# HEBER LIGHT & POWER COMPANY

FINANCIAL STATEMENTS AND
COMPLIANCE REPORTS

Years Ended December 31, 2024 and 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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

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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 21, 2025, 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 solely 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 the effectiveness of the Company's 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 21, 2025

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, 2024 and 2023. 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, 2024 by $76,722,269 (net position). Of this amount $23,715,808 (unrestricted net position) may be used to meet the Company's ongoing obligations to customers, employees, and creditors. During 2024, the Company's total net position increased by $13,013,836. In 2024, the Company's operating revenues increased $1,482,369 primarily attributable to an increase in electricity sales.

During 2024, the Company completed construction of its Southfield substation for a total cost of $21,608,500.

## 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 $76,722,269 at the close of the most recent fiscal year.

A portion of the Company's net position, $49,328,859 (64.3 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 $3,677,602 (4.8 percent) is restricted for capital projects and debt service. The remaining balance of unrestricted net position of $23,715,808 (30.9 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, 2024, 2023, and 2022

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| Current assets | $ 28,634,273 | $ 17,000,474 | $ 15,387,566 |
| Restricted current assets | 8,282,791 | 23,274,411 | 9,925,319 |
| Net pension assets | - | - | 1,624,069 |
| Capital assets | 96,261,512 | 80,899,256 | 59,655,315 |
| Total assets | 133,178,576 | 121,174,141 | 86,592,269 |
| Deferred outflows of resources | 2,197,133 | 1,790,996 | 1,414,956 |
| Current liabilities | 6,505,991 | 5,471,489 | 8,282,686 |
| Noncurrent liabilities | 52,138,221 | 53,775,795 | 22,481,911 |
| Total liabilities | 58,644,212 | 59,247,284 | 30,764,597 |
| Deferred inflows of resources | 9,228 | 9,420 | 2,243,874 |
| Net investment in capital assets | 49,328,859 | 48,595,966 | 46,246,672 |
| Restricted for capital projects and debt service | 3,677,602 | 2,078,956 | 1,333,900 |
| Restricted for pensions | - | - | 1,624,069 |
| Unrestricted net position | 23,715,808 | 13,033,511 | 5,794,113 |
| Net position | $ 76,722,269 | $ 63,708,433 | $ 54,998,754 |

**Heber Light & Power Company**
**CHANGE IN NET POSITION**
Years Ended December 31, 2024, 2023, and 2022

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| Operating revenues | $ 27,474,148 | $ 25,991,779 | $ 23,077,390 |
| Operating expenses | 28,494,988 | 26,429,143 | 25,223,257 |
| Operating income (loss) | (1,020,840) | (437,364) | (2,145,867) |
| Nonoperating revenues (expenses) | 4,596,803 | 3,862,157 | 2,856,740 |
| Contributions (distributions) | 9,437,873 | 5,359,622 | 3,756,099 |
| Change in net position | 13,013,836 | 8,784,415 | 4,466,972 |
| Net position, beginning of year, as previously reported | 63,785,869 | 54,998,754 | 50,531,782 |
| Implementation of GASB Statement No. 101 | (77,436) | (74,736) | - |
| Net position, beginning of year, as restated | 63,708,433 | 54,924,018 | 50,531,782 |
| Net position, end of year | $ 76,722,269 | $ 63,708,433 | $ 54,998,754 |

The District implemented GASB Statement No. 101, *Compensated Absences,* during the year ended December 31, 2024. The District has restated beginning net position for the years ended December 31, 2024 and 2023. Additional information on restatement can be found in Note 8 to the financial statements.

In comparing 2024 with 2023, the following items should be noted:

During 2024, the Company's total net position increased by $13,013,836. In 2024, the Company's operating revenues increased $1,482,369 due to an increase in electricity sales.

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.

**Capital Asset and Debt Administration**

Capital asset additions totaled $19,520,930 and $24,935,315 in 2024 and 2023, respectively. During 2024, the Company completed construction of its Southfield substation for a total cost of $21,608,500.

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 2024 and 2023 the Company had $52,670,357 and $53,820,400, respectively, of capital-related debt. Additional information on capital assets and noncurrent liabilities can be found in Note 3 and Note 4, respectively, to the financial statements.

## Economic Factors and Next Year's Budgets and Rates

The Company prepared its 2025 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, 2024 and 2023

| | 2024 | 2023 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets:** | | |
| Cash and investments | $ 14,936,388 | $ 6,201,671 |
| Restricted cash and investments | 8,282,791 | 23,274,411 |
| Accounts receivable, net of allowance for uncollectible accounts | 2,301,781 | 2,291,068 |
| Unbilled receivables | 1,707,945 | 1,675,159 |
| Prepaid expenses | 1,093,450 | 380,928 |
| Inventory | 8,484,856 | 6,406,955 |
| Other current assets | 109,853 | 44,693 |
| Total current assets | 36,917,064 | 40,274,885 |
| **Capital Assets:** | | |
| Land, construction in progress, and water rights | 17,660,573 | 30,696,175 |
| Depreciable, net of accumulated depreciation | 78,600,939 | 50,203,081 |
| Net capital assets | 96,261,512 | 80,899,256 |
| Total assets | 133,178,576 | 121,174,141 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Deferred charges on refundings | 294,850 | 321,655 |
| Pension related | 1,902,283 | 1,469,341 |
| Total deferred outflows of resources | 2,197,133 | 1,790,996 |
| **LIABILITIES** | | |
| **Current Liabilities:** | | |
| Accounts payable | 1,386,118 | 1,808,065 |
| Accrued expenses | 2,769,050 | 1,394,976 |
| Related party payable | 428,713 | 195,293 |
| Current portion of noncurrent liabilities | 1,922,110 | 2,073,155 |
| Total current liabilities | 6,505,991 | 5,471,489 |
| **Noncurrent Liabilities:** | | |
| Revenue bonds payable | 43,990,000 | 45,145,000 |
| Bond premium | 4,729,397 | 5,247,293 |
| Note payable | 615,002 | 758,858 |
| Compensated absences | 662,711 | 797,527 |
| Early retirement incentive | 104,010 | 75,519 |
| Contract payable | 1,199,436 | 1,189,196 |
| Net pension liability | 837,665 | 562,402 |
| Total noncurrent liabilities | 52,138,221 | 53,775,795 |
| Total liabilities | 58,644,212 | 59,247,284 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Pension related | 9,228 | 9,420 |
| **NET POSITION** | | |
| Net investment in capital assets | 49,328,859 | 48,595,966 |
| Restricted for capital projects and debt service | 3,677,602 | 2,078,956 |
| Unrestricted | 23,715,808 | 13,033,511 |
| Total net position | $ 76,722,269 | $ 63,708,433 |

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, 2024 and 2023

| | 2024 | 2023 |
|---|---|---|
| **Operating Revenues:** | | |
| Electricity sales | $ 25,131,182 | $ 23,757,231 |
| Electricity sales - Jordanelle | 1,865,669 | 1,834,964 |
| Connection fees | 198,694 | 149,673 |
| Other income | 278,603 | 249,911 |
| Total operating revenues | 27,474,148 | 25,991,779 |
| **Operating Expenses:** | | |
| Power purchases | 12,618,154 | 11,442,806 |
| Power purchases - Jordanelle | 1,867,629 | 1,834,964 |
| Salaries, wages, and benefits (unallocated) | 1,268,131 | 1,015,534 |
| System maintenance and training | 4,665,538 | 5,352,559 |
| Depreciation (unallocated) | 3,798,370 | 3,398,471 |
| Gas generation | 2,600,570 | 1,861,785 |
| Other | 375,172 | 309,337 |
| Vehicle | 515,922 | 524,814 |
| Office | 142,674 | 153,808 |
| Energy rebates | 119,412 | 54,179 |
| Professional services | 235,479 | 225,172 |
| Materials | 231,147 | 180,777 |
| Building | 40,380 | 49,257 |
| Bad debts | 16,410 | 25,680 |
| Total operating expenses | 28,494,988 | 26,429,143 |
| **Operating Loss** | (1,020,840) | (437,364) |
| **Nonoperating Revenues (Expenses):** | | |
| Impact fees | 4,865,618 | 4,142,767 |
| Interest income | 1,518,409 | 1,668,408 |
| Gain (loss) on sale of capital assets | (17,600) | 70,775 |
| Interest expense | (1,769,624) | (1,632,141) |
| Bond issuance costs | - | (387,652) |
| Total nonoperating revenues (expenses) | 4,596,803 | 3,862,157 |
| **Contributions (Distributions):** | | |
| Contributed capital | 9,437,873 | 5,359,622 |
| **Change in Net Position** | 13,013,836 | 8,784,415 |
| **Net Position at Beginning of Year,** as previously reported | 63,785,869 | 54,998,754 |
| Implementation of GASB Statement No. 101 | (77,436) | (74,736) |
| **Net Position at Beginning of Year,** as restated | 63,708,433 | 54,924,018 |
| **Net Position at End of Year** | $ 76,722,269 | $ 63,708,433 |

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

**HEBER LIGHT & POWER COMPANY**
**STATEMENTS OF CASH FLOWS**
Years Ended December 31, 2024 and 2023

| | 2024 | 2023 |
|---|---|---|
| **Cash Flows from Operating Activities:** | | |
| Cash received from customers | $ 27,375,729 | $ 26,021,799 |
| Cash paid to suppliers | (18,302,758) | (21,619,906) |
| Cash paid to employees and for employee benefits | (7,863,273) | (7,258,341) |
| Net cash provided (used) by operating activities | 1,209,698 | (2,856,448) |
| **Cash Flows from Capital and Related Financing Activities:** | | |
| Interest paid | (2,287,520) | (2,104,555) |
| Impact fees collected | 4,865,618 | 4,142,767 |
| Purchases of capital assets | (19,520,929) | (24,935,315) |
| Proceeds from sale of capital assets | - | 70,775 |
| Proceeds from bond issuance | - | 32,364,049 |
| Principal payments on revenue bonds | (1,340,000) | (655,000) |
| Principal payments on note payable | (140,052) | (136,322) |
| Contributed capital | 9,437,873 | 5,359,622 |
| Net cash provided (used) by capital and related financing activities | (8,985,010) | 14,106,021 |
| **Cash Flows from Investing Activities:** | | |
| Interest received | 1,518,409 | 1,668,408 |
| **Net Change in Cash and Cash Equivalents** | (6,256,903) | 12,917,981 |
| **Cash and Cash Equivalents at Beginning of Year** | 29,476,082 | 16,558,101 |
| **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) | $ 23,219,179 | $ 29,476,082 |

Supplemental Data:

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

| | 2024 | 2023 |
|---|---|---|
| Operating loss | $ (1,020,840) | $ (437,364) |
| Depreciation expense | 4,141,073 | 3,691,374 |
| Bad debt | 16,410 | 25,680 |
| Changes in operating assets, deferred outflows of resources, liabilities and deferred inflows of resources: | | |
| Accounts receivable | (27,123) | (276,898) |
| Unbilled receivables | (32,786) | (104,240) |
| Prepaids | (712,522) | (87,176) |
| Inventory | (2,077,901) | (1,976,145) |
| Other current assets | (65,160) | 374,760 |
| Accounts payable | (421,947) | (2,193,799) |
| Accrued expenses | 1,374,074 | (1,397,831) |
| Related party payable | 233,420 | (55,011) |
| Compensated absences | (113,895) | 47,568 |
| Early retirement incentive | 37,721 | (27,256) |
| Contract payable | 10,240 | 10,718 |
| Net pension assets, deferred outflows of resources, liabilities, and deferred inflows of resources | (131,066) | (450,828) |
| Net cash provided (used) by operating activities | $ 1,209,698 | $ (2,856,448) |

The Company had no noncash investing or financing activities during the years ended December 31, 2024 and 2023.

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 $154,132 and $288,621 has been established at December 31, 2024 and 2023, 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**

During the year ended December 31, 2024, the District implemented Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. The new standard requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. A liability is recognized if the leave is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or paid out upon termination or retirement. The District restated beginning net position due to implementing this standard (see note 8).

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 and 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.

### 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 $20,269 and $25 and unspent contributions received in advance of construction of $3,495,675 and $1,918,054 included as restricted net position for capital projects as of December 31, 2024 and 2023, respectively. Additionally, the Company had $161,658 and $160,877 of net position restricted for debt service as of December 31, 2024 and 2023, respectively.

### 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, 2024, the bank balance is $2,205,418, 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 non-governmental issuer. The reported value of the pool is the same as the fair value of the pool shares and is not required to be reported in the fair value hierarchy.

*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 $20,269 and $25 in unspent impact fees and $3,495,675 and $1,918,054 in unspent contributions in advance of construction restricted for capital related projects for the years ended December 31, 2024 and 2023, respectively. The Company also had $4,766,847 and $21,356,332 in bond accounts restricted for debt service and capital related projects for the years ended December 31, 2024 and 2023, 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, 2024 and 2023, is as follows:

| | 2024 | 2023 |
|---|---|---|
| Carrying amount of deposits | $ 2,008,653 | $ 1,620,492 |
| Carrying amount of investments | 21,210,526 | 27,855,590 |
| Total cash and investments | $ 23,219,179 | $ 29,476,082 |

## NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2024 is as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $ 4,300,104 | $ - | $ - | $ 4,300,104 |
| Water rights | 630,375 | - | - | 630,375 |
| Construction in progress | 25,765,696 | 8,678,624 | (21,714,226) | 12,730,094 |
| Total capital assets not being depreciated | 30,696,175 | 8,678,624 | (21,714,226) | 17,660,573 |
| Capital assets being depreciated: | | | | |
| Power and generation plants | 9,695,284 | 1,989,691 | - | 11,684,975 |
| Distribution and metering systems | 70,249,675 | 29,804,154 | - | 100,053,829 |
| Buildings and improvements | 3,795,029 | - | - | 3,795,029 |
| Office equipment | 1,980,912 | 85,408 | - | 2,066,320 |
| Vehicles | 3,768,170 | 606,509 | (70,953) | 4,303,726 |
| Machinery, equipment, and tools | 2,500,484 | 70,770 | (35,200) | 2,536,054 |
| Total capital assets being depreciated | 91,989,554 | 32,556,532 | (106,153) | 124,439,933 |
| Accumulated depreciation | (41,786,473) | (4,141,073) | 88,552 | (45,838,994) |
| Net capital assets being depreciated | 50,203,081 | 28,415,459 | (17,601) | 78,600,939 |
| Net capital assets | $ 80,899,256 | $ 37,094,083 | $ (21,731,827) | $ 96,261,512 |

During the year ended December 31, 2024, the Company allocated $341,703 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, 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.

## NOTE 4 – NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended December 31, 2024 is as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Revenue bonds payable | $ 46,485,000 | $ - | $ (1,340,000) | $ 45,145,000 | $ 1,155,000 |
| Bond premium | 5,247,293 | - | (517,896) | 4,729,397 | - |
| Note payable | 898,911 | - | (140,052) | 758,859 | 143,857 |
| Compensated absences | 1,363,737 | - | (113,895) | 1,249,842 | 587,131 |
| Termination benefits | 102,411 | 64,747 | (27,026) | 140,132 | 36,122 |
| Contract payable | 1,189,196 | 10,240 | - | 1,199,436 | - |
| Net pension liability | 562,402 | 836,053 | (560,790) | 837,665 | - |
| Total noncurrent liabilities | $ 55,848,950 | $ 911,040 | $ (2,699,659) | $ 54,060,331 | $ 1,922,110 |

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 | 1,316,169 | 47,568 | - | 1,363,737 | 566,210 |
| 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 | $ 23,794,358 | $ 35,851,959 | $ (3,797,367) | $ 55,848,950 | $ 2,073,155 |

**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, 2024, 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% | $ 100,000 |
| Bond Series 2019 - Electric Revenue and Refunding Bonds - Original issue of $18,160,000 with interest rates ranging from 4.0% to 5.0% | 16,625,000 |
| Bond Series 2023 - Electric Revenue - Original issue of $29,070,000 with interest rates of 5.0% | 28,420,000 |
| | $ 45,145,000 |

The annual requirements to amortize all revenue bonds outstanding as of December 31, 2024, including interest payments, are listed as follows:

| Year Ending December 31, | Principal | Interest | Total |
|---|---|---|---|
| 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 | 1,690,000 | 1,878,000 | 3,568,000 |
| 2030-2034 | 9,710,000 | 8,041,250 | 17,751,250 |
| 2035-2039 | 9,810,000 | 5,682,250 | 15,492,250 |
| 2040-2044 | 11,650,000 | 3,283,950 | 14,933,950 |
| 2045-2047 | 6,570,000 | 615,250 | 7,185,250 |
| Total | $ 45,145,000 | $ 27,760,200 | $ 72,905,200 |

**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 |
|---|---|---|---|
| 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 | 159,843 | 8,505 | 168,348 |
| Total | $ 758,859 | $ 66,628 | $ 825,487 |

**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, 2024 and 2023, unreimbursed debt service costs incurred by the District on behalf of the Company totaled $1,199,436 and $1,189,196, respectively.

## NOTE 5 – 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, 2024, 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% | 5.11% | - | 16.97% |
| Tier 2 Contributory System ** | 10.08% | 5.11% | 0.00% | 15.19% |
| Tier 2 Defined Contribution Plan ** | 0.08% | 5.11% | 10.00% | 15.19% |

* 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, 2024, Company and employee contributions to the plans were as follows:

| | Company Contributions * | Employee Contributions |
|---|---|---|
| Tier 1 Noncontributory System | $ 486,524 | $ - |
| Tier 2 Contributory System | 300,324 | 7,232 |
| Tier 2 Defined Contribution Plan | 28,587 | - |
| 401(k) Plan | 128,525 | 147,075 |
| 457 Plan and other individual plans | - | 101,851 |

* 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, 2024, 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 | $ - | $ 705,798 |
| Tier 2 Contributory System | - | 131,867 |
| Total | $ - | $ 837,665 |

The net pension liability (asset) was measured as of December 31, 2023, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of January 1, 2023, 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, 2023, and the change in its proportion since the prior measurement date for each plan:

| | Proportionate Share | |
|---|---|---|
| | 2023 | Change |
| Tier 1 Noncontributory System | 0.3042802% | 0.0158151 % |
| Tier 2 Contributory System | 0.0677497% | 0.0049949 % |

For the year ended December 31, 2024, the Company recognized pension expense for the plans as follows:

| | Pension Expense |
|---|---|
| Defined benefit pension plans: | |
| Tier 1 Noncontributory System | $ 485,167 |
| Tier 2 Contributory System | 172,081 |
| Total | $ 657,248 |
| Defined contribution plans: | |
| Tier 2 Defined Contribution Plan | $ 18,399 |
| 401(k) Plan | 84,646 |
| Total | $ 103,045 |

At December 31, 2024, 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 | $ 494,208 | $ 42,236 | $ 536,444 |
| Changes of assumptions | 211,795 | 75,480 | 287,275 |
| Net difference between projected and actual earnings on pension plan investments | 229,519 | 14,891 | 244,410 |
| Changes in proportion and differences between Company contributions and proportionate share of contributions | 3,341 | 15,381 | 18,722 |
| Contributions subsequent to the measurement date | 486,521 | 328,911 | 815,432 |
| Total | $ 1,425,384 | $ 476,899 | $ 1,902,283 |

At December 31, 2024, the Company reported deferred inflows 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 | $ - | $ 2,159 | $ 2,159 |
| Changes of assumptions | - | 104 | 104 |
| Changes in proportion and differences between Company contributions and proportionate share of contributions | 4,483 | 2,482 | 6,965 |
| Total | $ 4,483 | $ 4,745 | $ 9,228 |

The $815,432 reported as deferred outflows of resources related to pensions resulting from Company contributions subsequent to the measurement date of December 31, 2023 will be recognized as a reduction of the net pension liability (asset) in the year ending December 31, 2025. 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 |
|---|---|---|---|
| 2025 | $ 309,495 | $ 12,295 | $ 321,790 |
| 2026 | 289,772 | 17,547 | 307,319 |
| 2027 | 431,512 | 30,235 | 461,747 |
| 2028 | (96,399) | 9,778 | (86,621) |
| 2029 | - | 13,357 | 13,357 |
| Thereafter | - | 60,031 | 60,031 |

### Actuarial Assumptions

The total pension liability (asset) in the January 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.50% |
| Salary increases | 3.50% to 9.50%, 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, 2023 valuation were based on the results of an actuarial experience study for the five-year period ended December 31, 2022. The wage inflation assumption increased by 0.25% to a range of 3.50% to 9.50% from 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 | 35% | 2.40% |
| Debt securities | 20% | 0.31% |
| Real assets | 18% | 0.98% |
| Private equity | 12% | 1.18% |
| Absolute return | 15% | 0.58% |
| 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 | $ 3,663,053 | $ 705,798 | $ (1,770,703) |
| Tier 2 Contributory System | 453,076 | 131,867 | (117,231) |
| Total | $ 4,116,129 | $ 837,665 | $ (1,887,934) |

**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, 2024 and 2023, the Company reported no payables for contributions to defined benefit pension plans and defined contribution plans.

## NOTE 6 – 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, 2024, the undiscounted future minimum payments for these agreements were as follows:

| Year Ending December 31, | |
|---|---|
| 2025 | $ 2,950,633 |
| 2026 | 2,462,377 |
| 2027 | 1,489,597 |
| 2028 | 694,500 |
| 2029 | 636,625 |

## NOTE 7 – 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.

## NOTE 8 – RESTATEMENT

During the year ended December 31, 2024, the District implemented Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. As a result of this implementation, the District restated its beginning net position balances for the year ended December 31, 2024 and 2023 and restated its compensated absences liability for the year ended December 31, 2023.

# REQUIRED SUPPLEMENTARY INFORMATION

## HEBER LIGHT & POWER COMPANY

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

Last Ten 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:** | | | | | |
| 2023 | 0.3042802 % | $ 705,798 | $ 2,773,559 | 25.45 % | 96.9 % |
| 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:** | | | | | |
| 2023 | 0.0677497 % | $ 131,867 | $ 1,751,564 | 7.53 % | 89.6 % |
| 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 Ten 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:** | | | | | |
| 2024 | $ 486,524 | $ 486,524 | $ - | $ 2,782,493 | 17.49 % |
| 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:** | | | | | |
| 2024 | $ 300,324 | $ 300,324 | $ - | $ 1,928,770 | 15.57 % |
| 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:** | | | | | |
| 2024 | $ 28,587 | $ 28,587 | $ - | $ 502,853 | 5.68 % |
| 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 ASSUMPTIONS – UTAH RETIREMENT SYSTEMS

The information presented was determined as part of actuarial valuations performed. Over time the actuarial assumptions are periodically changed. Amounts reported in the current and prior plan years include the following significant actuarial assumption changes:

| Plan Year | Discount Rate | Payroll Growth Rate | Wage Inflation Rate | Inflation Rate |
|---|---|---|---|---|
| 2023 | 6.85% | 2.90% | 3.50 to 9.50% | 2.50% |
| 2022 | 6.85% | 2.90% | 3.25 to 9.25% | 2.50% |
| 2021 | 6.85% | 2.90% | 3.25 to 9.25% | 2.50% |
| 2020 | 6.95% | 2.90% | 3.25 to 9.25% | 2.50% |
| 2019 | 6.95% | 3.00% | 3.25 to 9.25% | 2.50% |
| 2018 | 6.95% | 3.00% | 3.25 to 9.25% | 2.50% |
| 2017 | 6.95% | 3.00% | 3.25 to 9.25% | 2.50% |
| 2016 | 7.20% | 3.25% | 3.35 to 9.35% | 2.60% |
| 2015 | 7.50% | 3.25% | 3.50 to 9.50% | 2.75% |
| 2014 | 7.50% | 3.50% | 3.75 to 9.75% | 2.75% |

### NOTE B – SCHEDULES OF DISTRICT CONTRIBUTIONS – UTAH RETIREMENT SYSTEMS

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.

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

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, 2024, and the related notes to the financial statements, which collectively comprise the Company's financial statements, and have issued our report thereon dated April 21, 2025.

**Report on 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 or significant deficiencies may exist that have not been identified.

**Report on 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 material effect on the

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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 21, 2025

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, 2024:

Budgetary Compliance
Fund Balance
Fraud Risk Assessment
Utah Retirement Systems
Public Treasurer's Bond

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, 2024.

***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.

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***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.

**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 21, 2025