HEBER LIGHT & POWER COMPANY
(AN INTERLOCAL COOPERATIVE)

FINANCIAL REPORT

DECEMBER 31, 2005

HEBER LIGHT & POWER COMPANY
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WIGGINS & CO. P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Power Board
Heber Light & Power Company
Heber City, Utah

We have audited the accompanying basic financial statements of Heber Light & Power Company as of and for the year ended December 31, 2005, as listed in the table of contents. These basic financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Heber Light & Power Company as of December 31, 2005, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated January 20, 2005, on our consideration of Heber Light & Power Company's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

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The management's discussion and analysis on pages 3 through 4, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supporting schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Heber Light & Power Company. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in, all material respects, in relation to the basic financial statements taken as a whole.

Wiggins & Co. P.C.

Salt Lake City, Utah
January 20, 2005

HEBER LIGHT & POWER COMPANY
(AN INTERLOCAL COOPERATIVE)
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Heber Light and Power's (HL&P) annual financial report presents our discussion and analysis of HL&P's financial performance during the fiscal year ended December 31, 2005.

FINANCIAL HIGHLIGHTS

- Total revenues increased by $355,378 to $8,953,736
- Total expenses decreased by $112,002 to $1,005,162
- Total combined net assets increased by $682,296 to $11,798,965
- End of year cash and cash equivalents were $2,134,261
- Total liabilities and net assets were $19,668,879
- Capital net assets net of debt increased by $751,854 to $8,193,694
- Unrestricted net assets increased by $421,156 to 3,161,074
- Restricted net assets decreased by $491,714 to $444,197

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to HL&P's basic financial statements. HL&P's basic financial statement are comprised of two components:

1) company-wide financial statements;
2) notes to the financial statements.

This report also contains supplementary information in addition to the basic financial statements themselves. The basic financial statements includes a statement that presents an internal view of HL&P:

- The statement focuses on *company wide financials statement* that provide both *long-term* and *short-term* information about HL&P'S overall financial status.

The financial statements also includes notes that explain some of the information in the financial statements and provide more detailed data.

FINANCIAL ANALYSIS OF HL&P AS A WHOLE

Total assets: Heber Light and Power's combined net assets were $19,668,879

(See table A-1)

Table A-1
Heber Light & Power's Net Assets

	2005	2004
Current and other assets	$ 4,269,089	$ 4,384,267
Capital and Non-current Assets	15,399,790	12,296,309
Total Assets	19,668,879	16,680,576
Current Liabilities	1,053,955	936,070
Long Term Liabilities	6,815,959	4,627,837
Total Liabilities	7,869,914	5,563,907
Total Net Assets	$ 11,798,965	$ 11,116,669

A portion of the net assets is either restricted as to the purposes they can be used for or they are invested in capital assets. Unrestricted net assets may be used to fund HL&P's on going operations in the next fiscal year. However, this does not mean that HL&P has significant surplus resources available to pay its bills next year. The balance has remained similar to the prior years.

Changes in Total Revenues Heber Light and Power's total revenues were $8,953,736 representing a 4.1% increase over fiscal 2004. A significant portion, 97.8%, of the Company's revenue comes from electricity sales. 2.2% comes from connection fees and other income.

GENERAL FUND BUDGETARY HIGHLIGHTS

- Actual expenditures were below budget. The most significant positive variance resulted from savings on generation fuel and wholesale power purchases. Staffing is budgeted for full employment for 2006.
- Inventory value was reduced by $67,755 from 2004's $777,340 to 2005's $709,585

Economic Factors and Next Year's Budgets and Rates

- The 2006 revenue budget increased over 2005 year end actual by 4% to $9,330,000
- General operating fund spending increased by 4%
- Generation fuel increased by $150,000
- Load growth in the residential and commercial classes of 4%

These indicators were taken into account when adopting the general budget for 2006.

Contacting Heber Light and Power's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of HL&P'S finances and to demonstrate HL&P'S accountability for the money it receives. If you have questions about this report or need additional financial information, please contact our office at (435) 654-1581.

HEBER LIGHT & POWER COMPANY
(AN INTERLOCAL COOPERATIVE)
STATEMENT OF NET ASSETS
DECEMBER 31, 2005

ASSETS

Current assets:		
Cash and cash equivalents		$ 2,134,261
Restricted cash and cash equivalents (Note 6)		444,197
Trade accounts receivable	$ 926,449	
Unbilled accounts receivable	220,511	
	1,146,960	
Less allowance for doubtful accounts	(170,000)	
Net accounts receivable		976,960
Inventory at cost (first-in, first-out)		709,585
Bond issue costs and deferred bond expense (current portion)		4,086
Total current assets		4,269,089
Non-current Assets:		
Land	203,045	
Buildings	1,253,629	
Hydro-electric plant	2,794,201	
Machinery equipment and tools	1,835,224	
Distribution system	11,048,832	
Trucks	844,716	
Office equipment	172,530	
Generating plant	5,049,763	
Hyrum Christensen Reservoir	167,484	
Jordanelle Hydro Plant (engineering costs)	203,988	
	23,573,412	
Less: accumulated depreciation	(8,247,168)	
Total property, plant and equipment		15,326,244
Unamortized bond issue cost	77,632	
Less: current portion	(4,086)	
Net unamortized bond issue costs		73,546
Total non-current assets		15,399,790
Total assets		$ 19,668,879

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

HEBER LIGHT & POWER COMPANY
(AN INTERLOCAL COOPERATIVE)
STATEMENT OF NET ASSETS
DECEMBER 31, 2005

LIABILITIES	
Current liabilities:	
Trade accounts payable	$ 486,165
Other accrued payables	65,951
Accrued related party payable	39,873
Accrued interest payable	78,816
Current portion of long-term debt	316,591
Accrued employee benefits	66,559
Total current liabilities	1,053,955
Non-current liabilities:	
Long-term debt	6,815,959
Total liabilities	7,869,914
NET ASSETS	
Invested in capital assets net of related debt	8,193,694
Restricted	444,197
Unrestricted	3,161,074
Total net assets	11,798,965
Total liabilities and net assets	$ 19,668,879

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

HEBER LIGHT & POWER COMPANY
(AN INTERLOCAL COOPERATIVE)
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005

Operating revenues:	
Electricity sales	$ 8,758,314
Connection Fees	42,538
Other income	152,884
Total operating revenue	8,953,736
Cost of sales:	
Power purchases	3,544,719
Gas generation fuel	911,257
Wages - plant	480,122
Wages - distribution and construction	474,148
Repairs and maintenance	215,478
Materials	302,502
Truck expense	82,077
Depreciation	1,172,713
Employee benefits	378,073
Total cost of sales	7,561,089
Gross profit	1,392,647
Operating expenses:	
Salaries	271,937
Office expense	52,267
Postage	19,625
Depreciation	31,943
Travel	11,081
Miscellaneous	183,055
Insurance	357,239
Employee benefits	56,015
Bad debt expense	22,000
Total operating expenses	1,005,162
Income from operations	$ 387,485

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

HEBER LIGHT & POWER COMPANY
(AN INTERLOCAL COOPERATIVE)
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005

Non-operating revenues (expense):	
Interest	$ 79,009
Interest and bond issuance costs expense	(357,446)
Gain on sale of assets	4,335
Total non-operating revenue and expense	(274,102)
Net (Loss) before contributions and transfers	113,383
Capital contributed by developers	733,913
Change in net assets	847,296
Total net assets, beginning of year	11,116,669
Distributions to owners	(165,000)
Total net assets, end of year	$ 11,798,965

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

HEBER LIGHT & POWER COMPANY
(AN INTERLOCAL COOPERATIVE)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005

Cash flows from operating activities:	
Receipts from customers	$ 8,748,769
Payments to suppliers	(5,565,466)
Payments to employees	(1,558,485)
Net cash (used) by operating activities	1,624,818
Cash flows from investing activities:	
Less gain on sale of assets	(4,335)
Interest income	79,009
Proceeds on sale of assets	150,000
Net cash provided by investing activities	224,674
Cash flows from capital and related financing activities:	
Purchase of capital assets	(3,723,975)
Proceeds from capital lease	2,615,214
Principal paid on long-term debt	(260,501)
Interest paid on long-term debt	(353,109)
Distributions to owners	(165,000)
Net cash (used) by capital and related financing activities	(1,887,371)
Net increase (decrease) in cash and cash equivalents	(37,879)
Cash and cash equivalents, beginning of year	2,616,337
Cash and cash equivalents, end of year	$ 2,578,458

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

HEBER LIGHT & POWER COMPANY
(AN INTERLOCAL COOPERATIVE)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005

Reconciliation of operating income to net cash	
Provided by operating activities:	
Income from operations	$ 387,485
Adjustments to reconcile operating income to net cash	
Provided by operating activities:	
Depreciation and amortization expense	1,204,656
Change in current assets and liabilities:	
Decrease in accounts receivable, net of allowance	9,545
Decrease in inventory	67,756
Decrease in other assets	4,086
(Decrease) in accounts payable	(103,664)
Increase in accrued liabilities	54,954
Net cash provided by operating activities	$ 1,624,818
Non cash investing, capital and financing activities:	
Capital assets contributed by developers	$ 733,913

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Heber Light & Power Company is an interlocal cooperative providing electricity to the municipalities of Heber City, Midway and Charleston. Heber Light & Power Company is not considered a component unit of Heber City, Midway or Charleston. Heber Light & Power does not have any component units. These financial statements include only items relating to the business of the Cooperative and is reported as an enterprise fund.

In 2004 the Company implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB Statement No. 34), GASB Statement 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* which provides additional guidance for the implementation of GASB Statement 34, and GASB Statement No. 38, *Certain Financial Statement Disclosures* which changes note disclosure requirements for governmental entities.

The financial statements of the Company are prepared in accordance with generally accepted accounting principles (GAAP). The Company's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Company's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The financial statements are accounted for using economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Unbilled electric utility service receivables are recorded at year end.

Operating revenue reported in the statement of revenues, expenses, and changes in net assets includes revenues and expenses related to the primary, continuing operations of the company. Principal operating revenues are charges to customers for sales or services. Principal operating expenses are the costs of providing services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating.

Fixed assets are recorded at cost. Depreciation of all exhaustible fixed assets used by the company is charged as an expense against operations. Accumulated depreciation is reported on the balance sheet. Depreciation has been provided over the estimated useful lives using the straight line method.

Accumulated unpaid vacation and other employee benefit amounts are accrued when incurred using the accrual basis.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company is not subject to federal or state income taxes since it is owned by three municipalities.

Cash and cash equivalents are cash in bank and Public Treasurer's Investment Fund.

For purposes of the statement of cash flows, the Company considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

The Company uses the following procedures in establishing the budget that is submitted to the State Auditor.

1. The management submits a proposed budget to the power board in November.
2. The board approves a proposed budget.
3. In December the next year's budget is adopted in a public hearing.
4. The budget is reviewed in December of the current year and amended (if necessary) in a public hearing.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2. CASH AND INVESTMENTS

Deposits

At December 31, 2005, the carrying amount of the Company's deposits was $2,578,458 and the bank balance was $1,256,387. Of the bank balance, $100,000 was covered by federal depository insurance. Deposits are not collateralized nor are they required to be by state statute.

The Company follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the depositing of funds in a "qualified depository". The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

NOTE 2. CASH AND INVESTMENTS (continued)

The Money Management Act also defines the types of securities allowed as appropriate temporary investments for the Company and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

Certain assets are restricted by provisions of the revenue bond resolutions. The resolutions also describe how these restricted assets may be deposited and invested. Restricted cash may only be deposited in state or national banks meeting certain minimum net worth requirements or invested in securities representing direct obligations of or obligations guaranteed by the United States government, agencies of the United States government, any state within the territorial United States of America; or repurchase agreements or interest bearing time deposits with state or national banks meeting certain minimum net worth requirements; or certain other investments.

The Company's investment policy only allows for investments in the Utah Public Treasure's Investment Fund (UPTIF).

Investments

At December 31, 2005, the Company's investment balances were as follows:

Investment type	Fair Value	Maturity	Rating
Utah Public Treasurer's Investment Fund	$ 1,374,439	N/A	Unrated

Interest Rate Risk. The Company has no policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Company invests in the Utah Public Treasurer's Investment Fund.

Credit Risk. The Company has no policy regarding credit risk. The investment in the Utah Public Treasurer's Investment Fund is unrated. These monies are invested primarily in money market securities.

Custodial Credit Risk. For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Company will not be able to recover the value of its investments that are in the possession of an outside party. The Company has no policy on custodial credit risk.

Concentration of Credit Risk. The Company places no limit on the amount that the Company may invest in any one issuer. The Company has no concentration of credit risk.

The Utah Public Treasurer's Investment Fund is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds. The Fund is not SEC registered. The fair value of the Company's position in the fund is the same as the value of the fund shares.

NOTE 2. CASH AND INVESTMENTS (continued)

Restricted Assets

The restricted cash and investments of $444,197 are shown as restricted assets to be used only for purposes designated by contract or under legal provisions for debt servicing.

NOTE 3. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2005, the Company engaged in transactions with owners of the Company as follows:

	Heber City	Midway	Charleston
Power Sales	$ 96,645	$ 43,357	$ 2,929

Power sales are made to owners on the same basis and costs as with regular customers.

NOTE 4. FIXED ASSETS/DEPRECIATION

The Company's policy is to capitalize assets which exceed $1,000.

Depreciation of fixed assets has been computed using the straight-line method. Useful lives and depreciation amounts for the year are as follows:

Assets	Useful Life Years	Amount
Buildings	20-50	$ 36,865
Capital improvements	5-30	73,594
Hydro-electric plant	10-40	69,861
Machinery, equipment and tools	5-12	184,934
Distribution system	5-30	381,158
Trucks	3-5	89,766
Office equipment	5-10	26,220
Generating plant	8-20	328,444
Hyrum Christensen Reservoir	10	1,416
Jordanelle Hydro Plant – engineering costs	20	12,398
Total		$ 1,204,656

NOTE 4. FIXED ASSETS/DEPRECIATION (Continued)

Changes in fixed assets are as follows:

	Balance 12/31/04	Additions	Deletions	Balance 12/31/05
Land	$ 203,045	$	$	$ 203,045
Buildings	1,246,009	7,620		1,253,629
Hydro-electric plant	2,794,201			2,794,201
Machinery equipment and tools	1,830,124	5,100		1,835,224
Distribution system	9,239,572	1,809,260		11,048,832
Trucks	844,716			844,716
Office equipment	151,835	20,695		172,530
Generating plant	2,791,283	2,615,214	(356,734)	5,049,763
Hyrum Christensen Reservoir	167,484			167,484
Jordanelle Hydro Plant – Engineering costs	203,988			203,988
	19,472,257	4,457,889	(356,734)	23,573,412
Less: accumulated depreciation	(7,253,581)	(1,204,656)	211,069	(8,247,168)
Total property, plant and equipment	$12,218,676	$ 3,253,233	$ (145,665)	$ 15,326,244

NOTE 5. DEFINED BENEFIT PENSION PLAN

Local Government - Cost Sharing

Plan Description. Heber Light & Power Company contributes to the Local Governmental Noncontributory Retirement System, which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems. Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

NOTE 5. DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy. Plan members in the Local Governmental Noncontributory Retirement System are required to contribute 11.09% for the period from January through June 2005 and 11.09% from July through December 2005 of their annual covered salary. The contribution rates are the actuarially determined. The contribution requirements of the systems are authorized by statue and specified by the board.

The salaries and wages paid by Heber Light & Power Company are covered by the Local Governmental System Noncontributory System. The salaries and wages paid for the years ending December 31, 2005, 2004, and 2003 were $1,444,115, $1,439,535, and $1,406,245 respectively.

The Heber Light & Power Company contributions to the Local Governmental Noncontributory Retirement System for December 31, 2005, 2004, and 2003 were $160,152, $148,804, and $128,878 respectively. The contributions were equal to the required contributions for each year.

IRC Code Section 401K Plan

The Company participates in a 401K plan offered through Utah State Retirement Systems. The contribution for the year ended December 31, 2005, was $139,376, which consisted of $96,915 from employee contributions and $42,461 from Company contributions.

NOTE 6. LONG-TERM DEBT

Bonds Payable

The Company issued $4,995,000 Electric Revenue Bonds Series 2002 on October 15, 2002. These bonds have coupon interest rates ranging from 3.25 percent to 5.00 percent. Interest payments are due semi-annually beginning June 15, 2003, with the last interest payment scheduled on December 15, 2025. Principal payments are due annually beginning December 15, 2003, with the last payment scheduled December 15, 2025.

The Series 2003 Bonds are special obligations of the Company payable solely from and secured solely by (a) the proceeds of the sale of Bonds, (b) the Revenues, and (c) all Funds established by the Indenture including the investments thereof. The pledge of the Revenues is subject to (1) the prior payment from Revenues of the Operation and Maintenance Costs of the System, (2) any required rebate of investment earnings to the United States of America, and (3) the application of the Revenues and Funds for the purposes permitted by, and on the terms and conditions set forth in, the Indenture.

NOTE 6. LONG-TERM DEBT (Continued)

The Revenues consist of amounts received by the Company from or attributable to the System, the sale of the output, capacity or services of the System, and certain other proceeds and earnings, as set forth in the Indenture.

The Indenture provides that the Debt Service Reserve Account will be funded in an amount equal to the Debt Service Reserve Requirement for Series 2003 Bonds. The Debt Service Reserve Requirement is an amount equal to the least of (i) the sum of ten percent of the original principal amount of the Bonds outstanding, (ii) the Maximum Annual Debt Service on the Bonds and (iii) 125% of the Average Annual Debt Service on the Bonds. The Debt Service Reserve Requirement was $356,165, at December 31, 2005.

Capital Leases

The company has entered into a capital lease agreement as follows:

The Company capitalized the leased equipment with a fair value of $2,615,214 for a period of nine years from January 1, 2005 to May 23, 2014 requiring 18 semi-annual payments of $172,612 and a balloon payment of $269,991. Interest will be charged at a rate of 4.75% per annum. The payments on this lease may be skipped at the client's discretion up to a total of two times. The payments will be due by the termination date of the lease. The Company elected to skip one payment in 2005, leaving an option to skip one more payment. The single payment of $172,612 made in 2005 was made up of a principal payment of $110,501 and an interest payment of $62,111. The depreciation expense on the leased equipment amounted to $274,658 for the year ended December 31, 2005.

This lease was capitalized in 2005 and will be depreciated over the estimated useful life of the assets obtained by the lease.

The long-term debts are as following:

	Amount Outstanding 12/31/04	Issued Current Year	Retired/ Reductions Current Year	Amount Outstanding 12/31/05	Due Within One Year
Revenue bonds – Series 2002	$ 4,745,000	$	$ (150,000)	$ 4,595,000	$ 150,000
Capital lease		2,615,214	(110,501)	2,504,713	166,591
Meter deposits - unsecured	32,837			32,837	
Total	$ 4,777,837	$ 2,615,214	$ (260,501)	$ 7,132,550	$ 316,591

NOTE 6. LONG-TERM DEBT (Continued)

Debt service requirements of long-term debt are as follows:

	Bond Series 2002 Payable		Meter	
	Principal	Interest	Deposits	Total
2006	$ 150,000	$ 206,165	$	$ 356,165
2007	150,000	201,290		351,290
2008	160,000	196,415		356,415
2009	170,000	190,495		360,495
2010	175,000	184,205		359,205
2011-2015	985,000	810,195		1,795,195
2016-2020	1,230,000	577,350		1,807,350
2021-2025	1,575,000	245,250		1,820,250
Other			32,837	32,837
Total	$ 4,595,000	$ 2,611,365	$ 32,837	$ 7,239,202

Assets pledged as security and debt service requirements for bonds are as follows:

Series 1993 - first lien on pledged net revenues and all funds (except the Rebate fund) established by the indenture. The Sinking fund requires 10% of the outstanding balance of the bonds. The unamortized bond issue cost and the deferred bond expense is being amortized over the life of the bonds.

The future payments on the lease are as follows:

	Principal	Interest	Total
2006	$ 166,591	$ 178,633	$ 345,224
2007	236,944	108,280	345,224
2008	248,332	96,892	345,224
2009	260,268	84,956	345,224
2010	272,778	72,446	345,224
2011-2014	1,319,800	151,920	1,471,720
Total	$ 2,504,713	$ 693,127	$ 3,197,840

NOTE 7. COMMITMENTS AND CONTINGENT LIABILITIES

Membership in Utah Associated Municipal Power System (UAMPS)

The Company is a member of the Utah Associated Municipal Power Systems (UAMPS). UAMPS is a joint action agency and political subdivision of the State of Utah formed under an Organization Agreement dated November 6, 1980, pursuant to the provisions of the Utah Inter-local Cooperation Act. UAMPS' membership consists of 38 municipalities, one joint action agency, one electric service district, one public utility district, two water conservancy districts, and one non-profit corporation.

UAMPS is a legally separate entity, which possesses the ability to establish its own budget, incur debt, sue and be sued, and own and lease property. No other governmental units in Utah exercise significant control over UAMPS. As such, UAMPS is not a component unit as defined by the Governmental Accounting Standards Board in their Statement No. 14, "The Financial Reporting Entity".

A summary of the UAMPS Take or Pay Agreements and/or projects the Company participated in is as follows:

UAMPS' purposes include planning, financing, developing, acquiring, constructing, improving, bettering, operating and maintaining of projects, or ownership interests or capacity rights therein, for the generation, transmission and distribution of electric energy for the benefit of its members.

The Company participated in various individual projects by entering into power sales and/or transmission service contracts. Under various power sales contracts, UAMPS' members are required to pay their proportionate share of all operation and maintenance expenses and debt service on the revenue bonds issued by UAMPS, and any other energy-related costs, as defined in the contract regardless of whether any power is supplied to the Company ("Take or Pay Agreements"). The Company has no firm commitments to make additional equity investments in UAMPS or in any specified projects of UAMPS. Under the organization agreement, the four members with the greatest financial obligations to UAMPS, one of which is the Company, are each entitled to designate one of UAMPS' directors. All other directors are selected from the representatives of the remaining UAMPS members.

Separate financial statements for UAMPS may be obtained from the Manager of Finance at 2825 East Cottonwood Parkway, Suite 200, Salt Lake City, Utah 84121.

NOTE 7. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

A summary of the UAMPS Take or Pay Agreements and/or projects the Company participated in is as follows: (continued)

(a) Hunter II Generation Project (Hunter II)

Hunter II, part of the Hunter Station in Emery County, Utah, is a coal fired, steam-electric generating unit with a net capacity of 430 megawatts. Hunter has commercially operated since June 1980 and is jointly owned by PacifiCorp, Deseret Generation & Transmission Co-operative and UAMPS. UAMPS owns an undivided 14.582 % interest in Hunter II, representing approximately 63 megawatts of capacity and energy.

The Company's current output entitlement in the Hunter II generating project is 5.82% of UAMPS ownership. The current debt obligation for the Company relating to the outstanding bond series of 1992, 1994, 1998, and 2004 as an operating expense, until the principal and interest has been paid, is 6.03%. The balance of UAMPS total obligation of all the Hunter bonds is $39,594,174 as of March 31, 2005 and a balance of $33,579,535 as of December 31, 2005.

The Company's share of this obligation is $1,941,267 at December 31, 2005. The Company has not recorded the bond obligation on its books. The debt is legally an obligation of UAMPS and not of the Company.

Series	Interest Rate	Maturity Dates	Balance December 31, 2005
1992	5.50%-6.45%	1998-2007	$ 11,070,338
1994	2.70%-5.00%	1994-2010	defeased 7/1/2004
1998	4.00%-5.00%	1999-2012	3,755,000
2004	1.50%-5.00%	2004-2010	17,350,000
2004 premium			1,404,196
	Total		$ 33,579,535
The Company's share at 6.03%			$ 1,941,267

(b) Craig Mona Transmission Project (Craig Mona)

The Craig Mona project involves the transmission capability of two interconnected 345 KV Transmission lines. UAMPS owns a 15 % interest in the first segment, running west from Craig, Colorado, to the Bonanza Power Plant in northeast Utah. UAMPS holds an entitlement to 54 megawatts capacity in the second segment from Bonanza to an interconnection at Mona, Utah.

NOTE 7. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

A summary of the UAMPS Take or Pay Agreements and/or projects the Company participated in is as follows: (continued)

(b) Craig Mona Transmission Project (Craig Mona) (continued)

The Company acquired 4.58% of UAMPS transfer rights in the Craig Mona transmission project. Since some of the original participants prepaid their debt obligations at the outset, the Company's debt obligation to the outstanding bond series 1993, until the principal and interest has been paid, is 9.43%. The balance of UAMPS total obligation of all the Craig Mona bonds is $3,765,000 at December 31, 2005. The Company's share of the obligation is $354,975 at December 31, 2005. The Company has not recorded the bond obligation on its books. The debt is legally an obligation of UAMPS and not of the Company.

Series	Interest Rate	Maturity Dates	Balance December 31, 2005
1993	2.80%-5.25%	1994-2009	$ 3,765,000
	Total		$ 3,765,000
The Company's share at 9.43%			$ 354,975

(c) The Colorado River Storage Project (CRSP)

CRSP is federally owned and operated by the United States Bureau of Reclamation. One purpose of CRSP is the production of hydroelectric capacity and energy. UAMPS acts as a single purchasing agent for its members and has a firm allocation of CRSP capacity and energy that is purchased through the Integrated Contract for Electric Services. The contract in the CRSP project runs through 2004, with a renewal option. The Company has an entitlement of 1/5 to 3 MW.

(d) Member Generation Project

In 1987, UAMPS forged a partnership with the UAMPS members that own diesel or natural gas-fired generators in order to put these units to work for the mutual benefit of the individual community-owned systems and all of UAMPS. Members' generators may be set aside for utilization by UAMPS as firm capacity to make non-firm energy purchases or cover loads when warranted by the market conditions or emergency situations. Included in the project is a 1,600-kilowatt mobile generator that is used as back-up, load control and emergency generation. While the Company's entitlement varies in the member generators' portion of the project depending on member participation in the project, the Company does have a 17.31% ownership in the mobile generator. The Company has not recorded the ownership interest in the mobile generator.

NOTE 7. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

A summary of the UAMPS Take or Pay Agreements and/or projects the Company participated in is as follows: (continued)

(e) Pool Project

The Pool Project brings the UAMPS members together in a resource clearinghouse for mutual advantages. The pool matches the member with surplus resources to those members who have a deficit of resources on an hourly basis.

The pool provides an advantage for the members who have invested in capacity for the long-term but occasionally have surplus for sale. The members who are short of resources are assured a convenient and economical supply source.

The Company participates in the UAMPS pool for planned and unplanned transactions. The agreement requires participants to pay the costs of the pool based on (a) direct costs of planned transactions, (b) the hourly cost of energy and associated transmission supplied on unplanned transactions and (c) the administrative costs of the pool. Termination of the pooling agreement requires a five-year notification.

Management of UAMPS, relying on forecast requirements and as directed by board resolution, acquired energy resources for the pool during 2003. These energy resources were high cost, as a result of market changes mandated by the Federal Energy Regulatory Commission and the actual pool requirements were less than forecasted needs. In order to minimize the cost impact to the pool participants, UAMPS elected to fund a portion of those costs with a five-year line of credit for up to $50 million. The debt service cost associated with the line of credit are considered administrative costs and will be assessed to the pool participants as a surcharge adopted by the UAMPS Board of Directors (The cost recovery charge is designated "CRC"). The UAMPS Board of Directors determines the CRC monthly based on the current payment requirements of the debt.

Currently the CRC is $1.03/MWH but varies from month to month based on the approval of the Board of Directors of UAMPS and on the Company's retail sales based on the current line of credit balance of $14 million. At $40 million the CRC would be set at $4.50/ MWH.

Any payments by the Company under the CRC will be reimbursed from future margins of UAMPS.

NOTE 7. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

A summary of the UAMPS Take or Pay Agreements and/or projects the Company participated in is as follows: (continued)

(f) Intermountain Power Project – Unit 3 Study Participation Agreement

The UAMPS has entered into the IPP – Unit 3 Study Participation Agreement with Intermountain Power Agency (IPA) and Los Angeles Department of Water and Power (LADWP) to investigate the feasibility of the construction and acquisition of a third unit at the Intermountain Power Plant (IPP Unit 3). The study's budget was set at $6 million and UAMPS' portion of the study costs is $2.5 million over three years.

The Company has agreed to participate in the Study. The Company's IPP Unit 3 Study Participation share is 2.52 %, which is approximately $63,000. In addition to the Study costs, UAMPS will incur additional administrative and general costs that will not be reimbursed.

These additional administrative and general costs have not been determined and were not accrued at December 31, 2003. The Study costs will be reimbursed, when the first IPP Unit 3 financing is completed (estimated to be the year 2004). The Company may terminate its IPP Unit 3 Study participation share at any time and costs paid will be reimbursed as noted above.

(g) Government & Public Affairs Project

Lobbying and the political considerations of the UAMPS members who elect to participate in these actions fall under the Government and Public Affairs Project. Nationally and locally, UAMPS represents a strong political stance on issues related to electric utilities and the public power movement. Under this project's umbrella comes UAMPS' affiliation with APPA and CREDA. The Company participates in this project with the following participation percentages: APPA – 3.05%, CREDA – 3.02%, State Legislation – 4.01% and Federal Legislation – 3.89%.

NOTE 7. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Other Contractual Obligations

(a) Intermountain Power Agency (IPA) Contract

The Company is a member of the Intermountain Power Agency (IPA), a separate legal entity established under the guidelines of the Utah Inter-local Co-operation Act. The IPA operates a power production plant near Delta, Utah for the benefit of its members. IPA has approximately $5.1 billion of revenue bonds that are paid from the revenues received from participant charges. Under the terms of its original contract with IPA, the Company is entitled and obligated to purchase 0.627 % of the plant's power output. However, under a subsequent excess power sales agreement, the Company transferred its power entitlement to certain California purchasers for the duration of the project unless the Company recalls any or all of the entitlement. In recent years, the Company sold all of its entitlement to the California purchasers. The Company is liable for operating expenses and repayment of the outstanding bonds only in the event of a prolonged power outage (in excess of 24 months) and/or failure to perform under the agreement on the part of each of the California purchasers.

(b) Jordanelle Dam Commitment

Heber Light & Power (HL&P) and Central Utah Water Conservancy District (District), on August 16, 2000, jointly received approval from the United States Department of the Interior (DOI) to enter into negotiations to lease the power production privilege at Jordanelle Dam.

HL&P and the District have entered into a letter of understanding for the joint Hydroelectric Power Production Development at Jordanelle Dam. The estimated cost of the proposal was $72,400. HL&P paid $10,000 of this cost. If the proposal is successful the cost of the proposal will be included in negotiations of future project costs. The final design will begin once the size of the plant is determined and a preliminary cost estimate is known. The costs associated with additional professional services for the development of the project will be shared on an equal basis (50% each).

The District will be responsible for operation of the valves and equipment to determine water flow releases from the dam. The decisions on the operation of the power plant, respective share of project construction costs, revenues and methods of payment of operational and maintenance costs, including payment to the DOI will be negotiated after the plant sizing is completed and the expected projected costs are more clearly defined. The decisions as to the respective costs and benefits to be shared by HL&P and the District cannot be determined at this time.

SUPPORTING SCHEDULES

HEBER LIGHT & POWER COMPANY
(AN INTERLOCAL COOPERATIVE)
COMPARATIVE STATEMENT OF NET ASSETS

	December 31,			
	2005	2004	2003	2002
ASSETS				
Current assets:				
Cash and cash equivalents	$ 2,134,261	$ 1,680,426	$ 1,602,324	$ 1,552,058
Restricted cash and cash equivalents	444,197	935,911	1,418,999	4,552,954
Receivables, net of allowance for doubtful accounts	976,960	986,504	1,070,961	815,192
Inventory at cost (first-in, first-out)	709,585	777,340	537,575	284,705
Bond issue coasts and deferred bond expense (current portion)	4,086	4,086	4,086	21,182
Total current assets	4,269,089	4,384,267	4,633,945	7,226,091
Non-current Assets:				
Property, plant & equipment, net of accumulated depreciation	15,326,244	12,218,677	12,193,371	9,156,740
Unamortized bond issue cost, net of current portion	73,546	77,632	81,718	89,889
Total non-current assets	15,399,790	12,296,309	12,275,089	9,246,629
Total assets	$ 19,668,879	$ 16,680,576	$ 16,909,034	$ 16,472,720
LIABILITIES				
Current liabilities:				
Trade accounts payable	$ 486,165	$ 589,825	$ 818,370	$ 792,089
Other accrued payables	105,824	59,454	63,118	105,716
Accrued interest payable	78,816	8,996	8,996	36,528
Current portion of long-term debt	316,591	150,000	150,000	455,000
Accrued employee benefits	66,559	127,795	66,559	57,742
Total current liabilities	1,053,955	936,070	1,107,043	1,447,075
Non-current liabilities:				
Long-term debt	6,815,959	4,627,837	4,777,837	4,927,837
Total liabilities	7,869,914	5,563,907	5,884,880	6,374,912
NET ASSETS				
Invested in capital assets net of related debt	8,193,694	7,440,840	7,265,534	3,773,903
Restricted	444,197	935,911	1,418,999	4,552,954
Unrestricted	3,161,074	2,739,918	2,339,621	1,770,951
Total net assets	11,798,965	11,116,669	11,024,154	10,097,808
Total liabilities and net assets	$ 19,668,879	$ 16,680,576	$ 16,909,034	$ 16,472,720

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

HEBER LIGHT & POWER COMPANY
(AN INTERLOCAL COOPERATIVE)
COMPARATIVE STATEMENTS OF REVENUE, EXPENSES
AND CHANGES IN NET ASSETS

	December 31,			
	2005	2004	2003	2002
OPERATING REVENUES:				
Electricity sales	$ 8,758,314	$ 8,396,489	$ 8,248,955	$ 7,772,204
Connection Fees	42,538	34,053	54,989	54,946
Other income	152,884	167,815	97,280	109,167
Total operating revenue	8,953,736	8,598,357	8,401,224	7,936,317
Cost of sales:				
Power purchases	3,544,719	3,686,694	3,705,071	3,281,998
Gas generation fuel	911,257	609,119	563,938	954,881
Wages - plants	480,122	438,960	375,137	336,659
Wages - distribution and construction	474,148	956,050	369,631	448,380
Repairs and maintenance	215,478	240,637	163,518	247,272
Materials	302,502	224,002	360,751	500,240
Truck expense	82,077	67,133	60,983	81,577
Depreciation	1,172,713	854,406	667,860	466,668
Employee benefits	378,073	308,729	276,018	276,368
Total cost of sales	7,561,089	7,385,729	6,545,907	6,594,043
Gross profit	1,392,647	1,212,628	1,855,317	1,342,274
Operating expenses:				
Salaries	271,937	287,435	300,507	324,413
Office expenses	52,267	52,942	51,741	49,618
Postage	19,625	18,928	18,405	17,706
Depreciation	31,943	29,585	35,178	26,826
Travel	11,081	8,694	956	3,986
Miscellaneous	183,055	128,275	189,176	109,137
Insurance	357,239	526,119	354,541	310,672
Employee benefits	56,015	65,185	86,285	107,724
Bad debt expense	22,000		22,500	54,500
Total operating expenses expense	1,005,162	1,117,163	1,059,289	1,004,582
Income from operations	$ 387,485	$ 95,465	$ 796,028	$ 337,692

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

HEBER LIGHT & POWER COMPANY
(AN INTERLOCAL COOPERATIVE)
COMPARATIVE STATEMENTS OF REVENUE, EXPENSES
AND CHANGES IN NET ASSETS

	December 31,			
	2005	2004	2003	2002
Non-operating revenues (expenses)				
Interest	$ 79,009	$ 48,778	$ 72,874	$ 51,880
Interest and bond issuance costs expense	(357,446)	(222,501)	(264,037)	(79,135)
Gain on sale of assets	4,335	37,309	(2,022)	9,053
Total non-operating revenue and expense	(274,102)	(136,414)	(193,185)	(18,202)
Income (loss) before contributions and distribution	113,383	(40,949)	602,843	319,490
Capital contributed by developers	733,913	298,464	488,503	383,631
Change in net assets	847,296	257,515	1,091,346	703,121
Total net assets, beginning of year	11,116,669	11,024,154	10,097,808	9,559,687
Distribution to owners	(165,000)	(165,000)	(165,000)	(165,000)
Total net assets end of year	$ 11,798,965	$ 11,116,669	$ 11,024,154	$ 10,097,808

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

HEBER LIGHT & POWER COMPANY
(AN INTERLOCAL COOPERATIVE)
STATEMENT OF OWNER'S NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Total	Heber City	Midway	Charleston
Balance – January 1, 2005	$ 11,116,669	$ 8,337,501	$ 1,389,584	$ 1,389,584
Add net income	113,383	85,037	14,173	14,173
Add capital contributed by developers	733,913	550,435	91,739	91,739
Transfers out	(165,000)	(123,750)	(20,625)	(20,625)
Balance – December 31, 2005	$ 11,798,965	$ 8,849,223	$ 1,474,871	$ 1,474,871

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

HEBER LIGHT & POWER COMPANY

MANAGEMENT REPORTS

DECEMBER 31, 2005

HEBER LIGHT & POWER COMPANY
MANAGEMENT REPORTS
DECEMBER 31, 2005

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WIGGINS & CO. P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Power Board
Heber Light & Power Company

We have audited the basic financial statements of Heber Light & Power Company as of and for the year ended December 31, 2005, and have issued our report thereon dated January 20, 2006. We conducted our audit in accordance with 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.

Compliance

As part of obtaining reasonable assurance about whether Heber Light & Power Company's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statements amounts. 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Heber Light & Power Company's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Power Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Wiggins & Co. P.C.

Salt Lake City, Utah
January 20, 2006

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WIGGINS & CO. P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON STATE LEGAL COMPLIANCE

To the Power Board
Heber Light & Power Company

We have audited the basic financial statements of Heber Light & Power Company for the year ended December 31, 2005, and have issued our report thereon dated January 20, 2006. Our audit included testwork on the Company's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Special Districts
Other Compliance Requirements

The Company did not receive any major or nonmajor State grants during the year ended December 31, 2005.

The management of Heber Light & Power Company is responsible for the Company's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes the examining, on a test basis, evidence about the Company's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Heber Light & Power Company complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2005.

Wiggins & Co. P.C.

Salt Lake City, Utah
January 20, 2006

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