HEBER LIGHT & POWER COMPANY

FINANCIAL STATEMENTS AND
COMPLIANCE REPORTS

Years Ended December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Heber Light & Power Company

Report on the Financial Statements

We have audited the accompanying financial statements of Heber Light & Power Company (the Company), as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Company's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heber Light & Power Company as of December 31, 2020 and 2019 and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 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 March 23, 2021, 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
March 23, 2021

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, 2020 and 2019. 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, 2020 by $41,472,457 (net position). Of this amount $6,627,941 (unrestricted net position) may be used to meet the Company's ongoing obligations to customers, employees, and creditors.

During 2020, the Company's total net position increased by $4,896,727. In 2020, the Company's operating expenses increased $1,241,219 primarily attributable to an increase in power purchases of $1,268,657.

The assets and deferred outflows of resources of the Company exceeded its liabilities and deferred inflows of resources at December 31, 2019 by $36,575,730 (net position). Of this amount $7,812,395 (unrestricted net position) may be used to meet the Company's ongoing obligations to customers, employees, and creditors.

During 2019, the Company's total net position increased by $3,566,599. During 2019, the Company issued electric revenue and refunding bonds totaling $18,160,000. The Company incurred bond issuance costs totaling $218,734 in connection with the issuance of these bonds.

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 $41,472,457 at the close of the most recent fiscal year.

A portion of the Company's net position, $31,946,656 (77.0 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 $2,897,860 (7.0 percent) is restricted for capital projects. The remaining balance of unrestricted net position of $6,627,941 (16.0 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, 2020, 2019, and 2018

	2020	2019	2018
Current assets	$ 10,587,076	$ 12,177,025	$ 8,333,471
Restricted current assets	18,175,626	17,022,006	3,178,234
Capital assets	40,826,526	37,744,375	35,281,798
Total assets	69,589,228	66,943,406	46,793,503
Deferred outflows of resources	1,257,593	1,853,847	1,452,522
Current liabilities	2,940,881	3,395,964	2,098,298
Noncurrent liabilities	25,787,365	28,709,546	12,193,366
Total liabilities	28,728,246	32,105,510	14,291,664
Deferred inflows of resources	646,118	116,013	945,230
Net investment in capital assets	31,946,656	26,835,058	24,674,469
Restricted for capital projects	2,897,860	1,928,277	3,178,234
Unrestricted net position	6,627,941	7,812,395	5,156,428
Net position	$ 41,472,457	$ 36,575,730	$ 33,009,131

Heber Light & Power Company
CHANGE IN NET POSITION
Years Ended December 31, 2020, 2019, and 2018

	2020	2019	2018
Operating revenues	$ 20,530,165	$ 19,448,654	$ 18,862,974
Operating expenses	19,624,916	18,383,697	18,264,741
Operating income	905,249	1,064,957	598,233
Nonoperating revenues (expenses)	1,016,351	406,924	766,911
Contributions (distributions)	2,975,127	2,094,718	1,430,298
Change in net position	4,896,727	3,566,599	2,795,442
Net position, beginning of year	36,575,730	33,009,131	30,213,689
Net position, end of year	$ 41,472,457	$ 36,575,730	$ 33,009,131

In comparing 2020 with 2019, the following items should be noted:

During 2020, the Company's total net position increased by $4,896,727. In 2020, the Company's operating revenues increased $1,081,511 due to a 2.0% growth in the customer base as well as a rate change that went into effect in October 2019. In 2020, the Company's operating expenses increased $1,241,219 primarily attributable to an increase in power purchases due to customer growth in Heber Valley as well as higher power costs for market energy purchased.

In comparing 2019 with 2018, the following items should be noted:

During 2019, the Company's total net position increased by $3,566,599. In 2019, the Company's operating revenues increased $585,680 due to a 4% growth in the customer base as well as a rate change that went into effect in October 2019. In 2019, the Company's operating expenses increased $118,956 primarily attributable to an increase in unallocated depreciation expense of $199,072. During 2019, the Company also incurred additional nonoperating expenses attributable to bond issuance costs totaling $218,734 when it issued the 2019 electric revenue and refunding bonds.

Capital Asset and Debt Administration

Capital asset additions totaled $5,852,219 and $4,995,744 in 2020 and 2019, respectively. At the end of 2020 and 2019 the Company had $24,559,703 and $26,431,919, respectively, of capital-related debt. During 2019, the Company issued electric revenue and refunding bonds totaling $18,160,000. 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 2021 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, 2020 and 2019

	2020	2019
ASSETS		
Current Assets:		
Cash and investments	$ 5,384,426	$ 7,515,128
Restricted cash and investments	18,175,626	17,022,006
Accounts receivable, net of allowance for uncollectible accounts	1,686,188	1,608,177
Unbilled receivables	1,227,497	1,068,573
Prepaid expenses	361,304	187,892
Inventory	1,908,637	1,615,660
Other current assets	19,024	181,595
Total current assets	28,762,702	29,199,031
Capital Assets:		
Land, construction in progress, and water rights	5,396,457	3,955,227
Depreciable, net of accumulated depreciation	35,430,069	33,789,148
Net capital assets	40,826,526	37,744,375
Total assets	69,589,228	66,943,406
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on refundings	402,067	428,873
Pension related	855,526	1,424,974
Total deferred outflows of resources	1,257,593	1,853,847
LIABILITIES		
Current Liabilities:		
Accounts payable	443,391	552,823
Accrued expenses	1,197,374	1,567,371
Related party payable	197,006	178,927
Current portion of noncurrent liabilities	1,103,110	1,096,843
Total current liabilities	2,940,881	3,395,964
Noncurrent Liabilities:		
Revenue bonds payable	18,695,000	20,055,000
Bond premium	2,734,907	3,084,492
Capital lease obligations	1,167,898	1,296,977
Compensated absences	713,319	697,079
Early retirement incentive	160,337	158,612
Contract payable	1,232,819	1,219,887
Net pension liability	1,083,085	2,197,499
Total noncurrent liabilities	25,787,365	28,709,546
Total liabilities	28,728,246	32,105,510
DEFERRED INFLOWS OF RESOURCES		
Pension related	646,118	116,013
NET POSITION		
Net investment in capital assets	31,946,656	26,835,058
Restricted for capital projects	2,897,860	1,928,277
Unrestricted	6,627,941	7,812,395
Total net position	$ 41,472,457	$ 36,575,730

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, 2020 and 2019

	2020	2019
Operating Revenues:		
Electricity sales	$ 18,451,012	$ 17,406,935
Electricity sales - Jordanelle	1,804,706	1,639,521
Connection fees	37,400	38,740
Other income	237,047	363,458
Total operating revenues	20,530,165	19,448,654
Operating Expenses:		
Power purchases	8,618,520	7,569,661
Power purchases - Jordanelle	1,804,707	1,639,521
Salaries, wages, and benefits (unallocated)	1,350,940	1,458,395
System maintenance and training	3,530,575	3,393,076
Depreciation (unallocated)	2,499,494	2,325,393
Gas generation	702,432	909,728
Other	217,426	204,523
Vehicle	394,712	310,392
Office	137,591	103,259
Energy rebates	39,656	128,912
Professional services	138,018	179,010
Materials	137,546	105,252
Building	37,295	33,919
Bad debts	16,004	22,656
Total operating expenses	19,624,916	18,383,697
Operating Income	905,249	1,064,957
Nonoperating Revenues (Expenses):		
Impact fees	1,404,681	895,703
Interest income	253,314	124,000
Gain on sale of capital assets	24,171	-
Bond issuance costs	-	(218,734)
Interest expense	(665,815)	(394,045)
Total nonoperating revenues (expenses)	1,016,351	406,924
Contributions (Distributions):		
Contributed capital	3,275,127	2,394,718
Distributions to owners	(300,000)	(300,000)
Total contributions (distributions)	2,975,127	2,094,718
Change in Net Position	4,896,727	3,566,599
Net Position at Beginning of Year	36,575,730	33,009,131
Net Position at End of Year	$ 41,472,457	$ 36,575,730

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

HEBER LIGHT & POWER COMPANY
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019

		2020		2019
Cash Flows from Operating Activities:				
Cash received from customers	$	20,455,801	$	19,054,524
Cash paid to suppliers		(11,655,610)		(9,737,611)
Cash paid to employees and for employee benefits		(6,058,244)		(5,087,961)
Net cash provided by operating activities		2,741,947		4,228,952
Cash Flows from Capital and Related Financing Activities:				
Interest paid		(988,594)		(416,134)
Impact fees collected		1,404,681		895,703
Purchases of capital assets		(4,410,989)		(4,995,744)
Proceeds from sale of capital assets		24,225		-
Principal payments on revenue bonds		(1,410,000)		(370,000)
Principal payments on capital lease obligations		(125,563)		(122,117)
Contributed capital		1,833,897		2,394,718
Distributions to owners		(300,000)		(300,000)
Proceeds from bond issuance		-		15,676,813
Net cash provided (used) by capital and related financing activities		(3,972,343)		12,763,239
Cash Flows from Investing Activities:				
Interest received		253,314		124,000
Net Change in Cash and Cash Equivalents		(977,082)		17,116,191
Cash and Cash Equivalents at Beginning of Year		24,537,134		7,420,943
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)	$	23,560,052	$	24,537,134

Supplemental Data:

A reconciliation of operating income to net cash provided by operating activities follows:

		2020		2019
Operating income	$	905,249	$	1,064,957
Depreciation expense		2,770,014		2,533,167
Changes in operating assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
Accounts receivable		(78,011)		(115,590)
Unbilled reveivables		(158,924)		(151,710)
Prepaids		(173,412)		(69,329)
Inventory		(292,977)		(107,676)
Other current assets		162,571		(126,830)
Accounts payable		(109,432)		353,703
Accrued expenses		(369,997)		592,749
Related party payable		18,079		26,714
Compensated absences		67,616		213,560
Early retirement incentive		3,100		(38,549)
Contract payable		12,932		14,376
Net pension assets, deferred outflows of resources, liabilities, and deferred inflows of resources		(14,861)		39,410
Net cash provided by operating activities	$	2,741,947	$	4,228,952

The Company recognized bond issuance costs totaling $218,734 and deferred amounts on refunding totaling $428,873 as a result of the issuance of electric revenue refunding bonds during the year ended December 31, 2019. The Company had no noncash investing or financing activities during the year ended December 31, 2020.

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 $263,428 and $247,640 has been established at December 31, 2020 and 2019, 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.

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, 2020, the bank balance is $4,539,960, of which $633,483 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 $2,868,060 and $1,888,223 in unspent impact fees restricted for capital related projects for the years ended December 31, 2020 and 2019, respectively. The Company also had $15,307,546 and $15,133,783 in bond accounts restricted for debt service and capital related projects for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, is as follows:

	2020	2019
Carrying amount of deposits	$ 3,872,401	$ 6,168,875
Carrying amount of investments	19,687,651	18,368,259
Total cash and investments	$23,560,052	$24,537,134

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, 2020:

- Public Treasurers' Investment Fund position of $19,687,651 is valued at the Company's position in the PTIF multiplied by the published fair value factor (Level 2 inputs).

The Company has the following recurring fair value measurements as of December 31, 2019:

- Public Treasurers' Investment Fund position of $18,368,259 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, 2020 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	$ 1,802,330	$ -	$ -	$ 1,802,330
Water rights	663,475	-	-	663,475
Construction in progress	1,489,422	5,226,289	(3,785,059)	2,930,652
Total capital assets not being depreciated	3,955,227	5,226,289	(3,785,059)	5,396,457
Capital assets being depreciated:				
Power and generation plants	6,794,128	377,504	-	7,171,632
Distribution and metering systems	49,669,675	3,075,556	(199,264)	52,545,967
Buildings and improvements	2,022,414	171,096	-	2,193,510
Office equipment	1,629,121	55,555	-	1,684,676
Vehicles	2,362,905	709,582	(213,573)	2,858,914
Machinery, equipment, and tools	2,204,274	21,696	-	2,225,970
Total capital assets being depreciated	64,682,517	4,410,989	(412,837)	68,680,669
Accumulated depreciation	(30,893,369)	(2,770,014)	412,783	(33,250,600)
Net capital assets being depreciated	33,789,148	1,640,975	(54)	35,430,069
Net capital assets	$ 37,744,375	$ 6,867,264	$ (3,785,113)	$ 40,826,526

During the year ended December 31, 2020, the Company allocated $270,520 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, 2019 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	$ 203,045	$ 1,599,285	$ -	$ 1,802,330
Water rights	163,475	500,000	-	663,475
Construction in progress	1,735,554	2,412,744	(2,658,876)	1,489,422
Total capital assets not being depreciated	2,102,074	4,512,029	(2,658,876)	3,955,227
Capital assets being depreciated:				
Power and generation plants	6,786,528	7,600	-	6,794,128
Distribution and metering systems	47,018,806	2,650,869	-	49,669,675
Buildings and improvements	1,939,991	82,423	-	2,022,414
Office equipment	1,604,534	32,795	(8,208)	1,629,121
Vehicles	2,338,362	271,029	(246,486)	2,362,905
Machinery, equipment, and tools	2,106,399	97,875	-	2,204,274
Total capital assets being depreciated	61,794,620	3,142,591	(254,694)	64,682,517
Accumulated depreciation	(28,614,896)	(2,533,167)	254,694	(30,893,369)
Net capital assets being depreciated	33,179,724	609,424	-	33,789,148
Net capital assets	$ 35,281,798	$ 5,121,453	$ (2,658,876)	$ 37,744,375

During the year ended December 31, 2019, the Company allocated $70,774 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, 2020 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable	$ 20,705,000	$ -	$ (1,410,000)	$ 19,295,000	$ 600,000
Bond premium	3,084,492	-	(349,585)	2,734,907	-
Capital lease obligations	1,422,540	-	(125,563)	1,296,977	129,079
Compensated absences	991,879	450,965	(383,349)	1,059,495	346,176
Termination benefits	185,092	29,580	(26,480)	188,192	27,855
Contract payable	1,219,887	12,932	-	1,232,819	-
Net pension liability	2,197,499	1,608,334	(2,722,748)	1,083,085	-
Total noncurrent liabilities	$ 29,806,389	$ 2,101,811	$ (5,017,725)	$ 26,890,475	$ 1,103,110

Noncurrent liability activity for the year ended December 31, 2019 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable	$ 7,765,000	$ 18,160,000	$ (5,220,000)	$ 20,705,000	$ 650,000
Bond premium	92,161	3,014,420	(22,089)	3,084,492	-
Capital lease obligations	1,544,657	-	(122,117)	1,422,540	125,563
Compensated absences	778,319	388,672	(175,112)	991,879	294,800
Termination benefits	223,641	-	(38,549)	185,092	26,480
Contract payable	1,205,511	14,376	-	1,219,887	-
Net pension liability	1,356,420	1,435,243	(594,164)	2,197,499	-
Total noncurrent liabilities	$ 12,965,709	$ 23,012,711	$ (6,172,031)	$ 29,806,389	$ 1,096,843

Bond issuance

In December 2019, the Company issued $13,765,000 of electric revenue bonds with a premium of $2,035,817. The bonds were issued with interest rates ranging from 4.0% to 5.0% and will mature on December 15, 2045.

Advance refunding

In December 2019, the Company issued $4,395,000 of electric revenue refunding bonds with a premium of $978,603. The bonds were issued with interest rates ranging from 4.0% to 5.0% and will mature on December 15, 2045. The Company issued the bonds to advance refund $4,850,000 of outstanding Series 2010B taxable electric revenue bonds. The Company deposited the net proceeds along with other resources in an irrevocable trust to provide for all future debt service on the refunded portion of the Series 2010B taxable electric revenue bonds. As a result, that portion of the Series 2010B taxable electric revenue bonds is considered defeased, and the Company has removed the liability from its accounts.

The advance refunding reduced total debt service payments over the next 15 years by $764,831. This results in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $605,236.

Revenue Bonds Payable

Revenue bonds payable at December 31, 2020, 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%	$ 1,400,000
Bond Series 2019 - Electric Revenue and Refunding Bonds - Original issue of $18,160,000 with interest rates ranging from 4.0% to 5.0%	17,895,000
	$ 19,295,000

The annual requirements to amortize all revenue bonds outstanding as of December 31, 2020, including interest payments, are listed as follows:

Year Ending December 31,	Principal	Interest	Total
2021	$ 600,000	$ 889,050	$ 1,489,050
2022	625,000	860,650	1,485,650
2023	655,000	830,950	1,485,950
2024	690,000	796,750	1,486,750
2025	455,000	761,000	1,216,000
2026-2030	4,015,000	3,217,000	7,232,000
2031-2035	5,080,000	2,122,650	7,202,650
2036-2040	3,240,000	1,186,000	4,426,000
2041-2045	3,935,000	484,800	4,419,800
Total	$ 19,295,000	$ 11,148,850	$ 30,443,850

The Series 2010B revenue bonds (retired in 2019) were designated as Build America Bonds. The Company received an interest subsidy of $111,636 during the year ended December 31, 2019.

Capital Lease Obligations

The Company acquired equipment totaling $2,000,000 under a capital lease agreement. Lease payments for the years ended December 31, 2020 and 2019 totaled $163,900 and $163,745, respectively. Future minimum payments under capital lease obligations together with their present values as of December 31, 2020 are summarized as follows:

Year Ending December 31,	
2021	$ 164,032
2022	164,140
2023	164,222
2024	164,278
2025	165,308
2026-2029	656,981
Total minimum lease payments	1,478,961
Amount representing interest	(181,984)
Present value of minimum lease payments	$ 1,296,977

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, 2020 and 2019, debt service costs incurred by the District on behalf of the Company totaled $1,232,818 and $1,219,887, 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, 2020, 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%	6.61%	-	18.47%
Tier 2 Contributory System **	9.19%	6.61%	0.89%	16.69%
Tier 2 Defined Contribution Plan **	0.08%	6.61%	10.00%	16.69%

* 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, 2020, Company and employee contributions to the plans were as follows:

	Company Contributions *	Employee Contributions
Tier 1 Noncontributory System	$ 422,670	$ -
Tier 2 Contributory System	157,196	-
Tier 2 Defined Contribution Plan	23,880	-
401(k) Plan	93,741	130,943
457 Plan and other individual plans	-	82,506

* 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, 2020, the Company reported a net pension asset of zero and a net pension liability of $1,083,085 for the following plans:

	Net Pension Asset	Net Pension Liability
Tier 1 Noncontributory System	$ -	$ 1,068,050
Tier 2 Contributory System	-	15,035
Total	$ -	$ 1,083,085

The net pension liability (asset) was measured as of December 31, 2019, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of January 1, 2019, 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, 2019, and the change in its proportion since the prior measurement date for each plan:

	Proportionate Share	
	2019	Change
Tier 1 Noncontributory System	0.2833875%	(0.0117812)%
Tier 2 Contributory System	0.0668477%	0.0109079 %

For the year ended December 31, 2020, the Company recognized pension expense for the plans as follows:

		Pension Expense
Defined benefit pension plans:		
Tier 1 Noncontributory System	$	504,062
Tier 2 Contributory System		84,605
Total	$	588,667
Defined contribution plans:		
Tier 2 Defined Contribution Plan	$	18,399
401(k) Plan		84,646
Total	$	103,045

At December 31, 2020, 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	$	97,152	$	4,206	$	101,358
Changes of assumptions		113,119		6,420		119,539
Changes in proportion and differences between Company contributions and proportionate share of contributions		18,479		12,404		30,883
Contributions subsequent to the measurement date		422,670		181,076		603,746
Total	$	651,420	$	204,106	$	855,526

At December 31, 2020, 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	$	15,342	$	5,160	$	20,502
Changes of assumptions		-		432		432
Net difference between projected and actual earnings on pension plan investments		540,123		11,557		551,680
Changes in proportion and differences between Company contributions and proportionate share of contributions		73,504		-		73,504
Total	$	628,969	$	17,149	$	646,118

The $603,746 reported as deferred outflows of resources related to pensions resulting from Company contributions subsequent to the measurement date of December 31, 2019 will be recognized as a reduction of the net pension liability (asset) in the year ending December 31, 2021. 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
2021	$ (59,202)	$ (1,523)	$ (60,725)
2022	(144,088)	(1,298)	(145,386)
2023	8,416	677	9,093
2024	(205,345)	(3,027)	(208,372)
2025	-	1,597	1,597
Thereafter	-	9,455	9,455

Actuarial Assumptions

The total pension liability (asset) in the January 1, 2019 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 9.75%, average, including inflation
Investment rate of return	6.95%, 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, 2019 valuation were based on the results of an actuarial experience study for the five-year period ended December 31, 2016. 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	40%	6.15%
Debt securities	20%	0.40%
Real assets	15%	5.75%
Private equity	9%	9.95%
Absolute return	16%	2.85%
Cash and cash equivalents	0%	0.00%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability (asset) was 6.95%. 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 6.95%, 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 (5.95%) or 1-percentage-point higher (7.95%) than the current rate:

	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Company's proportionate share of the net pension liability (asset):			
Tier 1 Noncontributory System	$ 3,335,893	$ 1,068,050	$ (823,307)
Tier 2 Contributory System	129,650	15,035	(73,542)
Total	$ 3,465,543	$ 1,083,085	$ (896,849)

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, 2020 and 2019, 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, 2020, the undiscounted future minimum payments for these agreements were as follows:

Year Ending December 31,	
2021	$ 635,990
2022	2,280,840
2023	2,624,190
2024	2,529,930
2025	2,574,960
2026-2027	3,182,190

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 Six Plan (Calendar) 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:					
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:					
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 %

Refer to accompanying notes.

HEBER LIGHT & POWER COMPANY

Schedules of Company Contributions − Utah Retirement Systems

Last Six Reporting (Fiscal) 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:					
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:					
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:					
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 %

Refer to accompanying notes.

NOTE A – CHANGES IN ASSUMPTION – UTAH RETIREMENT SYSTEMS

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.

NOTE C – SCHEDULES OF COMPANY CONTRIBUTIONS – UTAH RETIREMENT SYSTEMS

These schedules only present information for our 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

SQUIRE
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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, 2020, and the related notes to the financial statements, which collectively comprise the Company's financial statements, and have issued our report thereon dated March 23, 2021.

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 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.*

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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
March 23, 2021

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

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, 2020:

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's compliance based on our audit of the state compliance requirements referred to above.

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. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement occurred. An audit includes examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state compliance requirement referred to above. However, our audit does not provide a legal determination of the Company's compliance with those requirements.

Opinion on Compliance

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, 2020.

Report on Internal Control over Compliance

Management of the Company is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Company's internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance with those state compliance requirements 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Company's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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
March 23, 2021