Company as approved by the Utah State Retirement Board or 2) the employee is an appointed officer whose position is full time as certified by the Company. An employee qualifies for membership in the public safety systems if employment normally requires an average of 2,080 hours of employment per year in a recognized public safety department.

The Tier 2 systems became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the systems, are members of the Tier 2 systems.

The plans are established and governed by the respective sections of Title 49 of the Utah Code. The plans are amended statutorily by the Utah State legislature. Title 49 provides for the administration of the plans under the direction of the Utah State Retirement Board, whose members are appointed by the Governor.

The URS (a component unit of the State of Utah) issues a publicly available financial report that can be obtained at www.urs.org.

Benefits provided

The URS provides retirement, disability, and death benefits to participants in the defined benefit pension plans.

Retirement benefits in the defined benefit pension plans are determined from 1.50% to 2.00% of the employee's highest 3 or 5 years of compensation times the employee's years of service depending on the pension plan; benefits are subject to cost-of-living adjustments up to 2.50% or 4.00%, limited to the actual Consumer Price Index increase for the year. Employees are eligible to retire based on years of service and age.

Defined contribution plans are available as supplemental plans to the basic retirement benefits of the defined benefit pension plans and as a primary retirement plan for some Tier 2 participants. Participants in the defined contribution plans are fully vested in employer and employee contributions at the time the contributions are made, except Tier 2 required contributions and associated earnings are vested during the first four years of employment. If an employee terminates prior to the vesting period, employer contributions and associated earnings for that employee are subject to forfeiture. Forfeitures are used to cover a portion of the plan's administrative expenses paid by participants. Benefits depend on amounts contributed to the plans plus investment earnings. Individual accounts are provided for each employee and are available at termination, retirement, death, or unforeseeable emergency.

Contributions

As a condition of participation in the plans, employers and/or employees are required to contribute certain percentages of salaries and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable), is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability.

For the year ended December 31, 2023, Company required contribution rates for the plans were as follows:

	Company Contribution	Amortization of UAAL *	Company Rates for 401(k) Plan	Totals
Tier 1 Noncontributory System	11.86%	6.11%	-	17.97%
Tier 2 Contributory System **	9.90%	6.11%	0.18%	16.19%
Tier 2 Defined Contribution Plan **	0.08%	6.11%	10.00%	16.19%

* The Company is required to contribute additional amounts based on covered employee payroll to finance the unfunded actuarial accrued liability (UAAL) of the Tier 1 plans.
** Company contribution includes 0.08% of covered employee payroll of the Tier 2 plans for death benefits.

Employees can make contributions to defined contribution plans subject to limitations.

For the year ended December 31, 2023, Company and employee contributions to the plans were as follows:

	Company Contributions *	Employee Contributions
Tier 1 Noncontributory System	$ 498,409	$ -
Tier 2 Contributory System	280,425	-
Tier 2 Defined Contribution Plan	24,374	-
401(k) Plan	107,951	122,086
457 Plan and other individual plans	-	73,400

* Required contributions from Tier 2 plans to finance the unfunded actuarial accrued liability of the Tier 1 plans are reported as contributions to the Tier 2 plans.

Pension Assets and Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2023, the Company reported the net pension assets and net pension liabilities related to defined benefit pension plans from the following sources:

	Net Pension Asset	Net Pension Liability
Tier 1 Noncontributory System	$ -	$ 494,069
Tier 2 Contributory System	-	68,333
Total	$ -	$ 562,402

The net pension liability (asset) was measured as of December 31, 2022, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of January 1, 2022, rolled-forward using generally accepted actuarial procedures. The Company's proportion of the net pension liability (asset) is equal to the ratio of actual contributions compared to the total of all employer contributions during the plan year. The following presents the Company's proportion (percentage) of the collective net pension liability (asset) at December 31, 2022, and the change in its proportion since the prior measurement date for each plan:

	Proportionate Share	
	2022	Change
Tier 1 Noncontributory System	0.2884651%	0.0089548 %
Tier 2 Contributory System	0.0627548%	0.0077407 %

For the year ended December 31, 2023, the Company recognized pension expense for the plans as follows:

	Pension Expense
Defined benefit pension plans:	
Tier 1 Noncontributory System	$ 221,064
Tier 2 Contributory System	130,961
Total	$ 352,025
Defined contribution plans:	
Tier 2 Defined Contribution Plan	$ 18,399
401(k) Plan	84,646
Total	$ 103,045

At December 31, 2023, the Company reported deferred outflows of resources related to defined benefit pension plans from the following sources:

	Deferred Outflows of Resources Related to Pensions		
	Tier 1 Noncontributory System	Tier 2 Contributory System	Total
Differences between expected and actual experience	$ 167,581	$ 23,080	$ 190,661
Changes of assumptions	80,971	22,184	103,155
Net difference between projected and actual earnings on pension plan investments	325,892	27,550	353,442
Changes in proportion and differences between Company contributions and proportionate share of contributions	7,686	11,191	18,877
Contributions subsequent to the measurement date	498,407	304,799	803,206
Total	$ 1,080,537	$ 388,804	$ 1,469,341

At December 31, 2023, the Company reported deferred outflows of resources related to defined benefit pension plans from the following sources:

	Deferred Inflows of Resources Related to Pensions		
	Tier 1 Noncontributory System	Tier 2 Contributory System	Total
Differences between expected and actual experience	$ -	$ 2,711	$ 2,711
Changes of assumptions	1,973	174	2,147
Changes in proportion and differences between Company contributions and proportionate share of contributions	1,826	2,736	4,562
Total	$ 3,799	$ 5,621	$ 9,420

The $803,206 reported as deferred outflows of resources related to pensions resulting from Company contributions subsequent to the measurement date of December 31, 2022 will be recognized as a reduction of the net pension liability (asset) in the year ending December 31, 2023. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans will be recognized in pension expense as follows:

Year Ending December 31,	Tier 1 Noncontributory System	Tier 2 Contributory System	Total
2024	$ (70,510)	$ 3,880	$ (66,630)
2025	17,468	8,221	25,689
2026	130,898	13,086	143,984
2027	500,475	24,836	525,311
2028	-	5,877	5,877
Thereafter	-	22,484	22,484

Actuarial Assumptions

The total pension liability (asset) in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25% to 9.25%, average, including inflation
Investment rate of return	6.85%, net of pension plan investment expense, including inflation

Mortality rates were based on actual experience and mortality tables, considering gender, occupation, and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study for the five-year period ended December 31, 2019. Assumptions remained unchanged that affect measurement of the total pension liability (asset) since the prior measurement date.

The long-term expected rate of return on defined benefit pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class and is applied consistently to each defined benefit pension plan. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity securities	37%	2.30%
Debt securities	20%	0.22%
Real assets	15%	1.03%
Private equity	12%	1.18%
Absolute return	16%	0.44%
Cash and cash equivalents	0%	0.00%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability (asset) was 6.85%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates, actuarially determined and certified by the Utah State Retirement Board. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of the Company's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the Company's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.85%, as well as what the proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.85%) or 1-percentage-point higher (7.85%) than the current rate:

	1% Decrease (5.85%)	Discount Rate (6.85%)	1% Increase (7.85%)
Company's proportionate share of the net pension liability (asset):			
Tier 1 Noncontributory System	$ 3,113,784	$ 494,069	$ (1,694,842)
Tier 2 Contributory System	298,579	68,333	(109,042)
Total	$ 3,412,363	$ 562,402	$ (1,803,884)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

Payables to the Pension Plans

At December 31, 2023 and 2022, the Company reported no payables for contributions to defined benefit pension plans and defined contribution plans.

NOTE 7 – COMMITMENTS

The Company is a member of the Utah Associated Municipal Power Systems (UAMPS). UAMPS is a separate legal entity formed pursuant to the provisions of the Utah Interlocal Cooperation Act. The Company may choose to participate in projects managed by UAMPS. The Company has participated in various individual projects by entering into power sales and/or transmission agreements. According to the agreements, the Company is obligated to pay their proportionate share of all operation and maintenance expenses and debt service costs for bonds issued by UAMPS. The Company is entitled to receive specified energy output from these projects.

The Company is also a member of Intermountain Power Agency (IPA). IPA is a separate legal entity formed pursuant to the provisions of the Utah Interlocal Cooperation Act. IPA provides financing for the Intermountain Power Project (IPP). The Company is entitled and obligated to purchase a specified amount of electric power produced by IPP. The Company has an agreement with certain California purchasers for the duration of the project. The Company is obligated for operating expenses and repayment of outstanding bonds issued by IPA only in the event of a prolonged power outage and/or failure to perform under the agreement on the part of each of the California purchasers.

Additionally, the Company has entered into various power purchase agreements for a specified amount of power at specified rates. At December 31, 2023, the undiscounted future minimum payments for these agreements were as follows:

Year Ending December 31,	
2024	$ 2,852,132
2025	2,111,884
2026	1,767,877
2027	795,097

NOTE 8 – RISK MANAGEMENT

The Company maintains insurance coverage for general, automobile, personal injury, errors and omissions, employee dishonesty, and malpractice liability up to $2,000,000 per occurrence and excess liability coverage up to $20,000,000 through policies administered by a third party. The Company also insures its buildings, including those under construction, and contents against all insurable risks of direct physical loss or damage with the third party. This insurance coverage provides for repair or replacement of damaged property at a replacement cost basis subject to a deductible of $10,000 per occurrence for repairs and $50,000 per occurrence for property loss. Settled claims have not exceeded the Company's insurance coverage for any of the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

HEBER LIGHT & POWER COMPANY

Schedules of the Company's Proportionate Share of the Net Pension Liability (Asset) − Utah Retirement Systems

Last Nine Plan Years

Plan Year	Company's Proportion of Net Pension Liability (Asset)	Company's Proportionate Share of the Net Pension Liability (Asset)	Company's Covered Payroll	Company's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Tier 1 Noncontributory System:					
2022	0.2884650 %	$ 494,068	$ 2,489,731	19.84 %	97.5 %
2021	0.2790103 %	(1,600,785)	2,328,801	(68.74)%	108.7 %
2020	0.2790103 %	143,116	2,288,416	6.25 %	99.2 %
2019	0.2833880 %	1,068,050	2,333,488	45.77 %	96.5 %
2018	0.2951687 %	2,173,541	2,484,994	87.47 %	87.0 %
2017	0.3084177 %	1,351,270	2,582,078	52.33 %	91.9 %
2016	0.2906881 %	1,866,573	2,455,355	76.02 %	87.3 %
2015	0.2937394 %	1,662,120	2,435,282	68.25 %	87.8 %
2014	0.3191322 %	1,385,747	2,706,147	51.21 %	90.2 %
Tier 2 Contributory System:					
2022	0.0627550 %	$ 68,333	$ 1,368,295	4.99 %	62.3 %
2021	0.0550141 %	(23,284)	1,020,967	(2.28)%	103.8 %
2020	0.0623490 %	8,968	996,856	0.90 %	98.3 %
2019	0.0668480 %	15,035	928,950	1.62 %	93.7 %
2018	0.0055940 %	23,958	652,889	3.67 %	90.8 %
2017	0.0584033 %	5,150	571,411	0.90 %	97.4 %
2016	0.0537583 %	5,997	440,861	1.36 %	95.1 %
2015	0.0502315 %	(110)	324,592	(0.03)%	100.2 %
2014	0.0455351 %	(1,380)	223,811	(0.62)%	103.5 %

HEBER LIGHT & POWER COMPANY

Schedules of the Company's Contributions − Utah Retirement Systems

Last Nine Reporting Years

Reporting Year	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Company's Covered Payroll	Contributions as a Percentage of Covered Payroll
Tier 1 Noncontributory System:					
2023	$ 498,409	$ 498,409	$ -	$ 2,773,559	17.97 %
2022	453,692	453,692	-	2,489,731	18.22 %
2021	430,129	430,129	-	2,328,801	18.47 %
2020	422,670	422,670	-	2,288,416	18.47 %
2019	430,995	430,995	-	2,333,488	18.47 %
2018	458,978	458,978	-	2,484,994	18.47 %
2017	476,910	476,910	-	2,582,078	18.47 %
2016	453,504	453,504	-	2,455,355	18.47 %
2015	449,797	449,797	-	2,435,282	18.47 %
Tier 2 Contributory System:					
2023	$ 280,425	$ 280,425	$ -	$ 1,751,564	16.01 %
2022	219,444	219,444	-	1,368,295	16.04 %
2021	162,779	162,779	-	1,020,967	15.94 %
2020	157,196	157,196	-	999,213	15.73 %
2019	144,949	144,949	-	928,950	15.60 %
2018	100,149	100,149	-	652,889	15.34 %
2017	85,822	85,822	-	571,411	15.02 %
2016	65,732	65,732	-	440,861	14.91 %
2015	48,437	48,437	-	324,592	14.92 %
Tier 2 Defined Contribution Plan:					
2023	$ 24,374	$ 24,374	$ -	$ 393,794	6.19 %
2022	28,543	28,543	-	442,438	6.45 %
2021	28,625	28,625	-	427,875	6.69 %
2020	23,880	23,880	-	356,956	6.69 %
2019	18,399	18,399	-	275,031	6.69 %
2018	14,683	14,683	-	219,483	6.69 %
2017	14,209	14,209	-	212,393	6.69 %
2016	13,760	13,760	-	205,678	6.69 %
2015	12,176	12,176	-	181,635	6.70 %

NOTE A – CHANGES IN ASSUMPTION – UTAH RETIREMENT SYSTEMS

Assumptions for plan year 2022 remain unchanged from the prior year.

Amounts reported in plan year 2021 reflect the following assumption changes adopted from the January 1, 2021 valuation:

- The investment return assumption was decreased from 6.95% to 6.85%.

Amounts reported in plan year 2020 reflect the following assumption changes adopted from the January 1, 2020 valuation:

- The payroll growth assumption decreased from 3.00% to 2.90%.
- Other assumptions that were modified: retirement rates, termination rates, disability rates, rate of salary increase, and pre and post retirement mortality tables.

Assumptions for plan years 2019 and 2018 remain unchanged from the prior years.

Amounts reported in plan year 2017 reflect the following assumption changes adopted from the January 1, 2017 valuation:

- The investment return assumption was decreased from 7.20% to 6.95%.
- The inflation assumption decreased from 2.60% to 2.50%.
- The life expectancy assumption increased for most groups.
- The wage inflation assumption decreased from 3.35% to 3.25%.
- The payroll growth assumption decreased from 3.10% to 3.00%.

Amounts reported in plan year 2016 reflect the following assumption changes adopted from the January 1, 2016 valuation:

- The investment return assumption was decreased from 7.50% to 7.20%.
- The inflation assumption decreased from 2.75% to 2.60%.
- Both the payroll growth and wage inflation assumptions were decreased by 0.15%.

Amounts reported in plan year 2015 reflect the following assumption changes adopted from the January 1, 2015 valuation:

- The wage inflation assumption for all employee groups was decreased from 3.75% to 3.50%.
- The payroll growth assumption was decreased from 3.50% to 3.25%.
- Other assumptions that were modified: rate of salary increases, post retirement mortality, and certain demographics.

NOTE B – SCHEDULES OF THE COMPANY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) – UTAH RETIREMENT SYSTEMS

These schedules only present information for the 2014 and subsequent measurement periods of the plans; prior-year information is not available.

HEBER LIGHT & POWER COMPANY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE C – SCHEDULES OF THE COMPANY'S CONTRIBUTIONS – UTAH RETIREMENT SYSTEMS

These schedules only present information for the 2015 and subsequent reporting periods of the plans; prior-year information is not available.

Contributions as a percentage of covered payroll may be different than the Utah State Retirement Board certified rate due to rounding or other administrative issues. A portion of the required contributions in the Tier 2 plans is used to finance the unfunded actuarial accrued liability of the Tier 1 plans.

COMPLIANCE REPORTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Heber Light & Power Company

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Heber Light & Power Company (the Company), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Company's financial statements, and have issued our report thereon dated April 9, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and

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material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Squire & Company, PC

Orem, Utah
April 9, 2024

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Independent Auditor's Report on Compliance
and Report on Internal Control over Compliance
Required by the *State Compliance Audit Guide*

Board of Directors
Heber Light & Power Company

Report on Compliance

Opinion on Compliance

We have audited the compliance of Heber Light & Power Company (the Company) with the following applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, for the year ended December 31, 2023:

Budgetary Compliance
Fund Balance
Fraud Risk Assessment
Cash Management
Open and Public Meetings Act

In our opinion, Heber Light & Power Company complied, in all material respects, with the state compliance requirements referred to above for the year ended December 31, 2023.

Basis for Opinion on Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State Compliance Audit Guide,* issued by the Office of the Utah State Auditor. Our responsibilities under those standards and the *State Compliance Audit Guide* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance. Our audit does not provide a legal determination of the Company's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the state compliance requirements referred to above.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Company's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *State Compliance Audit Guide* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Company's compliance with the requirements of the *State Compliance Audit Guide* as a whole

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *State Compliance Audit Guide*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Company's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Company's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described below. Our opinion on compliance is not modified with respect to these matters.

Cash Management – The Company's deposit and investment report filed with the Money Management Council did not include three accounts.

Budgetary Compliance – The Company's expenditures exceeded the amount appropriated in the final adopted budget.

Views of Responsible Officials – The Company will review its policies and internal controls and ensure timely action is taken when noncompliance is identified.

The Company's response to the noncompliance findings identified in our audit is described above. The Company's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a state compliance requirement on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a state compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Squire & Company, PC

Orem, Utah
April 9, 2024